March 2020

PROTECTIONS FOR DEPOSIT, FIDUCIARY, AND CUSTODY ACCOUNTS

Many bank customers want to know about the protections for deposit accounts, as well as assets held in fiduciary and custody accounts. The following summarizes the protections for these accounts:

Deposit Accounts

Deposits are cash assets held in checking accounts, savings accounts, money market deposit accounts (MMDAs), and certificates of deposit (CDs). Deposits create a debtor-creditor relationship between the bank and the depositor, whereby the bank is obligated to repay the amount on deposit plus interest, where applicable.

FDIC Insurance for Deposits

Under the rules of the Federal Deposit Insurance Corporation (FDIC), deposit accounts are insured up to $250,000 per depositor, per insured bank, for each account ownership category.[1] According to the FDIC: "The FDIC protects depositors' funds in the unlikely event of the financial failure of their bank or savings institution. FDIC deposit insurance covers the balance of each depositor's account, dollar-for-dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured bank's closing."[2]

Fiduciary and Custody Accounts

Fiduciary accounts include trusts, investment management accounts, guardianships, and estates of decedents. Custody accounts are those for which the bank holds assets for safekeeping and provides related services.

Non-deposit Assets Held in Fiduciary and Custody Accounts

Non-deposit assets held in fiduciary and custody accounts for which the bank acts as custodian and that are properly segregated are neither assets nor liabilities of the bank. As the OCC notes in its *HelpWithMyBank.Gov* website, "Assets held by banks in a custodial capacity do not become assets or liabilities of the bank. In the event of a change in bank ownership, custody assets remain the property of the account owner. They are not subject to the claims of the bank's creditors."[3] Examples of non-deposit assets include securities, mutual funds, stocks, bonds, annuities, and any investment that is not a deposit.[4]

In the event of bank failure, the FDIC will seek to transfer responsibility for administration of the fiduciary and custody accounts to a successor institution as quickly as possible. Once the

[1] FDIC, *Electronic Deposit Insurance Estimator*, available at: https://edie.fdic.gov.
[2] FDIC, *When a Bank Fails - Facts for Depositors, Creditors, and Borrowers*, available at: https://www.fdic.gov/consumers/banking/facts/.
[3] OCC, *Help with My Bank.Gov – Answers about Bank Custodians*, available at: https://www.helpwithmybank.gov/get-answers/asset-management/bank-custodians/faq-assetmgmt-bank-custodian-04.html.
[4] These assets are not insured by the FDIC, are not deposits or other obligations of the institution and are not guaranteed by the institution, and are subject to investment risks, including possible loss of the principal invested.

accounts have been transferred, the account owners or beneficiaries can accept this new arrangement or make provisions with the successor institution for alternative arrangements.

Deposit Assets Held in Fiduciary and Custody Accounts
Fiduciary and custody accounts sometimes hold deposit assets, such as CDs or cash swept into a deposit after the sale of investments. For these assets, the FDIC insures the deposits up to $250,000 per depositor, per insured bank, for each account ownership category.

***