

ALERT 2000-8

Type: Brokered Deposits

Subject: San Clemente Securities Zero Coupon Investments

Date: July 11, 2000

TO: Chief Executive Officers of All National Banks; All State Banking Authorities; Chairman, Board of Governors of the Federal Reserve System; Chairman, Federal Deposit Insurance Corporation; Conference of State Bank Supervisors; Deputy Comptrollers (Districts); Assistant Deputy Comptrollers; District Counsel and Examining Personnel

RE: Federal Deposit Insurance Corporation Deposit Broker Alert

Attached is a copy of the Federal Deposit Insurance Corporation's (FDIC) Financial Institution Letter, FIL-41-2000, alerting all persons to the potential problems with certain brokered deposits. Banks should be cautious when dealing with new deposit brokers, particularly when the transactions contain unusual conditions or an off-market rate for similar instruments.

San Clemente Securities, Inc., San Clemente, California, (SCS) and its affiliates have brokered certificates of deposit and sold other types of investment products to financial institutions. These deposits may be held in the name of United Custodial Corporation (UCC). UCC acts as the depository trustee for SCS. SCS and UCC have common ownership. The FDIC has uncovered potential safety and soundness issues with these products and the arrangements established with regard to the products. In July 1997, the National Credit Union Administration issued a cease-and-desist-order against San Clemente Financial Group, Inc. and San Clemente Financial Group, the former names of SCS. The order remains in effect. Please see the attached document for the full details.

Any information which you may have concerning this matter should be brought to the attention of the FDIC as noted in the attached FIL, and:

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Daniel P. Stipano  
Director  
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Attachment