

## COURTESY OF NEW SEC REGULATIONS

### BANK DEPOSITS MAY BE THE BEST VEHICLE FOR SAFETY AND LIQUIDITY

New SEC regulations may prompt businesses and high-net worth investors to look again at the benefits of investing short-term assets with their primary bank. The Securities and Exchange Commission adopted regulations regarding the stable valuation feature (\$1 NAV) of non-US Government institutional money market funds that went into effect in the fall of 2016. In an effort to promote greater transparency in assessing investment risk, the SEC introduced several new regulations that require prime and municipal money market funds to float their NAV with the market. These changes introduced the potential for non-U.S. diversified money market funds to have a value less than \$1/share and restrictions on withdrawals in adverse market conditions which may affect the investment strategies of shareholders deemed to be non-retail investors (corporations, foundations and endowments are examples of entities impacted).

**As a result, many institutional customers are now seeking alternative investment strategies that can offer safety, liquidity and interest in lieu of these previously “\$1 safe” investment vehicles.**

Banks are in the unique position to offer solutions that address many of the specific requirements of larger depositors, including principal protection, liquidity and a competitive rate of return.

For example:

- Banks that participate in the Certificate of Deposit Account Registry Service®, or CDARS®, may offer the customer CD-level rates on deposits, along with access to multi-million-dollar FDIC insurance. When using CDARS, a depositor can select among a variety of maturities from 52-weeks to 260-weeks.
- Banks that participate in the Insured Cash Sweep®, or ICS®, service can offer depositors the opportunity to access multi-million dollar FDIC insurance on deposits placed into interest-bearing demand deposit accounts.<sup>2</sup>



**“The Insured Cash Sweep service is attractive, as it allows the bank to become a collaborator and problem solver. When a depositor’s funds are placed through the service, the funds are eligible for multi-million-dollar FDIC insurance, which is appealing to those of us who remember the market turbulence and dire state of many aspects of the financial markets in 2008,”** explains Patrick Larson, a principal at Advanced Capital Group.

With ICS, funds are placed into banks that are part of the ICS Network in amounts below the standard FDIC insurance maximum (\$250,000). This makes the placed funds eligible for FDIC protection. As a result, depositors can access FDIC insurance coverage from many institutions while working directly with only the primary institution.



### **A closer examination of ICS highlights key benefits:**

- Affords access to multi-million-dollar FDIC protection on deposits.

- Earns interest – places excess cash into demand deposit accounts using the ICS demand option.
- Saves time – the depositor works directly with only one participating institution. The depositor receives one statement summarizing account activity and balances.
- Flexible access to funds – unlimited program withdrawals using the ICS demand option. Depositors can submit their funds for placement in accordance with their cash management and liquidity needs.

In this time of fluctuating and often turbulent markets, bank deposit options stand out in a crowd. An exploration of the ICS service with a participating bank may prove invaluable.



To learn more about Insured Cash Sweep<sup>®</sup>, contact Lance Jeppson at Anchor Bank: [Lance\\_Jeppson@AnchorLink.com](mailto:Lance_Jeppson@AnchorLink.com) or (952) 249-6004



<sup>1</sup> Limits apply. Funds may be submitted for placement only after a depositor enters into a CDARS Deposit Placement Agreement with us. The agreement contains important information and conditions regarding the placement of funds by us. CDARS and Certificate of Deposit Account Registry Service are registered service marks of Promontory Interfinancial Network, LLC.

<sup>2</sup> Placement of your funds through the ICS service is subject to the terms, conditions, and disclosures set forth in the agreements that you enter into with us, including the ICS Deposit Placement Agreement. Limits and customer eligibility criteria apply. ICS and Insured Cash Sweep are registered service marks of Promontory Interfinancial Network, LLC.