

Frequently Asked Questions



Where can I find a list of rates for CDs offered through CDARS®?

Financial institutions that are members of the CDARS Network set the CD rates they offer. This allows them to price competitively for their local markets – and can benefit you, the customer, as a result. Check with your local branch for current rates.

How can deposits greater than the standard FDIC insurance maximum be insured by the FDIC?

The standard FDIC insurance maximum is \$250,000 per insured capacity, per bank. You can run around to multiple institutions to deposit your funds to receive the same coverage you can access through a single relationship using CDARS. When you place your large-dollar deposit with an institution that is a member of the CDARS Network, your deposit is divided into smaller amounts and placed with other CDARS Network members – each an FDIC-insured institution. Then, those member institutions issue CDs in amounts under \$250,000, so that your deposit is eligible for FDIC insurance at each member bank. By working directly with one Network member, you can receive insurance through many.

Who has custody of my funds?

Funds placed through CDARS are deposited only in FDIC-insured banks. Your financial institution acts as custodian for your CDARS deposits, and the subcustodian for CDARS deposits is The Bank of New York Mellon (BNY Mellon), the largest custodian in the world with \$35.2 trillion in assets under custody and/or administration, and \$1.8 trillion in assets under management.¹

Unique to CDARS, you as a depositor can obtain a confirmation of records maintained by BNY Mellon as subcustodian in order to reconcile those records with the statements received from your financial institution. At any time, as often as desired, you as a depositor can obtain a certified statement from BNY Mellon that confirms the exact amount of your CDs, including principal balance and accrued interest, for each FDIC-insured institution that issues a CD through CDARS.

You can submit a request for the certified statement, along with BNY Mellon's processing fee, through your financial institution. BNY Mellon will send the certified statement directly to you or to another party designated by you, such as an auditor.

Who provides the additional FDIC insurance when I place deposits using CDARS?

The CDARS Network members that issue your CDs through CDARS provide you with access to the additional FDIC insurance coverage. Working directly with just one financial institution, you get coverage through many.

How can my funds be used locally if my CDs are from financial institutions all over the country?

When CDARS Network members swap deposits on a dollar-for-dollar basis, the same amount of funds placed through the Network returns to your financial institution. As a result, the total amount of your original deposit can remain with your financial institution and be used for local lending. (CDARS® Reciprocal transactions only.)

Is my account information safe?

Your account information is protected; your relationship remains between you and your financial institution.

What happens when a CDARS Network member bank fails?

Most of the banks that have failed in the United States in recent years were not CDARS Network members or did not hold any CDARS deposits when they failed. When a Network member has failed, the bank's CDs issued using CDARS in most cases have been transferred to a healthy institution – the FDIC's preferred method for handling bank failures. In cases where the FDIC has been unable to find a healthy institution willing to accept such a transfer, it has arranged for the payment of the insured principal and accrued interest to the depositors. This payment has usually occurred in a matter of days.

Please go to <http://www.fdic.gov/deposit/index.html> to learn more about FDIC insurance.

Is the CDARS service safe to use? Has it been thoroughly tested?

The CDARS service has been thoroughly tested (with many billions of dollars) and has been designed so as to comply with every relevant FDIC requirement. Over the past decade and a half, thousands of depositors have successfully submitted funds for placement through CDARS.

Use of the CDARS service makes it possible for depositors to gain access to multiple millions of dollars of FDIC insurance on funds placed in certificates of deposit. And, no depositor has ever lost a penny of FDIC-insured deposits.

The service is offered by Promontory Interfinancial Network, a trusted fintech provider chosen by more than 3,000 banks across the nation and has received an exclusive endorsement from the American Bankers Association, following a comprehensive due-diligence review process.

Has the FDIC weighed in on the usage of such programs?

Since the creation of the FDIC more than eight decades ago, depositors have always had the option of depositing funds at multiple FDIC-insured banks to gain access to deposit insurance coverage in excess of the standard single-bank insurance amount, which is now \$250,000. The FDIC has always known of this practice and at times has even encouraged it. Deposit

placement services, such as Promontory Interfinancial Network's CDARS service (and its Insured Cash Sweep® service, which enables funds to be placed in demand deposit accounts, money market deposit accounts, or both), help depositors to achieve the same familiar result more easily and with added benefits, such as the opportunity to promote local lending through reciprocal deposits that the depositor's bank receives in return for deposits placed at other banks.

The FDIC routinely acknowledges that deposit placement services can be used to provide access to expanded deposit insurance coverage. For example, in a July 2016 "frequently asked questions" document, the FDIC specifically describes how a participating bank can place funds at other participating banks through a bank network to give its customer full insurance coverage on a deposit in excess of \$250,000.

Some banks receiving deposits placed through a Promontory Interfinancial Network service have failed during the company's history, and every resulting claim for deposit insurance has been paid in full by the FDIC.

CDARS (like Insured Cash Sweep) has been thoroughly tested, and reciprocal deposit placement services are recognized both in the FDIC regulations and in state statutes and regulations throughout the United States.