

FILED MAR 3 2005

SENATE FILE 266
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1149)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the investment of public funds by the
2 treasurer of state, state agencies, and political subdivisions
3 including the investment of public funds not covered by
4 federal deposit insurance in certificates of deposit.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SE 266

1 Section 1. Section 12B.10, subsection 1, unnumbered
2 paragraph 2, Code 2005, is amended to read as follows:

3 The treasurer of state and the treasurer of each political
4 subdivision shall at all times keep funds coming into their
5 possession as public money in a vault or safe to be provided
6 for that purpose or in one or more depositories approved
7 pursuant to chapter 12C. However, the treasurer of state,
8 state agencies authorized to invest public funds, and the
9 treasurer-of-each political subdivision subdivisions shall
10 invest, unless otherwise provided, any public funds not
11 currently needed in investments authorized by this section.

12 Sec. 2. Section 12B.10, subsection 4, Code 2005, is
13 amended by adding the following new paragraph:

14 NEW PARAGRAPH. h. Investments authorized under subsection
15 7.

16 Sec. 3. Section 12B.10, subsection 5, Code 2005, is
17 amended by adding the following new paragraph:

18 NEW PARAGRAPH. i. Investments authorized under subsection
19 7.

20 Sec. 4. Section 12B.10, Code 2005, is amended by adding
21 the following new subsections:

22 NEW SUBSECTION. 7. Notwithstanding sections 12C.2, 12C.4,
23 12C.6, 12C.6A, and any other provision of law relating to the
24 deposits of public funds, if public funds are deposited in a
25 depository, as defined in section 12C.1, any uninsured portion
26 of the public funds invested through the depository may be
27 invested in certificates of deposit arranged by the depository
28 that are issued by one or more federally insured banks or
29 savings associations regardless of location for the account of
30 the public funds depositor if all of the following
31 requirements are satisfied:

32 a. The full amount of the principal and any accrued
33 interest of each certificate of deposit issued shall be
34 covered by federal deposit insurance.

35 b. The depository, either directly or through an agent or

1 subcustodian, shall act as custodian of the certificates of
2 deposit.

3 c. The day the certificates of deposit are issued, the
4 depository shall have received deposits in an amount eligible
5 for federal deposit insurance from, and issued certificates of
6 deposit to, customers of other financial institutions wherever
7 located that are equal to or greater than the amount of public
8 funds invested under this subsection by the public funds
9 depositor through the depository.

10 NEW SUBSECTION. 8. As used in this section, "public
11 funds" means the same as defined in section 12C.1, subsection
12 2.

13 Sec. 5. Section 12C.22, subsection 2, unnumbered paragraph
14 1, Code 2005, is amended to read as follows:

15 The amount of the collateral required to be pledged by a
16 bank shall at all times equal or exceed the total of the
17 amount by which the public funds deposits in the bank exceeds
18 the total capital of the bank. For purposes of this section,
19 deposits that comply with section 12B.10, subsection 7, that
20 are evidenced either by one or more certificates of deposit,
21 or one or more orders for the next business day settlement and
22 issuance of certificates of deposit, by a federally insured
23 bank or savings association other than the depository, shall
24 not be deemed public fund deposits in the bank or savings
25 association. For purposes of this chapter, unless the context
26 otherwise requires, "total capital of the bank" means its tier
27 one capital plus both of the following components of tier two
28 capital:

29 Sec. 6. Section 12C.23A, subsection 3, paragraph d, Code
30 2005, is amended to read as follows:

31 d. If the loss of public funds is not covered by federal
32 deposit insurance and the proceeds of the closed bank's assets
33 that are liquidated within thirty days of the closing of the
34 bank are not sufficient to cover the loss, then any further
35 payments to cover the loss will come from the state sinking

1 fund for public deposits in banks. If the balance in that
2 sinking fund is inadequate to pay the entire loss, then the
3 treasurer shall obtain the additional amount needed by making
4 an assessment against other banks whose public funds deposits
5 exceed federal deposit insurance coverage. A bank's
6 assessment shall be determined by multiplying the total amount
7 of the remaining loss to all public depositors in the closed
8 bank by a percentage that represents the assessed bank's
9 proportional share of the total of uninsured public funds
10 deposits held by all banks and all branches of out-of-state
11 banks, based upon the average of the uninsured public funds of
12 the assessed bank or branch of an out-of-state bank as of the
13 end of the four calendar quarters prior to the date of closing
14 of the closed bank and the average of the uninsured public
15 funds in all banks and branches of out-of-state banks as of
16 the end of the four calendar quarters prior to the date of
17 closing of the closed bank, excluding the amount of uninsured
18 public funds held by the closed bank at the end of the four
19 calendar quarters. Each bank shall pay its assessment to the
20 treasurer of state within three business days after it
21 receives notice of assessment. For purposes of this section,
22 when calculating uninsured public funds, a bank shall include
23 all deposits of customers of other financial institutions as
24 permitted by section 12B.10, subsection 7.

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EXPLANATION

26 This bill relates to the investment of public funds by the
27 treasurer of state, state agencies, and public subdivisions by
28 permitting public funds that are deposited in a depository and
29 are not covered by federal deposit insurance to be invested in
30 certificates of deposit issued by one or more federally
31 insured banks or savings associations, whether or not located
32 in this state. The bill requires that the principal and
33 accrued interest of each such certificate of deposit be
34 covered by federal deposit insurance and that the depository
35 act as custodian of the certificates of deposit. The bill

1 also requires that on the day the certificates of deposit are
2 issued to the public funds depositor, the depository must
3 receive in deposits amounts eligible for federal deposit
4 insurance from, and must issue certificates of deposit to,
5 customers of other financial institutions, that are equal to
6 or greater than the amount of public funds initially deposited
7 by the public funds depositor at the depository.

8 The bill provides that certificates of deposit for public
9 funds issued by financial institutions other than the
10 depository, or one or more orders for the next business day
11 settlement and issuance of such certificates of deposit that
12 cover the uninsured portion of the public funds initially
13 deposited by the public funds depositor, shall not be
14 considered public funds deposits in the depository for
15 purposes of calculating the amount of collateral the
16 depository is required to pledge under Code section 12C.22.

17 The bill provides that when calculating uninsured public
18 funds to determine the amount of an assessment pursuant to
19 Code section 12C.23A, a bank shall include all deposits from
20 customers of other financial institutions as authorized under
21 Code section 12B.10, new subsection 7.

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Kettering CO-Chair
Beall CO-chair
Zawn
Stewart

Succeeded By
O/HF 266

SSB# 1149
Commerce

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
COMMERCE BILL BY CO-CHAIRPERSONS
BEHN and WARNSTADT)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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25 depository, as defined in section 12C.1, any uninsured portion
26 of the public funds invested through the depository may be
27 invested in certificates of deposit arranged by the depository
28 that are issued by one or more federally insured banks or
29 savings associations regardless of location for the account of
30 the public funds depositor if all of the following
31 requirements are satisfied:

32 a. The full amount of the principal and any accrued
33 interest of each certificate of deposit issued shall be
34 covered by federal deposit insurance.

35 b. The depository, either directly or through an agent or

1 subcustodian, shall act as custodian of the certificates of
2 deposit.

3 c. The day the certificates of deposit are issued, the
4 depository shall have received deposits in an amount eligible
5 for federal deposit insurance from, and issued certificates of
6 deposit to, customers of other financial institutions wherever
7 located that are equal to or greater than the amount of public
8 funds invested under this subsection by the public funds
9 depositor through the depository.

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14 of the closed bank and the average of the uninsured public
15 funds in all banks and branches of out-of-state banks as of
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22 when calculating uninsured public funds, a bank shall include
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EXPLANATION

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