



U.S. Department of Justice

United States Trustee

Central District of California-Region 16

IMPORTANT NOTICE TO CHAPTER 11 DEBTORS IN POSSESSION

11 U.S.C. § 345 MONEY OF ESTATES

Section 345 of Title 11, United States Code (“the Code”) prohibits trustees appointed by a United States Trustee and debtors in possession from depositing or investing bankruptcy estate funds in financial institutions that are not insured by the Federal Deposit Insurance Corporation (“FDIC”) and that are not approved depositories. To become an approved depository, a financial institution must post an approved surety bond or, in lieu of a depository bond, must deposit notes, bonds or other obligations issued or guaranteed by the United States as set forth in 31 U.S.C. § 9303 as security. Therefore, all bankruptcy funds for chapters 7, 11, 12, and 13 must be maintained at a depository institution that has agreed to fulfill the requirements established by the United States Trustee Program.¹

AUTHORIZED DEPOSITORIES

The United States Trustee has established a list of authorized depository institutions that have signed the United States Trustee’s Uniform Depository Agreement. Depositories approved in one Region are not automatically approved in another Region. See www.justice.gov/ust/r16 for the list of authorized depositories in this Region.

FAILURE TO DEPOSIT OR INVEST FUNDS AS REQUIRED BY 11 U.S.C. § 345

Banks participating in the authorized depository program agree to pledge appropriate securities to the United States of America, and maintain a collateral account at the Federal Reserve Bank into which the securities are deposited. Only United States Treasury bills, bonds, or notes are deemed to constitute acceptable securities for purposes of the authorized depository system. These securities are in an amount that covers bankruptcy estate funds not covered by FDIC insurance (any amount over \$250,000 per bankruptcy estate is not insured).

It is the responsibility of the debtor in possession to contact a banking representative to ensure that any non-FDIC covered bankruptcy estate funds are collateralized if they exceed the amount of FDIC insurance. In the event that deposits from sales or other events increase the balance of funds for the bankruptcy estate, the debtor in possession is responsible for ensuring that the funds are sufficiently collateralized.

If a debtor fails to deposit funds in an insured account or otherwise fails to comply with the Code, the United States Trustee may take action. For example, the United States Trustee may seek an order of the court directing the debtor to comply with the requirements of the Code or request conversion, dismissal, or the appointment of a trustee.

Please direct any questions about this requirement to your attorney or, if you are not represented by counsel, to the Office of the U.S. Trustee analyst or trial attorney assigned to your case.

¹ Trustees and debtors in possession are required to deposit or invest money of the estate so that it will result in the “maximum reasonable net return. . . [while] taking into account the safety of such deposit or investment.”