

# Reprinted from THE WALL STREET JOURNAL.

TUESDAY, OCTOBER 5, 2004

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## *Firm Insures Bank Deposits for Up to \$10 Million*

By JANE J. KIM

Consumers seeking extra protection for their savings can now insure as much as \$10 million in deposits at one bank.

Promontory Interfinancial Network, an Arlington, Va., company that runs a deposit-placement service, plans to announce today that it will double the amount of deposit insurance that bank customers can get. Previously, customers could insure as much as \$5 million.

The basic Federal Deposit Insurance Corp. coverage is \$100,000 per depositor, per institution. Those who want to insure more than that would have to set up other types of accounts — such as individual retirement accounts, joint accounts and revocable trust accounts — or spread out accounts across several banks. Savers who have uninsured deposits could be at risk of losing their money in a bank failure.

The Promontory service basically does just that for its customers. The service will break up customers' large

deposits into smaller amounts of less than \$100,000 and place those deposits at other banks in its network. A customer need only purchase a certificate of deposit at one of the 600 banks that have signed up for the service, called Certificate of Deposit Account Registry Service. Customers know which banks hold portions of their deposits and get one interest rate, one consolidated bank statement and, for individual account holders, one 1099 tax form. Banks pay a fee to participate in the service; there is no additional charge to consumers. To find participating banks, visit [www.cdars.com](http://www.cdars.com).

Promontory decided to raise its limit in response to requests from small-business owners, municipalities, nonprofit groups and trustees for higher insurance coverage, says Chairman and Chief Executive Officer Eugene Ludwig, a former Comptroller of the Currency who helped launch the service last year with other former bank regulators. About 75% of the service's transaction volume is made up of institu-

tional customers, while the remaining 25% comes from individuals.

But deposits placed through the service are only as good as the record-keeping skills of the participating banks, says David Barr, a spokesman for the FDIC. If a bank or brokerage firm goes under, the FDIC must be able to trace the deposits back to the original owner in order to insure the full amount of the deposits.

Some individuals — especially if they've recently come into an inheritance or sold a property, for example — may need to worry about exceeding current FDIC limits. Indeed, the percentage of uninsured deposits has been steadily rising to about 38% of total U.S. deposits as of the end of 2003, from 23% in 1994, says Mr. Barr. Part of the reason behind the increase may stem from the fact that Congress hasn't adjusted the limits since 1980, when it raised FDIC coverage to \$100,000 from \$40,000. Meanwhile, Congress is currently considering legislation that would raise the limits to \$130,000.

(Note to the reader: Promontory Interfinancial Network, LLC does not insure bank deposits. Record keeping for CDARS transactions is provided by The Bank of New York, one of the largest investment custodians world-wide.)