

# DRAFT

## SUMMARY

Provides that municipal bank is not required to obtain deposit insurance from Federal Deposit Insurance Corporation.

Provides that municipal bank may act as depository or custodian of public funds under certain conditions.

## A BILL FOR AN ACT

1  
2 Relating to public banks; amending ORS 295.001, 295.008, 295.015, 295.101,  
3 706.008, 707.140 and 708A.405.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 706.008 is amended to read:

6 706.008. As used in the Bank Act:

7 (1) "Bank" means:

8 (a) A company, other than an extranational institution, that accepts de-  
9 posits that the Bank Insurance Fund insures to any extent under the pro-  
10 visions of the Federal Deposit Insurance Act, as amended, 12 U.S.C. 1811, et  
11 seq.; **or**

12 (b) **A municipal bank.**

13 (2) "Bank holding company" means a company that is a bank holding  
14 company under the federal Bank Holding Company Act of 1956, as amended,  
15 12 U.S.C. 1841, et seq.

16 (3) "Bank service corporation" means a corporation or a limited liability  
17 company that is organized to perform services authorized by ORS 708A.145,  
18 all of the capital stock or membership interests of which one or more bank-  
19 ing institutions or national banks own.

20 (4) "Banking institution" means an Oregon commercial bank, an Oregon

1 trust company or an Oregon savings bank.

2 (5) “Company” means an entity that is a company under the federal Bank  
3 Holding Company Act of 1956, as amended, 12 U.S.C. 1841, et seq.

4 (6) “Extranational institution” means a corporation, unincorporated com-  
5 pany, partnership or association of two or more persons organized under the  
6 laws of a nation other than the United States, or other than a territory of  
7 the United States, Puerto Rico, Guam, American Samoa or the Virgin Is-  
8 lands, that engages directly in banking business.

9 (7) “Federal bank” means a national bank or another bank organized un-  
10 der the laws of the United States.

11 (8) “Financial holding company” means a company that engages in activ-  
12 ities described for a financial holding company in section 103 of the federal  
13 Gramm-Leach-Bliley Act (P.L. 106-102).

14 (9) “Financial institution” means an insured institution, an extranational  
15 institution, a credit union as defined in ORS 723.006, an out-of-state credit  
16 union under ORS 723.042 or a federal credit union.

17 (10) “Institution” means an Oregon commercial bank or an Oregon trust  
18 company.

19 (11) “Insured institution” means a company, the deposits of which are  
20 insured under the provisions of the Federal Deposit Insurance Act, as  
21 amended, 12 U.S.C. 1811, et seq.

22 **(12) “Municipal bank” means a company:**

23 **(a) Organized to conduct banking business in this state; and**

24 **(b) Whose organization was directed by ordinance or resolution of**  
25 **a local government as defined in ORS 174.116.**

26 [(12)] **(13)** “National bank” means a bank that was organized under the  
27 provisions of the National Bank Act, as amended, 12 U.S.C. 21, et seq.

28 [(13)] **(14)** “Non-Oregon institution” means:

29 (a) An out-of-state state bank that engages in banking business in Oregon;

30 (b) An out-of-state trust company that transacts trust business in Oregon;

31 or

1 (c) An extranational institution that engages in banking business in  
2 Oregon.

3 [(14)] (15) “Nonstock bank” means a bank that does not issue capital  
4 stock.

5 [(15)] (16) “Oregon bank” means an Oregon stock bank or Oregon non-  
6 stock bank.

7 [(16)] (17) “Oregon commercial bank” means an Oregon stock bank that  
8 was chartered under ORS chapter 707 as a bank other than a stock savings  
9 bank.

10 [(17)] (18) “Oregon nonstock bank” means a nonstock bank or savings  
11 bank, the home state of which is Oregon.

12 [(18)] (19) “Oregon operating institution” means:

13 (a) A bank that engages in banking business in this state;

14 (b) An extranational institution that engages in banking business in this  
15 state; or

16 (c) A trust company that transacts trust business in this state.

17 [(19)] (20) “Oregon savings bank” or “savings bank” means an Oregon  
18 stock savings bank or an Oregon nonstock savings bank.

19 [(20)] (21) “Oregon stock bank” means a stock bank, the home state of  
20 which is Oregon.

21 [(21)] (22) “Oregon stock savings bank” means an Oregon stock bank that  
22 was initially chartered as or was converted to a stock savings bank under  
23 the Bank Act.

24 [(22)] (23) “Oregon trust company” means a trust company that was or-  
25 ganized under the provisions of ORS chapter 707.

26 [(23)] (24) “Out-of-state bank” means an out-of-state state bank or an  
27 out-of-state federal bank.

28 [(24)] (25) “Out-of-state bank holding company” means a bank holding  
29 company, the home state of which is not Oregon, and that is not the bank  
30 holding company of an Oregon stock bank or an in-state federal stock bank.

31 [(25)] (26) “Out-of-state federal bank” means a federal bank, the home

1 state of which is not Oregon.

2 [(26)] (27) “Out-of-state financial holding company” means a financial  
3 holding company, the home state of which is not Oregon, and that is not the  
4 financial holding company of an Oregon stock bank or an in-state federal  
5 stock bank.

6 [(27)] (28) “Out-of-state state bank” means a state bank, the home state  
7 of which is not Oregon.

8 [(28)] (29) “Out-of-state trust company” means a trust company that was  
9 organized under the laws of another state.

10 [(29)] (30) “State bank” means a bank that was organized under the laws  
11 of a state.

12 [(30)] (31) “Stock bank” means a bank that issues capital stock.

13 [(31)] (32)(a) “Trust company” means a company that is authorized under  
14 the provisions of ORS chapter 709 to transact trust business, including the  
15 trust department of a bank.

16 (b) “Trust company” does not include a corporation that a United States  
17 Bankruptcy Court appoints to serve as a bankruptcy trustee under Title 11,  
18 United States Code, during a time in which the corporation is acting as a  
19 bankruptcy trustee.

20 **SECTION 2.** ORS 707.140 is amended to read:

21 707.140. (1) When subscriptions totaling not less than the amount of the  
22 initial paid-in capital have been received, the incorporators shall submit for  
23 filing with the Director of the Department of Consumer and Business Ser-  
24 vices:

25 (a) A list of stockholders, showing name, address, number of shares and  
26 amount paid, certified by the president or cashier.

27 (b) A certificate of any escrow agent holding moneys in escrow as pay-  
28 ment for subscriptions to stock of the institution or Oregon stock savings  
29 bank showing the amount held.

30 (c) A list of the directors and senior officers elected.

31 (d) A copy of its bylaws certified to by its president or cashier.

1 (e) Evidence of approval by the Federal Deposit Insurance Corporation  
2 of the Oregon commercial bank's or Oregon stock savings bank's application  
3 for deposit insurance.

4 (2) Upon receiving the items referred to in subsection (1) of this section,  
5 the director shall examine the condition of the institution or Oregon stock  
6 savings bank. If, upon examination, the director determines that the institu-  
7 tion or Oregon stock savings bank has complied with the requirements of the  
8 Bank Act and that the amount of the institution's or Oregon stock savings  
9 bank's initial paid-in capital has been paid or is held in escrow for release  
10 upon issuance of a charter, the director shall issue to the institution or  
11 Oregon stock savings bank a charter, which, depending on the form of the  
12 application and the approval of the director, shall be to do a banking busi-  
13 ness either as an Oregon commercial bank or as an Oregon stock savings  
14 bank, or to do a trust business, or to do both a banking and trust business.

15 **(3) Notwithstanding subsection (1)(e) of this section, incorporators**  
16 **of a municipal bank need not submit evidence of approval by the**  
17 **Federal Deposit Insurance Corporation for deposit insurance.**

18 **SECTION 3.** ORS 708A.405 is amended to read:

19 708A.405. (1) Oregon commercial banks shall secure insurance for their  
20 deposits from the Federal Deposit Insurance Corporation or a similar or-  
21 ganization organized under the laws of the United States.

22 **(2) This section does not apply to municipal banks.**

23 **SECTION 4.** ORS 295.001 is amended to read:

24 295.001. As used in ORS 295.001 to 295.108, unless the context requires  
25 otherwise:

26 (1) "Adequately capitalized" means a depository that is classified as ade-  
27 quately capitalized by the depository's primary federal regulatory authority,  
28 **or, if the depository is not federally regulated, by a state regulatory**  
29 **authority.**

30 (2) "Bank depository" means:

31 (a) An insured institution or trust company that:

1 [(a)] (A) Maintains a head office or branch in this state in the capacity  
2 of an insured institution or trust company; and

3 [(b)] (B) Complies with ORS 295.008[.]; **or**

4 **(b) A municipal bank that complies with ORS 295.008.**

5 (3) “Business day” means a day other than a federal or State of Oregon  
6 legal holiday or a day other than a day on which offices of the State of  
7 Oregon are otherwise authorized by law to remain closed.

8 (4) “Closed depository” means a depository that is subject to a loss.

9 (5) “Credit union depository” means a credit union as defined in ORS  
10 723.006 or a federal credit union if:

11 (a) The shares and deposits of the credit union or federal credit union are  
12 insured by the National Credit Union Share Insurance Fund;

13 (b) The credit union or federal credit union maintains a head office or  
14 branch in this state in the capacity of a credit union or federal credit union;  
15 and

16 (c) The credit union or federal credit union complies with ORS 295.008.

17 (6) “Custodian” means one of the following institutions that a depository  
18 designates for the depository’s own account:

19 (a) The Federal Home Loan Bank designated to serve this state, or a  
20 branch of the Federal Home Loan Bank; or

21 (b) An insured institution, trust company, **municipal bank** or credit un-  
22 ion that:

23 (A) Is authorized to accept deposits or transact trust business in this  
24 state;

25 (B) Complies with ORS 295.008; and

26 (C) Has been approved by the State Treasurer to serve as a custodian, if  
27 the State Treasurer has approved custodians under ORS 295.008.

28 (7) “Custodian’s receipt” or “receipt” means a document issued by a  
29 custodian that describes the securities that a depository deposited with the  
30 custodian to secure public fund deposits.

31 (8) “Depository” means a bank depository or a credit union depository.

1 (9) "Financial institution outside this state" means a financial institution,  
2 as defined in ORS 706.008, that is not an extranational institution, as defined  
3 in ORS 706.008, and is not a bank depository or credit union depository, as  
4 defined in this section.

5 (10) "Insured institution" means an insured institution as defined in ORS  
6 706.008.

7 (11) "Loss" means the issuance of an order by a regulatory or supervisory  
8 authority or a court of competent jurisdiction that:

9 (a) Restrains a depository from making payments of deposit liabilities; or

10 (b) Appoints a receiver for a depository.

11 (12) "Maximum liability" means a sum equal to 10 percent of the greater  
12 of:

13 (a) All uninsured public funds deposits held by a depository, as shown on  
14 the date of the depository's most recent treasurer report; or

15 (b) The average of the balances of uninsured public funds deposits on the  
16 last two immediately preceding treasurer reports.

17 (13) "Minimum collateral requirement" for a depository on any given date  
18 means a sum equal to:

19 (a) For a well capitalized depository that the State Treasurer has not re-  
20 quired to increase the depository's collateral pursuant to ORS 295.018, 10  
21 percent of the greatest of:

22 (A) All uninsured public funds held by the depository, as shown on the  
23 most recent treasurer report;

24 (B) The average of the balances of uninsured public funds held by the  
25 depository, as shown on the last two immediately preceding treasurer re-  
26 ports; or

27 (C) An amount otherwise prescribed in ORS 295.001 to 295.108.

28 (b) For a well capitalized depository that the State Treasurer required to  
29 increase the depository's collateral pursuant to ORS 295.018, the percentage  
30 the State Treasurer required pursuant to ORS 295.018 multiplied by the  
31 greatest of:

1 (A) All uninsured public funds held by the depository, as shown on the  
2 most recent treasurer report;

3 (B) The average of the balances of uninsured public funds held by the  
4 depository, as shown on the last two immediately preceding treasurer re-  
5 ports; or

6 (C) An amount otherwise prescribed in ORS 295.001 to 295.108.

7 (c) For an adequately capitalized depository or an undercapitalized de-  
8 pository, 110 percent of the greater of:

9 (A) All uninsured public funds held by the depository; or

10 (B) The average of the balances of uninsured public funds held by the  
11 depository, as shown on the last two immediately preceding treasurer re-  
12 ports.

13 **(14) “Municipal bank” has the meaning given that term in ORS**  
14 **706.008.**

15 [(14)] **(15)** “Net worth” means a depository’s total risk-based capital, as  
16 shown on the immediately preceding report of condition and income, and may  
17 include capital notes and debentures that are subordinate to the interests  
18 of depositors.

19 [(15)] **(16)** “Pledge agreement” means a written agreement among an in-  
20 sured institution, trust company, **municipal bank** or credit union, the State  
21 Treasurer and a custodian that pledges the securities the insured institution,  
22 trust company, **municipal bank** or credit union deposits with the custodian  
23 as collateral for deposits of uninsured public funds that the insured institu-  
24 tion, trust company, **municipal bank** or credit union holds. The board of  
25 directors or loan committee of the insured institution, trust company, **mu-**  
26 **unicipal bank** or credit union must approve the agreement and must contin-  
27 uously maintain the agreement as a written record of the insured institution,  
28 trust company, **municipal bank** or credit union.

29 [(16)] **(17)** “Public funds” or “funds” means funds that a public official  
30 has custody of or controls by virtue of office.

31 [(17)] **(18)** “Public official” means an officer or employee of this state or



1 an agency, political subdivision or public or municipal corporation of this  
2 state, or a housing authority, that by law is the custodian of or has control  
3 of public funds.

4 [(18)] (19) “Report of condition and income” means the quarterly report  
5 a depository submits to the depository’s primary federal regulatory authority.

6 [(19)] (20) “Security” or “securities” means:

7 (a) Obligations of the United States, including those of agencies and in-  
8 strumentalities of the United States, and of government sponsored enter-  
9 prises;

10 (b) Obligations of the International Bank for Reconstruction and Devel-  
11 opment;

12 (c) Bonds of a state of the United States that:

13 (A) Are rated in one of the four highest grades by a recognized investment  
14 service organization that has engaged regularly and continuously for a pe-  
15 riod of not less than 10 years in rating state and municipal bonds; or

16 (B) Having once been rated in accordance with subparagraph (A) of this  
17 paragraph, are ruled to be eligible securities for the purposes of ORS 295.001  
18 to 295.108, notwithstanding the loss of the rating;

19 (d) Bonds of a county, city, school district, port district or other public  
20 body in the United States that are payable from or secured by ad valorem  
21 taxes and that meet the rating requirement or are ruled to be eligible secu-  
22 rities as provided in paragraph (c) of this subsection;

23 (e) Bonds of a county, city, school district, port district or other public  
24 body that are issued pursuant to the Constitution or statutes of the State  
25 of Oregon or the charter or ordinances of a county or city within the State  
26 of Oregon, if the bonds meet the rating requirement or are ruled to be eli-  
27 gible securities as provided in paragraph (c) of this subsection;

28 (f) With the permission of the State Treasurer and in accordance with  
29 rules the State Treasurer adopts, loans made to a county, city, school dis-  
30 trict, port district or other public body in the State of Oregon, if the bor-  
31 rower has not defaulted with respect to the payment of principal or interest

1 on any of the borrower's loans within the preceding 10 years or during the  
2 period of the borrower's existence if the borrower has existed for less than  
3 10 years;

4 (g) With the permission of the State Treasurer and in accordance with  
5 rules the State Treasurer adopts, bond anticipation notes that an authority  
6 issues, sells or assumes under ORS 441.560;

7 (h) Bonds, notes, letters of credit or other securities or evidence of  
8 indebtedness constituting the direct and general obligation of a federal home  
9 loan bank or Federal Reserve bank;

10 (i) Debt obligations of domestic corporations that are rated in one of the  
11 three highest grades by a recognized investment service organization that  
12 has engaged regularly and continuously for a period of not less than 10 years  
13 in rating corporate debt obligations; and

14 (j) Collateralized mortgage obligations and real estate mortgage invest-  
15 ment conduits that are rated in one of the two highest grades by a recognized  
16 investment service organization that has engaged regularly and continuously  
17 for a period of not less than 10 years in rating corporate debt obligations.

18 [(20)] **(21)** "Treasurer report" means a written report that an officer of a  
19 depository that holds uninsured public funds deposits has signed or  
20 authenticated and that sets forth as of the close of business on a specified  
21 date:

22 (a) The total amount of uninsured public funds on deposit with the de-  
23 pository;

24 (b) The total amount of public funds on deposit with the depository;

25 (c) The net worth of the depository;

26 (d) The amount and nature of eligible collateral then on deposit with the  
27 depository's custodian to collateralize the depository's public funds deposits;  
28 and

29 (e) The identity of the depository's custodian.

30 [(21)] **(22)** "Treasurer report due date" means a date not less than 10  
31 business days after the date a depository's report of condition and income is

1 due to be submitted.

2 [(22)] **(23)** “Trust company” means a trust company as defined in ORS  
3 706.008.

4 [(23)] **(24)** “Undercapitalized” means a depository that [*the depository’s*  
5 *primary federal regulatory authority has*] **is** classified as undercapitalized,  
6 significantly undercapitalized or critically undercapitalized **by the**  
7 **depository’s primary federal regulatory authority, or, if the depository**  
8 **is not federally regulated, by a state regulatory authority.**

9 [(24)] **(25)(a)** “Uninsured public funds” or “uninsured public funds  
10 deposits” means public funds deposited in a depository that exceed the  
11 amounts insured or guaranteed as described in ORS 295.002 (1)(a) and (b).

12 (b) “Uninsured public funds” or “uninsured public funds deposits” does  
13 not include public funds deposited in a certificate of deposit or time deposit  
14 under ORS 295.004 (1) or public funds that an Oregon depository arranges  
15 to deposit into an insured deposit account under ORS 295.004 (2).

16 [(25)] **(26)** “Value” means the current market value of securities.

17 [(26)] **(27)** “Well capitalized” means a depository that [*the depository’s*  
18 *primary federal regulatory authority has*] **is** classified as well capitalized **by**  
19 **the depository’s primary federal regulatory authority, or, if the de-**  
20 **pository is not federally regulated, by a state regulatory authority.**

21 **SECTION 5.** ORS 295.008 is amended to read:

22 295.008. (1)(a) An insured institution, trust company, **municipal bank** or  
23 credit union may not be a custodian under ORS 295.001 to 295.108 unless the  
24 insured institution, trust company, **municipal bank** or credit union certifies  
25 in writing to the State Treasurer that the insured institution, trust  
26 company, **municipal bank** or credit union will furnish the reports required  
27 under ORS 714.075 to the Director of the Department of Consumer and  
28 Business Services.

29 (b) The State Treasurer may approve one or more insured institutions,  
30 trust companies, **municipal banks** or credit unions to serve as custodians.  
31 The State Treasurer shall promptly notify all depositories of the approval

1 of an insured institution, trust company, **municipal bank** or credit union  
2 to serve as a custodian.

3 (2) An insured institution, trust company, **municipal bank** or credit un-  
4 ion may not be a depository under ORS 295.001 to 295.108 unless the insured  
5 institution, trust company, **municipal bank** or credit union:

6 (a) Certifies in writing to the State Treasurer that the insured institution,  
7 trust company, **municipal bank** or credit union will furnish to the Director  
8 of the Department of Consumer and Business Services by the time the di-  
9 rector specifies:

10 (A) The reports required under ORS 714.075; and

11 (B) Any other information the director considers necessary to determine  
12 whether to advise the State Treasurer to order a depository to increase the  
13 depository's collateral under ORS 295.018;

14 (b) Except as provided in subsection (4) of this section, enters into a  
15 pledge agreement; and

16 (c) Complies with subsection (3) of this section.

17 (3) An insured institution, trust company, **municipal bank** or credit un-  
18 ion that intends to become a depository shall file with the State Treasurer  
19 an initial written report that an officer of the insured institution, trust  
20 company, **municipal bank** or credit union has signed or authenticated and  
21 that sets forth, as of the date the insured institution, trust company, **mu-**  
22 **nicipal bank** or credit union intends to commence acting as a depository:

23 (a) The estimated total amount of public funds that will be on deposit  
24 with the insured institution, trust company, **municipal bank** or credit un-  
25 ion;

26 (b) The estimated net worth of the insured institution, trust company,  
27 **municipal bank** or credit union;

28 (c) The amount and nature of the collateral that the insured institution,  
29 trust company, **municipal bank** or credit union will deposit with a custo-  
30 dian to collateralize the public funds deposits; and

31 (d) The identity of the custodian.

1 (4) An insured institution, trust company, **municipal bank** or credit un-  
2 ion may be a depository under ORS 295.001 to 295.108 without entering into  
3 a pledge agreement or complying with subsection (3) of this section if the  
4 insured institution, trust company, **municipal bank** or credit union does not  
5 hold any uninsured public funds deposits. The provisions of ORS 295.006,  
6 295.013, 295.015, 295.018, 295.037, 295.038 and 295.061 do not apply to an in-  
7 sured institution, trust company, **municipal bank** or credit union that is a  
8 depository under this subsection.

9 (5) An insured institution, trust company, **municipal bank** or credit un-  
10 ion that merges with, acquires all the assets of, acquires ownership of or  
11 otherwise becomes a successor entity to a depository that has entered into  
12 a pledge agreement must execute a new pledge agreement or provide evidence  
13 satisfactory to the State Treasurer that the successor insured institution,  
14 trust company, **municipal bank** or credit union has assumed all of the  
15 depository's duties and obligations under the existing pledge agreement. An  
16 insured institution, trust company, **municipal bank** or credit union that  
17 fails to enter into a pledge agreement or provide evidence that the insured  
18 institution, trust company, **municipal bank** or credit union has assumed the  
19 existing pledge agreement within the time specified by the State Treasurer  
20 shall be treated as a depository that holds uninsured public funds and that  
21 has failed to pledge adequate collateral under ORS 295.031.

22 **SECTION 6.** ORS 295.015 is amended to read:

23 295.015. Except as provided in ORS 295.018:

24 (1)(a) A depository throughout the period during which the depository  
25 possesses uninsured public funds deposits shall maintain on deposit with the  
26 depository's custodian, at the depository's own expense, securities that have  
27 a value at least equal to the depository's minimum collateral requirement  
28 and as otherwise prescribed in ORS 295.001 to 295.108. The depository shall  
29 deposit the collateral with the depository's custodian and the depository and  
30 the custodian shall clearly mark the collateral as security for public funds  
31 deposited in accordance with ORS 295.001 to 295.108.

1 (b) For purposes of this section, when pledged as collateral for public  
2 funds deposits, loans described in ORS 295.001 [(19)] (20)(f) must be dis-  
3 counted to 75 percent of the unpaid principal balance owing on the loan from  
4 time to time, or to a lower value that the State Treasurer determines from  
5 time to time.

6 (c) A bond anticipation note that is pledged as collateral for public funds  
7 deposits and for which there is no readily determinable market value must  
8 be discounted to 75 percent of the unpaid principal balance owing on the  
9 note from time to time, or to a lower value that the State Treasurer deter-  
10 mines from time to time.

11 (2) A depository may deposit other eligible securities with the depository's  
12 custodian and release from deposit securities that the depository pledged to  
13 secure deposits of public funds if the remaining securities have a value not  
14 less than the depository's minimum collateral requirement. The State Treas-  
15 urer shall execute releases and surrender custodian's receipts that are ap-  
16 propriate to effect pledges and releases of matured and excess pledged  
17 securities.

18 (3) If a depository's minimum collateral requirement increases because the  
19 depository ceases to be a well capitalized depository as reflected in the  
20 depository's last treasurer report, call report or other public filing, or if the  
21 depository receives notice from the depository's custodian or from the State  
22 Treasurer:

23 (a) Within three business days after the date on which the depository's  
24 minimum collateral requirement increases, the depository shall notify the  
25 depository's custodian and the State Treasurer in writing that the  
26 depository's minimum collateral requirement has increased, setting forth the  
27 depository's new minimum collateral requirement and the depository's plan  
28 for increasing the depository's pledged collateral to the minimum collateral  
29 requirement; and

30 (b) Within five business days after the date on which the depository's  
31 minimum collateral requirement increases, or within a longer period ap-

1 proved by the State Treasurer in coordination with the Department of Con-  
2 sumer and Business Services, the depository shall, in accordance with the  
3 plan approved by the State Treasurer, tender to the depository's custodian  
4 additional securities that have a value sufficient to increase the total value  
5 of the depository's securities pledged as collateral for public funds deposits  
6 to the depository's new minimum collateral requirement.

7 (4) If a depository's minimum collateral requirement decreases because  
8 the depository becomes a well capitalized depository, or because the State  
9 Treasurer no longer requires the depository to pledge additional collateral  
10 under ORS 295.018, the depository may:

11 (a) Notify the depository's custodian and the State Treasurer in writing  
12 that the depository's minimum collateral requirement has decreased, setting  
13 forth the depository's new minimum collateral requirement; and

14 (b) With the written approval of the State Treasurer, release from the  
15 depository's custodian securities that exceed the depository's new minimum  
16 collateral requirement.

17 (5) The State Treasurer shall act upon requests for releases of securities  
18 under subsections (2) and (4)(b) of this section within three business days  
19 after receiving each request.

20 **SECTION 7.** ORS 295.101 is amended to read:

21 295.101. (1) The following public funds are not subject to the provisions  
22 of ORS 295.001 to 295.108:

23 (a) Funds that are deposited for the purpose of paying principal, interest  
24 or premium, if any, on bonds, as defined in ORS 286A.001 and 287A.001, and  
25 related costs or securing a borrowing related to an agreement for exchange  
26 of interest rates entered into under ORS 286A.110 or 287A.335.

27 (b) Funds that are invested in authorized investments under provisions  
28 of law other than ORS 295.001 to 295.108. Funds invested under ORS 293.701  
29 to 293.857 are invested in authorized investments for purposes of this sub-  
30 section from the time the funds are transferred by the State Treasurer to a  
31 third party under the terms of a contract for investment or administration

1 of the funds that requires such a transfer until the time the funds are re-  
2 turned to the treasurer or paid to another party under the terms of the  
3 contract.

4 (c) Negotiable certificates of deposit purchased by the State Treasurer  
5 under ORS 293.736 or by an investment manager under ORS 293.741.

6 (d) Funds that are held by a public official and are required by federal  
7 law or contractual provisions to be collateralized at 100 percent, if the funds  
8 are deposited in an account that is separate from other accounts of the  
9 public official in a depository, and the public official and the depository have  
10 entered into a written agreement that provides a perfected security interest  
11 to the public official in collateral valued at an amount at least equal to the  
12 amount of funds in the account in a manner substantially similar to a pledge  
13 agreement described in ORS 295.001 [(15)].

14 (2) Notwithstanding subsection (1) of this section, funds deposited by a  
15 custodial officer under ORS 294.035 (3)(d) are subject to the provisions of  
16 ORS 295.001 to 295.108.

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