DIOCESE OF BUFFALO
INTERNAL AUDIT NEWSLETTER

FDIC,NCUA, SIPC Protection Limits **Month 2024**

Internal Audit Contact Information

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Internal Audit Website

Please contact the DOB Audit team if you have any questions.

(716) 847-5572

WHAT IS THE FDIC?

The Federal Deposit Insurance Corporation (FDIC)

- The FDIC is an independent government agency which oversees the banking industry. The primary duty of the FDIC is to insure deposits at U.S. Member banks in case they fail. The FDIC was created in 1933 with the signing of the Banking Act of 1933.
- In addition to insuring deposits, the FDIC also supervises and examines banks and savings associations across the country to make sure they are operating soundly. The FDIC serves as the primary federal regulatory agency for banks which are chartered by the states but not part of the Federal Reserve System.
- The FDIC is additionally charged with ensuring banks comply with consumer protection laws including the Fair Credit Billing Act, The Truth in Lending Act, and the Fair Debt Collection Practices Act.

FDIC Insurance:

- FDIC insurance is the mechanism by which the FDIC protects your accounts if your bank fails. The standard type of insurance is $250,000 per depositor, per account ownership type per financial institution.
- FDIC insurance protects consumer deposits at member banks. The FDIC does **NOT** protect deposits held at credit unions. Parishes banking at credit unions want to ensure The Credit Union is covered by the National Credit Union Administration (NCUA).

What Types of Accounts are covered by FDIC Insurance:

- Single Accounts (owned by one person)
- Joint Accounts (owned by two or more people)
- Certain retirement accounts
- Revocable and irrevocable trusts
- Employee benefit plans held at an insured institution.
- Specific covered accounts include:
  - Checking Accounts
  - Savings Accounts
  - Money Market Accounts
  - CD Accounts
  - Prepaid accounts, assuming certain requirements are met (See FIL-9-2019)
  - Self-directed retirement accounts including IRAs.
  - Corporation, partnership, and unincorporated association accounts.
  - Deposit accounts owned by government entities.

What Types of Accounts are NOT covered by FDIC Insurance:

- Annuities
- Mutual Funds
- Stocks & Bonds
- Government, municipal, and U.S. Treasure Securities

Coverage Examples:

If the parish has a checking account, a savings account, and multiple CDs at one bank, all of which are established with the same parish FEIN number, then they are insured for a combined $250,000.

If you have multiple accounts or even just one account at one institution with an aggregate total of more than $250,000, the amount over $250,000 would be at risk. It is recommended at that point to divest your funds from one institution and establish a relationship with another FDIC insured institution.

WHAT IS THE NCUA?

The National Credit Union Administration (NCUA)

- Beginning in 1942, Federal Credit Unions started to be covered by the FDIC. As their popularity grew, a new regulatory agency had to be established.
- In 1970, Congress established the National Credit Union Administration as an independent agency which supports and regulates federal and most state-chartered credit unions. Like the FDIC they have a four-part mission. The NCUA exists to insure, charter, regulate and monitor deposit activity at federal credit unions.
- With the establishment of the NCUA, the National Credit Union Administration Insurance Fund (NCUAIF) was established to insure the money deposited into credit union accounts.
- The NCUAIF coverage is like the FDIC Coverage in that $250,00 in aggregate accounts are insured.

What Types of Accounts are covered by NCUA Insurance:

- Single Accounts (owned by one person)
- Joint Accounts (owned by two or more people)
- Certain retirement accounts
  - Traditional and Roth IRA (Keogh accounts are insured separately)
- Offers separate coverage for trust interest of beneficiaries of irrevocable trust accounts.

What Types of Accounts are NOT covered by NCUA Insurance:

- Mutual Funds
- Stocks & Bonds
- Life Insurance Policies

WHAT IS THE SIPC?

The Securities Investor Protection Corporation (SIPC)

- THE SIPC was established by Congress with the passing of the 1970 Securities Investor Protection Act (SIPA).
- In 2010, the protection level for covered accounts increased to match the FDIC and NCUA limit of $250,00 per customer account with a possible adjustment for inflation. This was made possible by the passing of the Dodd-Frank Wall Street Reform and Consumer Protection Act passage, which increased the SIPC line of credit with the Treasury to $2.5 billion, allowing the customer cash accounts to be protected up to $250,000 with a possible adjustment for inflation. Current levels of protection by the SIPC are $500,000 with up to $250,000 in cash protection.
- SIPC Coverage is limited and only protects the custody function of the broker dealer, which that SIPC works to restore to customers securities and cash that are in their accounts when the brokerage firm liquidation begins.
- SIPC does NOT protect against the decline in value of your securities.
- Investments are subject to fluctuations in the market value. The SIPC was NOT created to protect against these risks.
- SIPC does not bail out investors when the value of their stocks, bonds, and other investment falls for any reason.
- SIPC replaces missing stocks and other securities during liquidation when it is possible to do so.

What Types of Accounts are covered by SIPC Insurance:

- Cash in a brokerage firm account from the sale or for the purchase of securities.
- Money Market Mutual Funds
- Stocks, bonds, Treasury securities, certificates of deposit, mutual funds, money market mutual funds, and certain other investments as securities.

What Types of Accounts are NOT covered by SIPC Insurance:

- Cash held in connection with a commodities trade.
- Commodity futures contracts
- Foreign Exchange Trades
- Investment contracts and fixed annuity contracts not registered with the U.S. Securities and Exchange Commission.

The term "Security" or "Securities" means any:

- Note, stock, treasury stock, bond, debenture, evidence of indebtedness, any collateral trust certificate, preorganization certificate or subscription, transferable share, voting trust certificate, certificate of deposit, certificate of deposit for a security, any security feature as the term is defined in section 78c(a)(55)(A) of the Securities Investor Protection Act, and any other instrument commonly known as a security.

The term "Security" or "Securities" does not mean:

- Currency, any commodity or related contract or futures contract, or any warrant or right to subscribe to or purchase or sell any of the foregoing.

The Diocese of Buffalo maintains an investment brokerage account with LPL Financial to assist parishes who receive donations in the form of securities to sell those securities and convert them to cash. This is done as a service to the parish and at no additional charge. LPL Financial is an SIPC member firm.

If you use a credit union, and they are insured by the NCUA, the credit union is required to have the office NCUA signs posted, like the FDIC signs seen at banking institutions. You may also search for your credit union using the NCUA Mapping Tool found here. SIPC Member Firms must also display a required signage for the SIPC.

The FDIC, NCUA, and SIPC have similar roles, for different banking institutions and customers. They both insure financial accounts up to $250,000 per depositor, per ownership category. Both federal agencies are designed to work to protect consumer interests.

For more information on the Federal Deposit Insurance Corporation please visit https://www.fdic.gov.

For more information on the National Credit Union Administration please visit https://ncua.gov

For more information on the Securities Investor Protection Corporation please visit https://www.sipc.org

If you have questions regarding your established accounts and coverage under the FDIC and/or NCUA, contact your local banking specialist to explore your options to ensure the safeguarding of the parish assets.

If your parish/cemetery/school has funds in excess of the covered amounts, or funds in non-covered accounts, it is recommended that you divest those funds into additional institutions or into protected accounts.

Excess Operating Funds

In the interest of earning competitive rates of return on excess operating funds (those over 90 days) and funds collected for capital campaigns or building funds, it is recommended these funds should be deposited in the St. Joseph Investment Fund (SJIF). In addition, bank accounts owned by the parish but designated for different purposes are not separately insured by the FDIC (or NCUA). Instead, such accounts are added together and insured up to $250,000 in the aggregate.

**SJIF deposits / accounts are made to ensure all deposited funds are insured. Parishes with more than $250,000 in SJIF accounts are managed in separate portfolios to ensure FDIC/SIPC coverage.