

Certificate of Deposit Account Registry Service

(from Answers.com/Wikipedia)

The Certificate of Deposit Account Registry Service (CDARS), is a private, for-profit service that breaks up large deposits (from individuals, companies, nonprofits, public funds, etc.) and places them across a network of about 2,700 banks and savings associations around the United States. This allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the FDIC deposit insurance limits in any one bank.

The service can place as much as \$50 million per customer and make all of it qualify for FDIC insurance coverage.^[1] A customer can achieve a similar result, as far as FDIC insurance is concerned, by going to a traditional deposit broker or opening accounts directly at multiple banks (although depending on the amount this could require a lot more paperwork). With the CDARS service, the customer's local bank sets the interest rate that will be paid on the entire deposit amount, and the customer gets one consolidated statement from that bank.

The service is used by community and regional banks to obtain deposits they would otherwise be unable to get.^[2] The company that provides CDARS, Promontory Interfinancial Network, also promotes something called the Gulf Coast Rebuilding Challenge. That project attempts to get companies to make large deposits in Gulf Coast community banks so those banks will have additional capital for local lending.^[3] The American Bankers Association and the Independent Community Bankers Association have come out in support of CDARS.^[4] The Bank of New York Mellon provides issuance, custody, settlement, and recordkeeping services for the CDARS network.^[5]

All FDIC insured banks, like the banks that receive deposits through CDARS, pay premiums into the FDIC insurance fund based on their deposits and risk levels. The FDIC has confirmed that deposits placed through a deposit placement service such as CDARS are eligible for "pass-through" FDIC insurance.^[6] The FDIC has not endorsed any particular method of maximizing FDIC insurance coverage, but states that depositors should "protect all (their) deposits with FDIC insurance."^[7]

References

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