

HB 1313 -- BANKING INSTITUTIONS THAT SECURE DEPOSITS OF PUBLIC FUNDS

SPONSOR: Thompson

This bill creates an alternative for banking institutions serving as depositaries for public funds to secure their deposits in lieu of the method provided by current law, known as the "single bank pooled method". This method allows a banking institution to secure the deposit of public funds of one or more government entities through a pool of eligible securities held in custody and safe-keeping with one or more other banking institutions or safe depositaries, to be held subject to the order of the Director of the Division of Finance or an administrator, appointed as provided in the bill, for the benefit of the government entities having public funds deposited with the banking institution. The bill prohibits the use of the single bank pooled method absent the appointment of an administrator for that purpose, as provided in the bill. Furthermore, the administrator may be required to post a surety bond in an amount up to \$100,000.

The administrator of the single bank pooled method may establish the procedures and reporting requirements as necessary for depository banking institutions and their safe keeping banks or depositaries to confirm the amount of insured public fund deposits, the pledge of securities to the administrator to secure the deposit of public funds, as agent for each participating banking institution, and to monitor the market value of pledged securities as reported by the custody agents, and to add, substitute or remove securities held in the single bank pool as directed by the depository banking institution.

In the event of the failure and insolvency of a banking institution using the single bank pooled method, subject to any order of the director, the administrator will direct the safe keeping banks or depositaries to sell the pledged securities and direct proceeds to the payment of the uninsured public fund deposits or to transfer the pledged securities to that banking institution's primary supervisory agency or the duly appointed receiver for the banking institution to be liquidated to pay out the uninsured public fund deposits.

This bill is the same as SB 657 (2025).