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**Statement of Position  
Custodial Credit Risk: Certificates of Deposit Obtained  
Through a Placement Service**

Date Reviewed: July 2025  
Date Revised: November 2013

*This Statement of Position is not legal advice and is subject to revision.*

The Government Accounting Standards Board (GASB) regularly issues a Comprehensive Implementation Guide for the purpose of providing assistance to those implementing GASB Statements.<sup>1</sup> According to the answer to Question 1.30.17 of the Comprehensive Implementation Guide No. 2015-1, GASB has determined that Certificates of Deposit (CDs) issued by a “deposit placement service” are not subject to “investment” custodial credit risk. Instead, such CDs should be analyzed in terms of exposure to “deposit” custodial credit risk.

Deposit custodial credit risk is eliminated if the CDs meet FDIC requirements so that FDIC insurance coverage flows through from the issuing bank to the owner of the CD. These FDIC requirements include documentation and disclosure requirements at the custodian and sub-custodian levels.

Any amount on deposit at a bank in excess of FDIC coverage will be exposed to custodial credit risk. For this reason, GASB’s Answer to Question 1.30.17 cautions that deposit custodial credit risk will occur for amounts placed with a local bank prior to the issuance of the “deposit placement” CDs and, also, if funds are not immediately withdrawn upon the maturity of these CDs.<sup>2</sup>

From the language used in the Answer to Question 1.30.17, it appears that GASB assumes only banks will be acting as deposit placement services for government entities. However, both banks and non-banks can act as deposit placement services. For instance, in the CDARS program, both banks and non-banks participate.

A deposit placement service involving only a non-bank entity, Rate Search, failed in 2007, causing a Minnesota city to suffer a \$2.1 million loss. Clearly, the city’s CDs held by Rate Search had been exposed to investment custodial credit risk.

Based on the language in the Answer to Question 1.30.17 (which references banks) and the loss of public funds in the state from a “deposit placement service” that was not a bank, we interpret the Answer to Question 1.30.17 as applying only to a bank acting as a “deposit placement service.” For a

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<sup>1</sup> The Guide is organized in a question-and-answer format.

<sup>2</sup> CDs are usually purchased in amounts that do not exceed FDIC deposit insurance. Currently, FDIC coverage provides \$250,000 for time/savings accounts and \$250,000 for demand accounts for governmental deposits held in banks located in the same state. For a discussion of current FDIC rules, see the OSA’s [Statement of Position](#).

non-bank acting as a “deposit placement service,” we will apply the analysis applicable to investment custodial credit risk.

Government entities using a bank “deposit placement service” still need to be cautious. In addition to verifying compliance with FDIC requirements, public entities should take steps to ensure that all of the CDs they own from any one bank do not exceed FDIC coverage. Further, since investment in CDs is authorized by Minn. Stat. § 118A.04, subd. 5, public entities must comply with subdivision 9 of this statute and obtain a signed broker certification form from the deposit placement service that “transfers, purchases, sells, or obtains securities for or on behalf of, a government entity.”