**Solution for FHLB larger deposits via FHLB Office of Finance**

Here is my idea for the FHLB banks that are experiencing customer deposits leaving the FHLB system because of the limits of the FDIC insurance. If the FHLB Office of Finance could set up the structure similar to the one I outline below for the community banks this would provide community bank deposit customers with insurance/protection for their excess deposits, a mechanism for keeping customer deposits within the FHLB system and provide customers with a way to access enhanced returns (i.e., via money market funds) on their excess deposits.

The FHLB banks need to offer their depositors a “new product” (i.e., Deposit Plus?) that provides a “FDIC insured deposit base” (i.e., 250,000) but then removes (i.e., possibly through a sweep of these accounts) any amounts above the FDIC insurance level into a FOB (for the benefit of) brokerage account (managed by the FHLB Office of Finance?). This FHLB account would be set up for each customer such that they would be covered by SIPC insurance (i.e., up to $500,000) per customer ($250,000 for cash). For depositors with funds in excess of the FDIC and SIPC insurance amounts the FHLB Office of Finance could have “excess SIPC” insurance provided through a private insurer.  Lloyds of London was the insurance carrier that most large firms used during the 2008/09 financial crisis for "excess SIPC". This kind of “new product” (or “new structure”) will, in addition to increasing the insurance levels, provide additional bankruptcy protection as well. Under the US Bankruptcy Code brokerage customer accounts fall under special provisions and have priority over unsecured creditors. If a broker is involved in a bankruptcy, the bankruptcy trustee transfers (i.e., “ports”) all the FBO (for the benefit of) customer accounts from the distressed or insolvent broker to a financially sound broker. In essence with a structure like this a customer's “deposits” would be protected even if the broker failed. Additionally, the FHLB banks would be able to offer more competitive rates for their customers “excess deposits” in the new FHLB Office of Finance FBO brokerage account(s), which the FHLB Office of Finance could manage (with or without an advisor).