

Good morning, Bank Slaters!

There has been a lot of chatter about the FHLB system considering articles about Silvergate Capital and Signature Bank using FHLB funds to offset declines in crypto-related deposits. Signature has been purposefully running crypto deposits off, while Silvergate suffered significant outflows after several clients imploded.

The most-concerning thing I've seen from the coverage is labeling FHLB advances as a bailout. While some reform makes sense, the system does serve a purpose funding housing, infrastructure, economic development and community-based projects. Borrowing is capped at a percentage of a member's total assets and sufficient collateral is required.

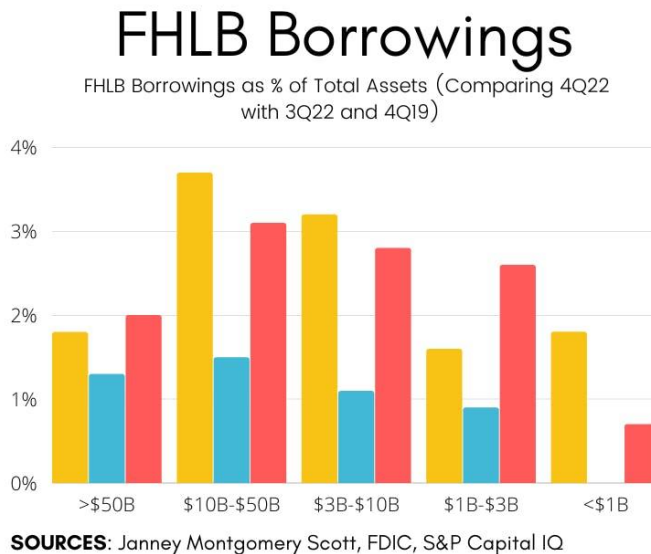
Janney Montgomery Scott crunched fourth quarter numbers (see chart) and found that, while advances as a percentage of assets rose from 3Q, they remain below pre-pandemic levels for most asset groups. (Exceptions are banks with \$1B-\$3B of assets and those with >\$50B of assets.)

While there's pressure on banks to shore up liquidity, the situation seems manageable – for now.

The real push involves competition for CDs and money-market funds, and efforts to retain transaction accounts. To be sure, regulators will pay more attention to banks with crypto-related deposits on their balance sheets.

How are you retaining deposits? Are you looking at FHLB advances? Let me know at info@thebankslate.com.

Here are the latest headlines.



The Big Headline

The Fed, FDIC and OCC are pressing banks to be diligent in assessing [liquidity risk tied to crypto-related deposits](#). They specifically pointed to deposits banks hold for crypto firms' customers and deposits used as reserves for stablecoins.

M&A

- Byline Bancorp in Chicago [briefly walked away](#) from talks to buy Inland Bancorp in Illinois. The break only lasted three months.
- Brunswick Bancorp in New Jersey [considered six offers](#) before negotiating exclusively with Mid Penn Bancorp in Pennsylvania.
- Main Street Financial Services in West Virginia [agreed to buy](#) Wayne Savings Bancshares in Ohio for \$68 million in a deal expected to close in the second half of this year.
- LINKBANCORP in Pennsylvania [agreed to buy](#) Partners Bancorp in Maryland for \$167.8 million in a deal that should close in the third quarter. Recall that Partners' proposed sale to OceanFirst Financial fell through after they were unable to get regulatory approval.
- Buckeye State Bancshares in Ohio [agreed to buy](#) Rockhold Bancshares in Ohio in a deal expected to close in the third quarter. The price wasn't disclosed.

Arrivals | Departures

- Dietrich Bank in Illinois said CFO Jason Semple will [succeed the retiring Chuck Deters as CEO](#) on May 1. Semple will also join the bank's board.
- Provident Bancorp in Massachusetts said Carol Houle and Joe Reilly are now [permanent co-presidents and co-CEOs](#). The executives had held interim titles since Dec. 23.
- The Credit Union Executives Society (CUES) in Wisconsin [hired a search firm](#) to help it find a successor for John Pembroke, who died in November.

(Fin)tech

- The Fed [rejected a request](#) by Custodia Bank to reconsider last month's decision to deny the Cheyenne, Wyo., company's application for Fed supervision.
- At least 136 FDIC-insured banks had [ongoing or planned crypto-related activities](#) in January. Many of those involved relationships with third-parties that let customers buy, sell and hold crypto.

- Citizens Trust Bank in Atlanta will [hold about \\$65 million](#) of USD Coin (USDC) cash reserves for Circle Internet Financial in Boston.

Odds & Ends

- A [potential battle is brewing](#) at First Foundation after the Dallas company invalidated an attempt by an activist investor to have individuals stand for board election.
- First Citizens BancShares in North Carolina [rebranded CIT Business Capital](#), its vendor equipment finance unit, as First Citizens Bank Equipment Finance.

Make sure to be productive this week. I will be in DC for a conference. I should have some perspectives to share next week!

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