

Fifty-fifth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2157

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 all the public bodies with the financial institution
30 as verified by the custodian of the securities every three months and copies thereof are

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1 provided to the custodian of the securities and to each of the public corporations maintaining
2 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.