

# Reciprocal Deposits

## A WIN-WIN FOR BANKS AND THE COMMUNITIES THEY SERVE



Recently passed legislation, the Economic Growth, Regulatory Relief, and Consumer Protection Act, amends the Federal Deposit Insurance Act to make most reciprocal deposits no longer brokered. As a result, your bank can increase its use of reciprocal deposits to grow deposits, attract high-value relationships, and make more funds available for local lending.

Under the new law, for a well-capitalized bank with CAMELS rating of 1 or 2, reciprocal deposits up to the lesser amount of \$5 billion or 20% of the bank's total liabilities are no longer considered brokered. Reciprocal deposits over these amounts are allowed, but are treated as brokered.

A bank that drops below well-capitalized no longer requires a waiver from the FDIC to continue accepting reciprocal deposits up to the lesser of \$5 billion or 20% of total liabilities, so long as the bank does not receive reciprocal deposits that cause its overall reciprocal balance to exceed a specified previous average.

Looking to capitalize on the opportunities at hand, including the chance to build more customer relationships in the face of growing deposit competition? Turn to the nation's leading reciprocal deposit services: ICS®, or Insured Cash Sweep®, and CDARS®.

With ICS and CDARS, your bank can offer access to FDIC insurance beyond \$250,000 for funds placed into demand deposit accounts (ICS), money market deposit accounts (ICS), and/or CDs (CDARS). Enjoy:

### Growth

- Offer a differentiated service—access to higher levels of FDIC insurance than any bank, even the nation's largest, can offer on its own
- Add relationship-based funding that increases franchise value
- Attract deposits in larger increments
- Benefit from stable funding that tends to come from loyal customers and creates additional cross-selling opportunities
- More deposits means more funding available for local lending

### Efficiency

- Attract funding at retail rates
- Replace more expensive funding, like routinely collateralized deposits and those from listing services
- Better manage net interest margins and interest rate risk by taking advantage of low deposit betas (for both ICS and CDARS) and locking in customers for longer terms (with CDARS)
- Spread customer acquisition and retention costs over larger average per-customer holdings

### Flexibility

- Keep the amount of funds placed on balance sheet or, if your bank's liquidity position changes, sell the excess for fee income (either way, the customer relationship remains with your bank)
- Set the rates offered to ICS and CDARS customers as your institution sees fit

### Trust

Know that both ICS and CDARS are trusted, tested services:

- Utilized by *thousands* of banks across the nation
- Available from the inventor and the industry's largest provider of reciprocal deposits, a partner to banks that does not compete with banks for depositors
- Endorsed by the American Bankers Association, which makes due diligence reports available for both ICS and CDARS
- Used in nearly all states for the placement of funds by municipalities and other government entities, which place billions of dollars through these services every year

## Talk to Us Today!

**Glenn Martin**

Regional Director

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Use of the ICS and CDARS services is subject to the terms, conditions, and disclosures set forth in the applicable program agreements, including the applicable Participating Institution Agreement and Deposit Placement Agreement. Limits apply, and customer eligibility criteria may apply. ICS program withdrawals are limited to six per month when using the ICS savings option. ICS, Insured Cash Sweep, CDARS, and One-Way Sell are registered service marks of Promontory Interfinancial Network, LLC.

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