PACER FINANCIAL INC

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How FDIC Reciprocal Deposit Networks Work

A step-by-step guide to understanding how banks extend FDIC insurance coverage beyond $250,000

1

Customer Makes Large Deposit

A customer deposits $500,000 at the primary bank, which participates in a reciprocal deposit network.

2

Bank Splits the Deposit

The primary bank divides the $500,000 deposit into two equal portions of $250,000 each-the FDIC insurance limit per account.

3

One Portion Stays Local

The first $250,000 portion remains on the books of the customer's primary bank, fully FDIC insured at that institution.

4

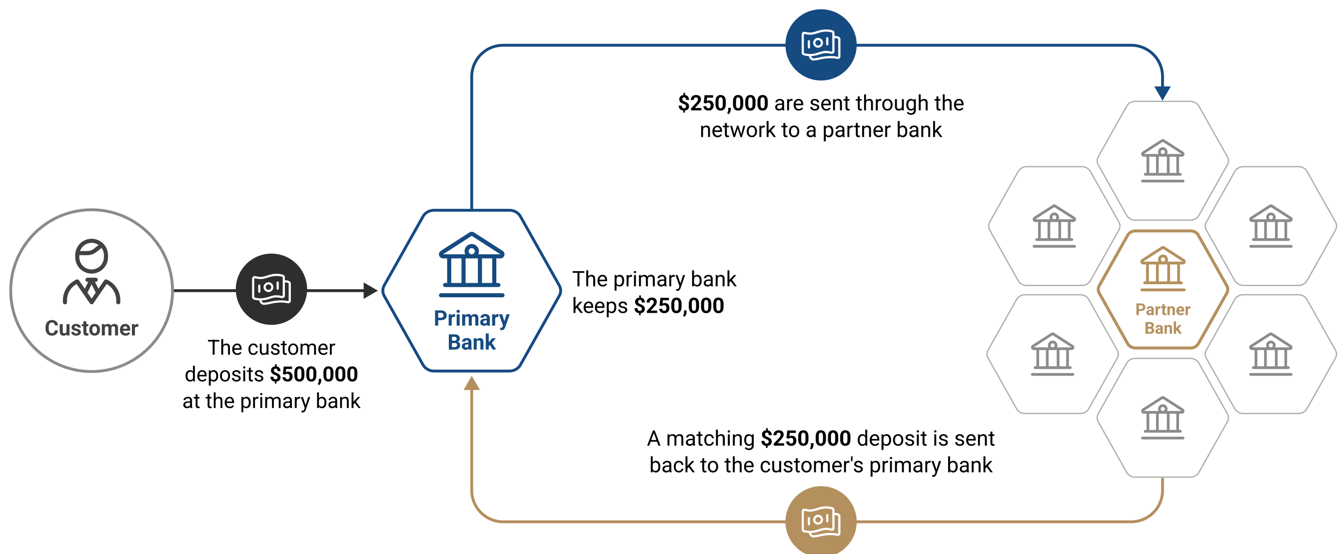
Reciprocal Network Swap

The primary bank sends $250,000 through the network to a partner bank. Simultaneously, the partner bank sends $250,000 back to the primary bank. Both banks send AND receive $250,000—hence “reciprocal”.

5

Full Insurance Achieved

The customers's entire $500,000 is now FDIC insured—$250,000 at the primary bank and $250,000 at their partner bank—but the customer only interacts with their original bank.



Note: This diagram illustrates a simplified example using a $500,000 deposit. Reciprocal deposit networks can accommodate deposits of millions of dollars by splitting funds across multiple partner banks, with each portion remaining under the $250,000 FDIC insurance limit.

The actual mechanics may involve additional complexity, including network fees, eligibility requirements, and regulatory caps. For larger deposits (e.g., $5 million), the deposit would be split into 20 portions of $250,000 each and distributed across 20 different banks within the network.

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