

## Frequently Asked Questions about CDARS

### **Q. What is CDARS?**

**A.** CDARS stands for Certificate of Deposit Account Registry Service®. It is a special service developed by Promontory Interfinancial Network, LLC to provide large depositors better access to FDIC coverage for all of their funds.

### **Q. How does CDARS work?**

**A.** By using the CDARS network, you can place a deposit in excess of \$250,000 with Benchmark and be eligible to receive FDIC insurance coverage (for up to \$50 million). Your deposit is then placed into the CDARS network by Benchmark and automatically deposited in increments of less than \$250,000 with other banks in the network.

### **Q. Why are the increments under \$250,000?**

**A.** To allow for interest growth. The actual amount placed at each bank is calculated to make sure that your deposit will not exceed \$250,000 before expiration of the certificate.

### **Q. How can deposits greater than the standard FDIC insurance maximum be insured by the FDIC?**

**A.** The standard FDIC insurance maximum is \$250,000 per insured capacity, per bank. So, 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.

### **Q. Why do you say that CDs issued using CDARS are “eligible” for FDIC insurance?**

**A.** Customers are ultimately responsible for ensuring that their funds are insured by naming the institutions where all of their deposits placed outside of CDARS are located. CDARS will not place funds in any institution listed by a depositor. If a depositor were to fail to list all such institutions, CDARS might place funds in a bank where the customer already has money, which may put the customer over the \$250,000 per bank limit. It is vital that the customer disclose all accounts.

### **Q. Who provides the additional FDIC insurance when I place deposits using CDARS?**

**A.** 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.

### **Q. Do I get to choose which banks my money goes to?**

**A.** No, the network makes that decision based on information that we give them about you. For example, as mentioned above, we will ask you where you currently have other funds deposited so that those banks can be avoided. But there will still be plenty of options.

### **Q. Which banks are they?**

**A.** The CDARS network includes hundreds of banks across the country. While there are too many to list here, we can tell you that a majority of them are well-run community banks like Benchmark that watch out for their customers. That’s why they are members of the CDARS network!

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### **Q. Who has custody of my funds?**

**A.** 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 \$29.9 trillion in assets under custody and/or administration, and \$1.6 trillion in assets under management.<sup>1</sup>

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.

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

**A.** 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<sup>SM</sup> transactions only.)

### **Q. Will I know in which banks my funds have been placed?**

**A.** Yes, you will get a list of where your deposits are and the amount of each one.

### **Q. What happens if a bank issuing one of my CDs fails?**

**A.** Because CDs issued by other banks through CDARS are never for more than \$250,000, every penny invested through CDARS is eligible for full FDIC insurance. In the event that the FDIC pays out funds to eligible customers, Promontory would file a claim on your behalf. The typical timeframe for payout should be just a few business days.

### **Q. Will I get a different rate at each bank?**

**A.** No, your interest rate for each one of your deposits will be a rate set by Benchmark. This eliminates the need to “rate shop.”

### **Q. How does Benchmark determine what the rate will be?**

**A.** The rate will be determined by considering various factors, including prevailing rates for the general public at the time. Although it may not be the highest rate in the market, it will be competitive, especially considering the scope of the service associated with it.

### **Q. Will I get a statement from each bank?**

**A.** No, you will get a single statement, from Benchmark, listing all of your deposits and where they are held. Each institution that holds deposits on your behalf will be listed.

### **Q. How much coverage can I get through the CDARS program?**

**A.** You can receive up to \$50 million in FDIC coverage.

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**Q. I could just place separate deposits in various area banks and get all my money covered. What advantages does CDARS offer?**

**A.** Convenience is the biggest reason to use CDARS. It is, in a sense, one stop shopping. You do not have to run around placing your deposits and then keep track of them. With CDARS you work through Benchmark to get your deposits “spread out.” Keeping track of them is far easier as well. As mentioned previously, with CDARS, you earn one interest rate and receive one regular statement for all your deposits.

**Q. How do I know all my funds are covered with CDARS?**

**A.** When you decide you want to take advantage of the CDARS network, you will enter into a formal agreement regarding placement of the funds. This agreement is designed to protect all parties involved—you, Benchmark, the company that owns CDARS, and all the institutions that are members of CDARS.

**Q. Is a copy of the agreement available for me to examine before making my decision?**

**A.** Yes. As a matter of fact, if you are interested in this program, we encourage you to call your local Benchmark branch and get a copy to review.

**Q. I manage the funds for an organization. Can I use CDARS for these funds as well as my own?**

**A.** Absolutely! CDARS is perfect for businesses and non-profit organizations. We encourage anyone who is responsible for the safekeeping of major funds, including public funds managers, trustees, and financial advisors to consider CDARS.

*If you would like to get a rate quote for a CDARS portfolio,  
call your local branch and ask to speak with the branch manager.*