



SB 2364
Senate Judiciary | February 11, 2025
Testimony of Alexis Baxley

Good morning, Chair Larson, and members of the Senate Judiciary Committee. My name is Alexis Baxley, and I am the president of the Independent Community Banks of North Dakota (ICBND). ICBND exclusively represents the interests of more than 40 independent community banks in North Dakota. ICBND opposes SB 2364 and urges a Do Not Pass recommendation from the Committee.

SB 2364 addresses a problem that does not exist, is based on misinformation, and has the potential to create unnecessary risk and cause harm to North Dakota citizens and businesses. This misinformation centers on the priority rules in UCC Section 8-511, more specifically the exceptions contained in subsections (b) and (c). While the general rule would provide that in the event of a shortfall, investors have priority over a creditor of the bank or broker to the pooled shares held by their bank or broker, subsections (b) and (c) provide exceptions for shares voluntarily pledged as collateral for a loan if the lender has taken control of those shares and for securities clearinghouses. However, there are still protections in place for the investor in case of a shortfall.

ICBND is concerned that rather than protecting investors, the adoption of SB 2364 would negatively impact North Dakota citizens and businesses. By significantly amending North Dakota's adoption of UCC Section 8-511 and becoming a non-uniform state, SB 2364 has the potential to limit investors' access to credit, put the stability of our State's capital markets at risk, and eliminate North Dakotan's access to electronic securities trading altogether. These consequences impact individual and institutional investors.

For these reasons, ICBND stands in opposition to SB 2364 and asks that the committee give SB 2364 a Do Not Pass recommendation and I will stand for any questions. Thank you.