

## **Instructions – Notice, Application, and Reporting Process for Primary Purpose Exception (PPE)**

Below are filing instructions for third parties interested in relying upon the primary purpose exception to the deposit broker definition provided by the [brokered deposits rulemaking](#) (effective April 1, 2021). The instructions below are for an interim period until a more streamlined process is developed. As detailed below, submissions must be made through FDIC's secure email.

For PPE notices [CLICK HERE (insert hyperlink)]

For PPE applications [CLICK HERE (insert hyperlink)]

For PPE reporting and certification [CLICK HERE (insert hyperlink)]

### **PPE Notices**

Any third party, or an insured depository institution (IDI) on behalf of a third party, may submit a written notice to the FDIC that it will rely upon one of the “designated exceptions” in section 337.6(a)(5)(v)(I)(1)(i) and (ii) of the FDIC's Rules and Regulations. The two business relationships that are designated as meeting the primary purpose exception to the deposit broker definition and require a notice are the:

1. “25 percent test” – Less than 25 percent of the total customer assets under administration for that particular business line or the total amount of deposits placed on behalf of customers for that particular business line, is placed at depository institutions; and
2. “Enabling transactions test” – 100 percent of depositors' funds that the third party or IDI places, or assists in placing, at depository institutions are placed into transactional accounts that do not pay any fees, interest, or other remuneration to the depositor.

Entities that wish to rely on one of the two designated exceptions above must submit written notices through the secure email address listed below assigned for notices. Each submission should include the name of the organization and contact information, as well as:

1. The designated exception upon which the third party will rely;
2. A brief description of the relevant business line;
3. The applicable specific contents for the designated exception (as described below);
4. Either a statement that there is no involvement of any additional third party who qualifies as a deposit broker or a brief description of any additional third party that may qualify as a deposit broker; and
5. If the notice is provided by a nonbank third party, a list of the insured depository institutions that are receiving deposits by or through the particular business line.

The applicable specific contents are as follows:

1. For notices seeking to rely upon the “25 percent test” –
  - a. The total amount of customer assets under administration by the third party for that particular business line; and

- b. The total amount of deposits placed by the third party on behalf of its customers, for that particular business line, at all depository institutions.

Notice filers relying on the 25 percent test also must file quarterly reports. See “Reporting and Certification” instructions below.

2. For notices seeking to rely upon the “enabling transactions test” –
  - a. Contractual evidence that there is no interest, fees, or other remuneration, being paid to any customer accounts; and
  - b. A certification that all customer deposits that are placed at insured depository institutions are in transaction accounts.

Notice filers relying on the enabling transactions test also must file annual re-certifications of eligibility under this test. See “Reporting and Certification” instructions below.

\*The FDIC may request additional information from the notice filer at any time after receipt of the notice.

### **Submission Instructions for Notices:**

The FDIC will only accept submissions sent in the following way:

*FDIC Secure E-Mail:* Go to <https://securemail.fdic.gov> and follow directions to register to send secure e-mail to the FDIC, then send notices to this email address:

[Insert email address for notices]

### **PPE Applications**

A third party, or an IDI on behalf of a third party, may submit an application to the FDIC seeking a primary purpose exception for business relationships not designated in section 337.6(a)(5)(v)(I)(1) of the FDIC Rules and Regulations.

Entities that wish to apply for a primary purpose exception may submit an application to the secure email address listed below assigned for applications. The submission should include the name of the organization and contact information.

For applications for the primary purpose exception where customer funds that are placed at depository institutions are placed into transaction accounts, and fees, interest, or other remuneration are provided to the depositor, the applicant must include the following information, with respect to the relevant business line:

1. Contractual evidence on the amount of interest, fees, or other remuneration, being paid on customer accounts;
2. Any marketing materials provided by the third party to insured depository institutions or its customers;
3. The average number of transactions for all customer accounts, and an explanation of how its customers utilize its services for the purpose of making payments and not for the receipt of a deposit placement service or deposit insurance;

4. The percentage of customer funds placed in deposit accounts that are not transaction accounts;
5. A description of any additional third parties that provide assistance with the placement of deposits at insured depository institutions; and
6. Any other information that the FDIC requires to initiate its review and render the application complete.

For all other applications for primary purpose exception, applicants must include, to the extent applicable:

1. A description of the deposit placement arrangements between the third party and IDIs for the particular business line, including the services provided by any relevant third parties;
2. A description of the particular business line;
3. A description of the primary purpose of the particular business line;
4. The total amount of customer assets under management by the third party, with respect to the particular business line;
5. The total amount of deposits placed by the third party at all IDIs, including the amounts placed with the applicant, if the applicant is an IDI, with respect to the particular business line. This includes the total amount of term deposits and transactional deposits placed by the third party, but should be exclusive of the amount of brokered CDs, as defined in section 337.6(a)(5)(v)(I)(3), being placed by that third party;
6. Revenue generated from the third party's activities related to the placement, or facilitating the placement, of deposits, with respect to the particular business line;
7. Revenue generated from the third party's activities not related to the placement, or facilitating the placement, of deposits, with respect to the particular business line;
8. A description of the marketing activities provided by the third party, with respect to the particular business line;
9. The reasons the third party meets the primary purpose exception;
10. Any other information the applicant deems relevant; and
11. Any other information that the FDIC requires to initiate its review and render the application complete.

### **Submission Instructions for Applications:**

The FDIC will only accept submissions sent in the following way:

*FDIC Secure E-Mail:* Go to <https://securemail.fdic.gov> and follow directions to register to send secure e-mail to the FDIC, then send applications to this email address:

[Insert email address for applications]

### **PPE Reporting and Certification**

Certain entities that meet a primary purpose exception by either submitting a notice or an approved application are required to provide ongoing reporting or certification. The required

reporting and certification information may be submitted through the secure email address listed below assigned for reporting and certifications. All reporting and certification submissions should include the name of the organization and contact information.

Notice filers that submit a notice under the “25 percent test” must provide quarterly updates on the following information that was provided as part of the written notice:

1. The total amount of customer assets under administration by the third party for that particular business line; and
2. The total amount of deposits placed by the third party on behalf of its customers, for that particular business line, at all depository institutions, being placed by that third party.

Notice filers that submit a notice under the “enabling transactions test” must provide an annual certification that the third party continues to place all customer funds at IDIs into transaction accounts and that customers do not receive or accrue any interest, fees, or other remuneration.

Approved applications may be subject to periodic reporting requirements to ensure continued applicability of the exceptions. The FDIC will provide specific reporting requirements, including the frequency and any calculation methodology, as part of its written approval for a primary purpose exception.

### **Submission Instructions for Reporting and Certifications:**

**The FDIC will only accept submissions sent in the following way:**

*FDIC Secure E-Mail:* Go to <https://securemail.fdic.gov> and follow directions to register to send secure e-mail to the FDIC, then send reporting and certifications to this email address:

[Insert email address for reporting and certifications]

**General questions, including questions about these instructions, should be sent to [Brokered-Dep@fdic.gov](mailto:Brokered-Dep@fdic.gov).**