

Introduced by

Senator Tomac

1 A BILL for an Act to amend and reenact section 21-04-09 of the North Dakota Century Code,  
2 relating to pledges to secure public deposits.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 21-04-09 of the 1995 Supplement to the North  
5 Dakota Century Code is amended and reenacted as follows:

6 **21-04-09. Pledge of security in place of depository bond.** The board of any public  
7 corporation may accept from any financial institution, as security for repayment of deposits, a  
8 pledge of securities in lieu of a personal or surety bond. When securities are so pledged to the  
9 board of any public corporation, ~~such~~ the board shall require security in the amount of one  
10 hundred ten dollars for every one hundred dollars of public deposits. Securities ~~which~~ that are  
11 eligible for ~~such~~ the pledge are bills, notes, or bonds issued by the United States government,  
12 its agencies or instrumentalities, all bonds and notes guaranteed by the United States  
13 government, irrevocable standby letters of credit issued by federal home loan banks of a rating  
14 of AA or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, federal  
15 land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of  
16 deposit, shares of investment companies registered under the Investment Companies Act of  
17 1940, letters of credit issued by the Bank of North Dakota, and all other forms of securities  
18 issued by the state of North Dakota, its boards, agencies, or instrumentalities, or by any county,  
19 city, township, school district, park district, or other political subdivision of the state of North  
20 Dakota, whether payable from special revenues or supported by the full faith and credit of the  
21 issuing body, and bonds issued by any other state of the United States or such other securities  
22 approved by the banking board. ~~Such~~ The securities and securities sold under agreements to  
23 repurchase as described in section 21-06-07 must be delivered to and held for safekeeping by  
24 any financial institution, other than the depository, which the depository and the public

1 corporation may agree upon. Whenever any ~~such~~ securities are so deposited for safekeeping  
2 with any custodian, ~~such~~ the custodian shall issue a receipt therefor jointly to the depository  
3 and the public corporation.

4 Any financial institution pledging ~~such~~ securities, at any time it deems it advisable or  
5 desirable, and without the consent of the board of the public corporation, may substitute other  
6 eligible securities for all or any part of the securities ~~so~~ pledged. The securities ~~so~~ substituted  
7 must, at the time of ~~such~~ the substitution, have a market value at least equal to the market  
8 value of the securities released and delivered to the depository.

9 In the event of ~~such~~ the substitution the holder or custodian of the pledged securities  
10 shall, on the same day, forward by registered ~~or certified~~ mail to the public corporation and the  
11 depository financial institution a receipt specifically describing and identifying both the securities  
12 ~~so~~ substituted and those released and returned to the depository financial institution.

13 ~~Any~~ A depository financial institution may fulfill the pledge of securities requirements of  
14 this section by maintaining a security pledge schedule that establishes the following:

- 15 1. The names of all public bodies maintaining deposits with the financial institution.
- 16 2. The amount of each deposit maintained by each public body.
- 17 3. The amount of federal deposit insurance corporation insurance applied to each  
18 account.
- 19 4. The net deposits exceeding federal deposit insurance corporation coverage for  
20 each account.
- 21 5. The amount of net deposit exceeding federal deposit insurance corporation deposit  
22 insurance multiplied by one hundred ten percent for each account.
- 23 6. The amount of securities needed to be pledged to fulfill the requirements of this  
24 section.
- 25 7. The total number of qualified securities pledged by the financial institution under  
26 the requirements of this section.

27 A financial institution is in compliance with this section as long as the security pledge  
28 schedule discloses the total qualified securities pledged in excess of the total pledges needed  
29 for a total amount of deposits maintained ~~with~~ by all the public bodies with the financial  
30 institution as verified by the custodian of the securities every three months and copies thereof

1 are provided to the custodian of the securities and to each of the public corporations  
2 maintaining deposits with the financial institution.

3 No pledge of security or bond may be required for any funds deposited with a financial  
4 institution to the extent that ~~such~~ the deposits are insured by the federal deposit insurance  
5 corporation or ~~the federal savings and loan insurance corporation or the national credit union~~  
6 ~~association~~ administration.