



JAMES L. McINTIRE, Chairman
State Treasurer

CHRISTINE O. GREGOIRE, Member
Governor

State of Washington
PUBLIC DEPOSIT PROTECTION COMMISSION

BRAD OWEN, Member
Lieutenant Governor

PUBLIC DEPOSIT PROTECTION COMMISSION STRENGTHENS SAFEGUARDS

On February 18, 2009, the Washington Public Deposit Protection Commission adopted a [resolution \(attached\)](#) to establish new standards and reporting requirements for public depositaries. The Office of State Treasurer developed the resolution with input from local officials, financial institutions, and state and federal regulators.

BACKGROUND: On January 16, 2009, the Washington Department of Financial Institutions closed Bank of Clark County and immediately appointed the Federal Deposit Insurance Corporation as receiver. In turn, the FDIC then sold the bank's insured deposit accounts and fixed assets (which excluded loans and investments). Under new ownership, most of the bank's operations resumed on the first business day of the following week.

However, under the terms of the sale negotiated by the FDIC, the acquiring institution was not required to honor the uninsured portion of public deposits. In Washington, uninsured public deposits are backed by a collateral pool from all depositaries. At the time, public depositaries in Washington, including Bank of Clark County, were required to maintain only 10 percent collateral on their public deposits.

As required under the Public Deposit Protection Act of 1969, the members of the pool were assessed to cover the \$15 million of uninsured public deposits and all public deposits were made whole within 30 days. I have also set in motion a system-wide update of the rules and responsibilities for commercial bank and thrift public depositaries.

RESPONSE: The attached resolution sets a July 1, 2009 target for all banks and thrifts that operate as public depositaries to collateralize their uninsured public deposits at 100 percent (copy attached). This important step is intended to increase the Commission's capacity for monitoring financial institutions to better protect public deposits and reduce the likelihood for additional assessments should more public depositaries fail.

Local government officials should be aware that all deposits in non-interest bearing accounts are fully covered by FDIC insurance.

The Public Deposit Commission members are the State Treasurer, who serves as Chair, the Governor and Lieutenant Governor.

For more information: Chris McGann (360) 902-9033 Cell: 360-489-4439

Office of the State Treasurer

General Administration Building, P.O. Box 40206 • Olympia, Washington 98504-0206 • (360) 902-9077
TTY USERS: CALL 711 • FAX (360) 704-5177 • Home Page <http://tre.wa.gov>

**WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON**

RESOLUTION NO. 2009-1

WHEREAS, significant stress in the global financial industry and worsening national and international economic conditions are affecting the state's financial institutions and local governments. This commission's purpose is to oversee the Public Deposit Protection Commission (PDPC) member institutions in a way that fulfills its statutory purpose to protect public deposits should a loss occur. This commission must adopt more up to date policies and procedures to best protect public deposits mindful of the challenges that come when large institutions like Washington Mutual, and smaller ones such as Bank of Clark County encounter difficulties; and

WHEREAS, this commission is committed to act in a forward looking manner so that assessments on participating public depositories can be avoided to the greatest extent possible. Thus, in response to the exigent circumstances stemming from national and international economic and financial conditions, and based on the authority granted by law to this commission;

NOW THEREFORE BE IT RESOLVED that all public depositories shall by June 30, 2009, take all measures necessary to fully collateralize its uninsured public deposits at 100%.

As determined by reports provided to the commission, a public depository that cannot make due progress toward collateralizing its uninsured deposits at 100% by June 30, 2009, shall stop accepting new public deposits in uninsured accounts.

In the event a public depository ceases to participate in the PDPC it shall disgorge all public funds in an orderly, lawful and businesslike manner upon notification of disqualification.

The Office of the State Treasurer shall be delegated the authority necessary to carry out this resolution.

BE IT FURTHER RESOLVED that legislation has been introduced at the request of the State Treasurer for consideration by the 2009 Legislature to modernize and improve the laws pertaining to public deposit protection to address the shared concerns of this commission, the Department of Financial Institutions, public depositors, and the banking industry regarding implementation of the PDPC's collateralization and assessment requirements and procedures.

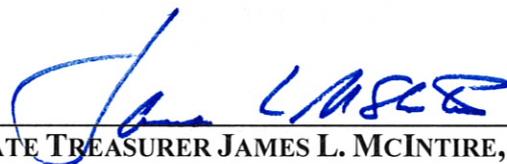
The PDPC urges the Legislature to pass the proposed legislation now under consideration by both the House and Senate, as has been jointly developed by the Office of the State Treasurer and the Department of Financial Institutions with significant input from the financial community.

The PDPC further urges the House and Senate to each incorporate this resolution into the legislative record to be kept in association with this legislation.

IN ACCORDANCE WITH THE PROVISIONS of Chapter 39.58 RCW and Chapter 389-12 WAC, this Commission does hereby grant to the Office of the State Treasurer the authority to carry out the terms of this Resolution and that this Resolution shall become effective February 18, 2009.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this eighteenth day of February, 2009.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION



STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN



GOVERNOR CHRISTINE O. GREGOIRE, MEMBER



LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:



NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION