What are CDARS One-Way Sell℠ transactions?

CDARS One-Way Sell transactions represent a way that your institution can sell its "excess" deposits to other Network Members — those that need funds — while providing customers with access to multi-million dollar FDIC insurance.

Earn fee income, enhance profitability, and improve ROA while managing your balance sheet and offering customers access to multi-million dollar FDIC insurance. And, if desired, invest for your own account.

Why would my institution want to use One-Way Sell transactions?

Many Network Members use One-Way Sell transactions as a balance sheet management and profitability enhancement tool. Like other Network Members, your institution can use One-Way Sell transactions to:

- Encourage safety-conscious depositors to consolidate their CD investments with you
- Retain and develop new depositor relationships without balance sheet distortions — meaning your institution can avoid keeping excess liabilities on its balance sheet *without turning good customers away*[1]
- Enhance profitability by earning fee income
- Improve its return on assets and return on capital by taking deposits off of the balance sheet while generating non-interest income
- Potentially advertise higher rates – possibly the highest rates in your local market — *without increasing your cost of funds*
- Offer an expanded array of CD maturities

How do One-Way Sell transactions work?

In many ways, One-Way Sell transactions operate similarly to Reciprocal transactions.

What stays the same?

- Your customer's funds are divided into amounts of less than $100,000 and placed with other Network Members
- Your customer can access multi-million dollar FDIC insurance coverage from many banks while working directly with your institution
- Your institution sets the interest rate
- Your institution maintains full ownership and control over the customer relationship (so, for example, depositors speak only to your institution's service representatives)

What changes?

- You need your customer's consent to place funds through a One-Way Sell transaction (most customers do not mind doing this — although some, including most public fund depositors, are subject to restrictions that preclude them from using One-Way Sell transactions)
- Your institution will receive fee income (not matching deposits) for placing funds with other Network Members
- Because funds are not swapped on a dollar-for-dollar basis, the community investment benefit, which some customers like, does not apply. (Note that Reciprocal transactions can fill the need for customers who want their funds to stay local)

[1] Of course, your institution can encourage a valued customer to reinvest via a Reciprocal transaction if it needs liquidity when funds mature.

Promontory Interfinancial Network, LLC

1515 N Courthouse Road, Suite 800 • Arlington, VA 22201
(866) 776-6426 • www. promnetwork.com

What's the bottom line impact?

The math is easy. When your institution sells a CD using the CDARS service, it can place that CD deposit through a One-Way Sell transaction and keep the difference between the One-Way Sell Rate and the rate it paid on the CD it sold. We pay the difference up front so that your institution reaps the benefits right away. No transaction fees apply — so "what you see is what you get."

One-Way Sell Example for a 52-week CD

CDARS One-Way Sell Rate	5.25%
Customer Interest Rate	-4.95%
Your Institution's Fee Income	0.30%

At these rates, on a $1,000,000 deposit, your institution will earn fee income equal to the present value of $3,000.

(This is only an example. Actual rates may vary.)

What else should I know?

Besides generating fee income, One-Way Sell transactions can provide your institution with pricing leverage in the marketplace. For example, if a rate conscious depositor is looking for an aggressive rate (one that is higher than you ordinarily would be willing to pay), you may be able to accommodate him/her by offering a rate that is less than or equal to the One-Way Sell rate. Your institution would simply sell the funds acquired from the investor to other members of the network. Because those funds would be taken off your balance sheet following the sale, they would not increase your weighted average cost of funds.

Additionally, if, at a given point in time, your institution does not want to offer a particular CD term, you may want to investigate whether a One-Way Sell Rate has been published for that maturity. If so, you could offer that term (at the One-Way Sell Rate or less if you want to earn fee income), knowing that incoming funds would not affect your institution's balance sheet.

Finally, keep in mind that your institution has the ability to invest its own funds through a One-Way Sell transaction. Often, funds can be placed at compelling rates – rates that may compare favorably to Treasuries and agency instruments. And, you get the benefits of one rate, one statement, and the peace of mind associated with multi-million dollar FDIC insurance.

For more information about One-Way Sell transactions, contact Promontory's Sales Department at (866) 776-6426 or sales@promnetwork.com.

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