

HB 2743 -1 STAFF MEASURE SUMMARY

House Committee On Business and Labor

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Meeting Dates: 3/17

WHAT THE MEASURE DOES:

Defines "municipal bank" as entity whose organization was directed by local government ordinance or resolution. Prohibits local government from becoming stockholder in or loan its credit to or in aid of a municipal bank. Provides that municipal bank does not need to obtain deposit insurance from Federal Deposit Insurance Corporation (FDIC). Provides municipal bank may not seek or accept retail deposits directly from consumers unless Department of Consumer and Business Services is notified of bank's intention to do so and FDIC insurance is obtained.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Provides that municipal may not seek or accept retail deposits directly from consumers.

BACKGROUND:

By statutory definition, a bank is a company that accepts deposits insured by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act. A bank must be organized under federal law, the laws of this or another state, or the laws of another nation. Section 9, Article XI of the Oregon Constitution prohibits a local county, city, or other municipal corporation from being a stockholder in any company, corporation, or association, or to raise money for, or loan its credit to, or in aid of, any company, corporation, or association. To the extent prohibited by this section of the Constitution, House Bill 2743 prohibits a local government from being a stockholder in, or loan its credit to or in aid of a municipal bank. The measure exempts a municipal bank from the requirement to obtain deposit insurance.