# Custodial Credit Risk Reduction

| Option | Description | Pros | Cons |
|---|---|---|---|
| Use multiple banks | Add bank accounts at additional banks | Reduces the amount of uninsured deposits | Increases the number of accounts to monitor and reconcile |
| Obtain additional collateral agreements from banks | • Could include a secured municipal account that is fully collateralized<br>• This agreement should be written and enforceable<br>• Ensure the collateral agreement is in compliance with applicable federal and state statutes<br>• It's recommended that pledged collateral be held by an independent institution (the custodian) | Provides additional funds for recovery in the event of bank failure. The FDIC will honor the agreement as long as it is valid and enforceable. | Not guaranteed to cover the amount of uninsured funds. |
| Bank's additional insurance for amounts above FDIC and collateral limits | Some banks may have additional insurance that supplements FDIC coverage | Provides additional funds for recovery in the event of bank failure. | There are likely individual and aggregate loss limits and any insurance recovery likely will be split among all depositors. |
| Invest in laddered CDs/money market accounts/Use a deposit swapping network | The accounts allow a government to invest in CDs or money market accounts through a member bank – which then invests in CDs in individual banks, all below the FDIC threshold.<br><br>This service also exists for demand deposit and money market accounts. | Banking is in one place, but protected under FDIC | Restricted liquidity of CDs until the CD matures.<br>Return on investment may be lower due to the fee the bank pays to access the service. |
| Invest in U.S. Treasuries | | Low-risk | Not liquid |