



Highlight: Brokered and reciprocal deposits increase at community banks

August 29, 2024

Several factors have affected the trend in brokered and reciprocal deposits at community banks.

- The trend in brokered deposits at community banking organizations^[1] (CBOs) has been affected by statutory and regulatory changes and deposit competition.
- Beginning in 2018, banks were able to exclude a capped amount of reciprocal deposits from being considered as brokered deposits as a result of Congressional action.^[2] Following the change, brokered deposits began to decline while nonbrokered reciprocal deposits increased, both in terms of dollar volume and as a percentage of total deposits. Brokered deposits continued this declining trend in 2020-2021, due to a surge in deposits during the pandemic and regulatory changes to the brokered deposit rule in 2020 that established several exceptions for deposits to be considered brokered.
- Brokered deposits have climbed sharply since 2022 due to increased competition for deposits in the higher interest rate environment. The increase in nonbrokered reciprocal deposits has been [linked](#) to the desire by customers for increased insurance coverage after the bank failures in 2023. As of June 30, 2024, brokered and nonbrokered reciprocal deposits account for 6.1 percent and 5.7 percent of total deposits, respectively.
- On July 30, 2024, the FDIC [proposed changes](#) to strengthen the brokered deposit rule based on the agency's experience since the adoption of the 2020 final rule and the large bank failures in 2023.

Questions or comments? Please contact KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org

Endnotes

^[1] Community banking organizations are defined as having less than \$10 billion in total assets.

^[2] Congress passed The Economic Growth, Regulatory Relief, and Consumer Protection Act in 2018. The FDIC brokered deposit rule ([12 CFR § 337.6](#)) also covers reciprocal deposits. A bank that is well capitalized and well rated can exclude reciprocal deposits up to the lesser of \$5 billion or 20 percent of total liabilities.