United States Senate
WASHINGTON, DC 20510

January 16, 2025

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St NW
Washington, D.C. 20429

The Honorable Travis Hill
Vice Chairman
Federal Deposit Insurance Corporation
550 17th St NW
Washington, D.C. 20429

Dear Chair Gruenberg and Vice Chairman Hill,

We are writing in support of the Federal Deposit Insurance Corporation's September 17, 2024, proposed rule to strengthen recordkeeping for custodial accounts with transactional features. We urge the agency to move forward with this rule without further delay to protect consumers' access to their savings. The proposed rule appropriately responds to new risks to security and trust for depositors and updates federal regulations to address increasingly complex relationships between consumers, FDIC-insured depository institutions (IDIs), and non-bank financial technology (fintech) companies.

Estimates indicate that more than 14 million Americans use a fintech account for banking services,[1] and individuals increasingly report using non-bank fintech as their primary bank account.[2] Users often cite fintech accounts as offering user-friendly and accessible banking services, as well as features and incentives that may not be available with a traditional bank account. Users may also believe that fintech accounts come with similar risk profiles and protections to accounts established directly at an IDI because those accounts are marketed as having FDIC insurance.

Non-bank fintech companies are able to offer FDIC insurance by pooling consumer funds and placing them in insured accounts at IDIs, including through middlemen known as Banking as a Service (BaaS) providers. However, the IDIs holding consumer funds are not currently required to maintain adequate records of the true owners of those deposits. In the event of a disruption, the lack of adequate recordkeeping requirements can hinder the ability of regulators and IDIs to provide consumers with timely access to their funds.

As you well know, many users of fintech companies that partnered with BaaS provider Synapse Financial Technologies (Synapse) have been unable to access their funds since May. Since Synapse filed for Chapter 11 Bankruptcy, consumers have suffered from pervasive delays and confusion as Synapse's IDI partners have been unable to locate and disburse all consumers'

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[1] Danielle Antosz, "What is a Neobank? How Fintech is transforming banking", July 31, 2023, Plaid Inc., https://plaid.com/resources/fintech/what-is-a-neobank/.
[2] Sherry Fairchok, "Fintechs and neobanks outpace big incumbents in US checking account openings", July 6, 2023, https://www.insiderintelligence.com/content/fintechs-neobanks-outpace-big-incumbents-us-checking-account-openings.

funds. Due to the failure of both Synapse and the connected IDIs to ensure consistent access to reliable records on deposits, the path to returning outstanding funds to the remaining users is unclear.

The FDIC's proposed rule on record-keeping for custodial accounts is a crucial step in protecting non-bank fintech users, and likely would have prevented much of financial distress our constituents continue to face due to the failure of Synapse and its partners to adequately track consumer funds. Consumers' timely access to their funds should not be contingent on the outcome of lengthy investigations or legal disputes between an IDI and its partner(s). The proposed rule would ensure that IDIs and their regulators have the information they need by requiring IDIs to maintain accurate records, updated daily, showing the true owners of the deposits they hold, including the amount held on behalf of each individual consumer.

We urge the agency to, after incorporating relevant stakeholder comments, finalize this rule as quickly as possible to protect consumers. Financial technology companies have great potential to empower everyday Americans, as well as to challenge and supplement the traditional banking system to meet customer demand. This rule will establish strong safeguards that allow for these innovative services to continue to grow while protecting everyday depositors and the financial system from unnecessary risks. We support the FDIC's continuing efforts to respond to emerging trends and risks in consumer banking.

Thank you for your consideration of this issue.

Sincerely,

Ron Wyden
United States Senator

John Fetterman
United States Senator