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## Who buys the CD that your bank issues?

Typically brokered CD's are sold to individuals who are holding their monies at a brokerage firm and the average amount purchased is between \$25,000 and \$30,000 per investor. In the current economy, with so many uncertainties in the investment world, FDIC insurance has become more and more desirable.

The DTC eligible brokered CD program allows an individual to purchase an FDIC insured CD right in their securities account, without having to open

accounts at various different banking institutions. This product allows investors to diversify their portfolios, hold a wide range of securities at one place and create investments that are fully insured by the FDIC. And, it provides banks with another significant source of liquidity.

For more information on Brokered Certificates of Deposit, contact Bryan Bennett; 800-477-6266, [bbennett@finance500.com](mailto:bbennett@finance500.com).

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*"We realized that [brokered deposits] are a pretty good source of funding and a good liquidity vehicle."*

*—Bernard Clineburg, CEO,  
Cardinal Financial Corporation*



## Banks Enter the Brokered Deposit Market and Reach Retail Investors Nationwide

### Compete and Win with DTC Eligible Brokered Deposits

DTC eligible brokered deposits have been in existence now for over 25 years. Brokered deposits are an alternative to borrowing from the Federal Home loan banks, and can be used when local deposits are scarce or become too expensive, due to local competition and the expenses associated with adding branches. DTC eligible brokered deposits are sold only through registered brokerage firms nationwide. These deposits are considered by the FDIC to be "retail brokered deposits", because they are sold primarily to the retail public. By issuing a brokered certificate of deposit, the bank is tapping into the liquidity held by individuals and institutions at the nearly 10,000 brokerage firms in the U.S. This liquidity would almost be impossible for the average community bank to reach, unless a massive nationwide advertisement campaign were pursued, which often just doesn't make business or financial sense. By using a brokered CD underwriter, your bank can easily reach these customers with very little expense, and without competing with the gigantic institutions attempting to dominate the world of on-line banking. Insured institutions do not need to send customer statements or tax reporting forms and do not need to maintain customer service personnel to answer customer questions. The savings in overhead to an insured institution has been estimated at 90 basis points, though there are no empirical data to verify this conclusion.



In 2008, Finance 500 provided the expertise to banks to issue over \$22 billion in brokered deposits.



### **Diversify Your Deposit Base and Stabilize Liquidity**

DTC eligible brokered CD's are NOT eligible for early withdrawal, except in the case of death or adjudication of incompetence, which is stated on each master certificate. Since the buyers of these CD's hold the certificate in street name at the brokerage firm level, it is impossible for these "End User", retail customers to withdraw their monies, or to ever make a "Run" on the bank, which could occur with the average customer, or a "Direct CD" that you may find on an internet listing service. By accepting a reasonable portion of brokered deposits, this helps to diversify the banks total deposit base, thus protecting itself from the common customers who will withdraw their money and walk across the street for a five basis point raise in interest offered. Recent studies have shown that DTC eligible brokered deposits on average, for CD maturities ranging from 3 months to 5 years, are almost always lower, or less expensive, on an all-in cost basis, than interest rates on the on-line listing services and FHLB advances. When compared to the on-line listing services, brokered CD can be up to 130 basis points lower in cost!

### **Finance 500 Makes Brokered Deposits Easy for Community Banks**

Compliance for banks issuing a DTC eligible brokered CD is minimal. The due diligence required is mostly done at the registered brokerage firm level. Banks are generally required to have their brokered CD underwriter furnish them with evidence of FINRA and SEC registration, and annual outside audits which confirm the brokerage firm is completing the AML due diligence required by their regulators. This is submitted to your bank on an annual basis by the underwriter. The rest of the work is done at the brokerage firm level. That means that your bank doesn't need to spend time and resources dealing with the paperwork required to open any new accounts, send out monthly statements, confirms, and the typical documentation associated with the average new account. When you consider the man power necessary for raising millions in traditional deposits, compared with a brokered deposit, which can compile anywhere from \$500,000 to \$500,000,000 into a 2 page master certificate, the savings is immeasurable.

### **The Quiet Giant In Brokered Certificates of Deposit**

Finance 500 has been assisting banks in issuing DTC eligible brokered certificates of deposit for 12 years now. In 2008 alone, we raised \$22.5 billion for insured banking institutions through the DTC brokered CD program, which ranks us 3rd in volume nationally! We strongly believe that you will find that Finance 500 has the absolute best execution when it comes to pricing and delivery of brokered funds. We believe we offer the most convenient terms, and settlement dates in the industry. We take pride in our unmatched customer service and offer the very best compliance services for your institution. Plainly put, Finance 500 is the "Quiet Giant" when it comes to DTC eligible brokered certificates of deposit!

## **FINANCE 500 SPONSORS THE QUARTERLY OUTLOOK**

More than a newsletter, The Quarterly Outlook presents expert opinions and insightful perspectives on the opportunities and challenges Independent Banks face in today's unpredictable economy. Written and published by your partners at Finance 500, it will include introductions and information on products and services which can help your bank build deposits and liquidity. We welcome your comments and feedback on this newsletter. Send your thoughts to Bryan Bennett, [bbennett@finance500.com](mailto:bbennett@finance500.com).

