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For Immediate Release

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Academic study finds brokered deposits are safe and important deposit funding for 21st-century banking operations

June 6, 2018 — An academic study conducted for the Utah Center for Financial Services demonstrates that brokered deposits are a secure source of funding for banks. The Center engaged pre-eminent academic James Barth and his doctoral student colleague Yanfei Sun, who conducted a review of the impact and risk of relying on brokered deposits, focused on the last decade. In their study, Barth and Yanfei examined the safety of a range of brokered deposits during and after the Great Recession. They also reviewed all the major reports and studies regarding brokered deposits completed by other institutions.

"Brokered deposits have proven to be a stable and reliable source of deposits," said Barth, who is a distinguished scholar at Auburn University and is a former bank regulator. His work and numerous publications, focused on financial services, are well known and highly regarded. He believes the FDIC should update its policies regarding brokered deposits and recognize the stability of this form of funding as well as the lower sourcing cost and accessibility.

Brokered deposits generally involve a third party in the placement and are now issued by many banks to diversify their funding.

Barth intensively examined allegations made by the FDIC and others that brokered deposits were the cause of the Great-Recession and other economic crises. Barth scrutinized 59 studies and "found no direct causal relationship between brokered deposits and bank failures." The full study and summaries are available at Eccles.link/barth-report.

Barth believes most deposits classified by the FDIC as "Brokered Deposits" are now a well understood and accepted source of funds that help banks innovate business models and offer convenience and return for customers. He found that these deposits help diversify funding and add to the soundness of well-run financial institutions.

"We are pleased that Dr. Barth and Yanfei Sun developed this compelling study that should be helpful to bankers, regulators and other decision-makers, as well as academics and the media. It will help them understand and recognize that brokered deposits can be stable and efficient funding for banks to provide safe and convenient choices for consumers," said Al Landon,

director of the Utah Center for Financial Services, who is an adjunct professor at the David Eccles School of Business, a former banker and CPA.

About the Research

James R. Barth is the Lowder Eminent Scholar in Finance at Auburn University, a Senior Fellow at the Milken Institute, and a Fellow at the Wharton Financial Institutions Center. He has been a visiting scholar at the U.S. Congressional Budget Office, Federal Reserve Bank of Atlanta, Office of the Comptroller of the Currency and the World Bank.

Yanfei Sun is completing her doctoral studies at Auburn University.

About the Utah Center for Financial Services

The Utah Center for Financial Services (UCFS) funds research and is focused on the dual-banking system, specifically the role of state-chartered banks in the United States. UCFS is a partner with the Lasonde Entrepreneur Institute and the David Eccles School of Business.

About the David Eccles School of Business

The Eccles School is synonymous with 'doing.' The Eccles experience provides a world-class business education with a unique, entrepreneurial focus on real-world scenarios where students put what they learn into practice long before graduation. Founded in 1917 and educating more than 6,000 students annually, the University of Utah David Eccles School of Business offers nine undergraduate majors, four MBAs, eight other graduate programs, a Ph.D. in seven areas and executive education curricula. The School is also home to 12 institutes, centers and initiatives that deliver academic research and support an ecosystem of entrepreneurship and innovation. For more information, visit Eccles.Utah.edu or call 801-581-7676.

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