

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION ACT



2006 REFERENCE GUIDE

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION

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STATE OF WASHINGTON PUBLIC DEPOSIT PROTECTION ACT

BACKGROUND

The 1969 Extraordinary Session of the Legislature enacted Chapter 193 establishing the Public Deposit Protection Act (the “Act”), which created the Public Deposit Protection Commission (the “Commission”). With the passage of this Act, a new concept for collateralizing bank balances of public treasurers’ accounts was adopted in the state of Washington.

The Act was implemented on August 11, 1969, by adopting temporary rules. On February 9, 1970, the Commission adopted permanent rules for administration of the Act in accordance with the Washington Administrative Code (WAC).

Prior to the Act, each bank was required to execute a collateral agreement with each public treasurer having a bank account. To guarantee against loss, the bank, after allowance for Federal Deposit Insurance Corporation (FDIC) insurance, was required to place securities in escrow having a value equal to one hundred and ten percent of each public treasurer’s bank account balance.

With the passage of the 1969 legislation, the requirement that each bank must guarantee each public depositor against any loss was eliminated and a new concept – mutuality of responsibility – was adopted. This means that in the event of default of one bank, all participating banks in the state of Washington will collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds.

In 1973, House Bill No. 397 (Chapter 126, Laws of 1973) corrected certain language and perfected administration of the Act. In June of 1973, the Commission adopted revised rules reflecting these legislative changes.

Previously, the Commission was charged with fixing interest rates to be paid by qualified public depositaries on investment deposits within certain statutory guidelines; however, with the passage of House Bill 1084 (Chapter 50, Laws of 1974), the Commission was relieved of this responsibility. The only statutory restriction is the rate must not exceed the maximum rate permitted by an applicable governmental regulation (RCW 39.58.120).

In 1975, Substitute Senate Bill No. 2249 (Chapter 77, Laws of 1975) amended certain portions of the statute and added new sections. The changes further clarified the language, revised certain requirements, and further defined the authority of the Commission.

As a result of the original language of the Act, each bank’s collateral of pledged securities was reduced from one hundred and ten to five percent of the public treasurers’ bank account balances. A review of the provisions of the Act by the 1977 Extraordinary Session of the Legislature, however, resulted in the passage of House Bill No. 691 (Chapter 95, Laws of 1977, 1st Ex. Sess.). This amendment increased the collateral requirement from five to ten percent and clarified language about collateral replenishment.

In 1983, Substitute House Bill No. 547 (Chapter 66, Laws of 1983) expanded the law to allow savings banks and savings and loan associations to become public depositaries. A separate collateral pool was created for these new public depositaries.

At the request of the Commission, the Legislature in 1984 amended the Act in Substitute Senate Bill No. 4332 (Chapter 177, Laws of 1984). This legislation allowed a public treasurer to maintain deposits in excess of a depository's net worth as long as the depository pledged collateral in an amount equal to one hundred percent of the excess deposits. It also limited total public deposits in one institution to three hundred percent of its net worth. Total public deposits in each financial institution could not exceed thirty percent of the aggregate public funds on deposit of all treasurers statewide. An institution could exceed these limits only if it pledged one hundred percent collateral for the excess.

In 1986, the Legislature passed two bills amending the Act. Senate Bill No. 4593 (Chapter 25, Laws of 1986) reduced the limitation of total public funds on deposit in a depository to one hundred and fifty percent of its net worth or thirty percent of total public funds on deposit statewide, whichever amount is less, and allowed the Commission to establish regulations setting forth minimum financial standards for public depositories. Senate Bill No. 4665 (Chapter 160, Laws of 1986) provided that the Commission, or the chair upon delegation by the Commission, may authorize public treasurers to have out-of-state or alien bank accounts for operating purposes or receipt of revenue. Public funds deposited in out-of-state or alien bank accounts are not protected from loss under the Act.

The Legislature amended the Act in 1996 by enacting House Bill No. 2661 (Chapter 256, Laws of 1996). This legislation further clarified the language, revised certain requirements in response to changes in interstate banking and FDIC requirements, and further defined the authority of the Commission.

At the request of the State Treasurer, the Legislature amended the Act in 2005 by enacting Substitute House Bill No. 2225 (Chapter 203, Laws of 2005). This legislation allowed the Commission, or the chair upon delegation by the Commission, to authorize accounts in out-of-state and alien banks for certain higher education endowment funds for a specified instructional program or research project.

In the event of the default of a public depository, the Commission establishes the amount of public fund loss. After the application of FDIC coverage and the failed depository's pledged collateral against public deposits, each participating depository is assessed its proportionate share of the loss based on the ratio its total public deposits bear to the statewide total.

The provision for guaranteed coverage against loss applies not only to demand deposits, representing public treasurers' operating funds, but also to monies placed in time certificates of deposit, money market deposit accounts, and savings deposits with participating depositories, as well as accrued interest through the date of repayment.

The enactment and implementation of this statute has had a profound effect not only on financial institutions, but also on public fund custodians. Under the Act, all public treasurers and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing the adequacy and quality of pledged securities, and authorizing additions, withdrawals, and exchanges of collateral. Similarly, representatives of financial institutions no longer need to review the status of each public fund balance and the adequacy and maturity of collateral pledged under numerous tri-party agreements. Instead, each depository reports monthly and quarterly to the Commission the aggregate amount of all public deposits and the amount of collateral pledged in accordance with one agreement only. Those depositories having excess deposits or those not meeting the minimum financial standards set by the Commission must monitor public deposits on a daily basis and maintain adequate collateral accordingly.

GENERAL INFORMATION

DEFINITIONS

Five major definitions are pertinent in the procedures as set forth in the Public Deposit Protection Act.

1. "Public depository" means a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has been approved by the Commission to hold public deposits, and which has segregated for the benefit of the Commission eligible collateral having a value of not less than its maximum liability. Addition of the word "bank" denotes a bank, trust company, or national banking association and the word "thrift" denotes a savings association or savings bank.
2. "Treasurer" shall mean the state treasurer, a county treasurer, a city treasurer, a treasurer of any other municipal corporation, and any other custodian of public funds.
3. "Trustee" means a third-party safekeeping agent which has completed a depository pledge agreement with a public depository and the Commission. Such third-party safekeeping agent may be the federal reserve bank of San Francisco, the federal home loan bank of Seattle, the trust department of the public depository, or such other third-party safekeeping agent approved by the Commission.
4. The "Public Deposit Protection Commission" consists of the State Treasurer, as chairman, the Governor, and the Lieutenant Governor.
5. "Public funds" means moneys under the control of a treasurer or custodian belonging to, or held for the benefit of, the state or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, Commissions, or committees, including moneys held as trustee, agent, or bailee.

DUTIES

The Commission has the statutory authority to make and enforce regulations necessary for the performance of its functions under the Act. The Commission is empowered to request a public depository to furnish information on its public deposits and the exact status of its net worth. The Commission is further empowered to take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from loss.

ADMINISTRATION

By Commission rule, the State Treasurer is designated chairman, and the administration of the Act is assigned to the Office of the State Treasurer. Inquiries and correspondence should be directed to:

Public Deposit Protection Commission
Office of the State Treasurer
P.O. Box 40206
Olympia, WA 98504-0206

Telephone: (360) 902 – 9077
FAX: (360) 704 – 5177

TREASURERS' LIABILITY AND DEPOSITARY RESTRICTIONS

PUBLIC TREASURERS' LIABILITY

Public funds may be deposited only in a public depository. All such deposits, both demand and investment, are protected under the terms of the Act.

When deposits are made in accordance with the terms of the Act, all public depositors are relieved of responsibility of liability for any loss resulting from failure or default of a public depository.

A public depository is specifically forbidden from providing bond or other security as collateral to guarantee public deposits except as provided under the terms of the Act.

DEPOSIT LIMITATIONS

The statute limits the aggregate deposit level of any public treasurer in a single public depository to the total net worth of such depository. The rules provide for the inclusion of capital notes and debentures at one-hundred percent of face value as a portion of the depository's net worth, provided the notes are subordinate to the interest of depositors. For the purpose of this Act, public treasurers may presume that a depository's net worth remains unchanged from one reporting period to the next, unless otherwise notified by the Commission.

A single public fund treasurer's deposits in any one public depository may not exceed that depository's net worth. However, if the depository's net worth is reduced and causes the treasurer to have deposits in excess of the new amount, the deposits may remain in the depository until maturity as long as the depository provides collateral equal to one hundred percent of the excess deposits. If the depository does not pledge additional collateral, the treasurer is allowed to withdraw the deposits, including accrued interest, prior to maturity, in accordance with applicable statutes and governmental regulations.

Total public deposits in a single depository are limited to one and one-half times that depository's net worth as defined by Commission rule. A further limitation provides that a depository's total public deposits may not exceed thirty percent of total public deposits statewide as reported to the Commission for the previous quarter. An institution may have deposits in excess of these limits only if it pledges additional collateral equal to one hundred percent of the excess deposits.

OUT-OF-STATE AND ALIEN BANK ACCOUNTS

RCW 39.58.080 specifically states that public treasurers may only deposit funds in Washington State public depositories. This section includes a proviso which allows the Commission, or the chair upon delegation by the Commission, to authorize a treasurer to maintain a demand deposit account with an out-of-state banking institution solely for the purpose of transmitting money received to a public depository within the state of Washington. This section also allows the Commission, or the chair upon delegation by the Commission, to authorize certain higher education institutions to maintain needed out-of-state or alien demand accounts which may include endowment funds for a specified instructional program or research project.

RCW 39.58.085 provides that the Commission, or the chair upon delegation by the Commission, may authorize state and local government entities to establish demand accounts in out-of-state and alien banks. An account established under this section may not exceed \$50,000 (U.S.). In addition, the statute limits the total amount that can be established under this section to \$1 million for all of Washington's public treasurers.

A treasurer wishing to obtain authorization for an out-of-state or alien bank account must submit, in writing, for review by the Commission, the following information:

1. Details setting forth the justification for such account, projected cash flows, and other benefits which will accrue to the public entity through the establishment of such account;
2. The period of time the account will be in use;
3. The reason the account cannot be established with a public depository within the state of Washington;
4. The name and location of the out-of-state banking institution or alien bank, and the name and telephone number of a contact person at the bank;
5. The extent of deposit insurance, if any, provided by the bank;
6. A copy of the current fiscal year and quarterly financial report, if any, provided to regulatory agencies and/or shareholders by the bank; and,
7. The proposed method of ensuring safety of deposits, if not fully covered by deposit insurance.

Upon reviewing the information submitted by the treasurer, the Commission will consider a resolution to authorize the account. Once an account has been authorized, a copy of the resolution is forwarded to the public treasurer and the State Auditor. The public entity shall provide the Commission with updated financial information on the out-of-state or alien bank upon request.

Accounts established by public treasurers in out-of-state or alien banks are not considered to be protected against loss under the Act.

INVESTMENT PROGRAMS

CERTIFICATES OF DEPOSIT

The Certificate of Deposit Program was established by the Legislature in 1973 under Chapter 43.86A RCW. Statute defines certificates of deposit as investment deposits. The definition is further expanded by rules which require the use of certificates of deposit to be issued by or be reflected in a book-entry system of the depository. The rule authorizes the use of single or multiple maturities. This is a voluntary program offered to all public depositories based upon their Washington proportional net worth. These certificates are not negotiable or transferable except between treasurers and/or public depositories.

LINKED DEPOSITS

The Linked Deposit Program was established in 1993 under Chapter 43.86A RCW. It was the intent of the Legislature that the funds provided under this statute shall be used to create jobs and economic opportunity as well as to remedy the lack of access to capital by minority and women's business enterprises, and other small businesses (Chapter 39.19 RCW – Office of minority and women's business enterprises). This program is also voluntary and is based upon a participating depository's Washington proportional net worth and would be accomplished through issuing certificates of deposits.

QUALIFYING PROCEDURES FOR DEPOSITARIES

APPROVAL REQUIREMENTS

A financial institution must comply with certain requirements prior to approval by the Commission as a public depository. The financial institution must direct a letter to the Commission (sample format is shown in Exhibit "F") requesting consideration as a public depository. The letter must include the date the financial institution opened or entered the state, initial/current net worth, membership in the FDIC, Certificate of Authority from the Department of Financial Institutions or the Comptroller of the Currency, Articles of Incorporation, and any other information pertinent to the request for approval.

The financial institution is required to complete a depository pledge agreement with a trustee and to pledge securities as collateral. The depository pledge agreement must be approved by the bank's board of directors or loan committee, the approval must be reflected in the applicable meeting minutes, and the agreement, from the time of execution, must be an official record of the bank. A copy of the meeting minutes showing the agreement has been approved must be provided to the Commission.

After conditional approval has been granted, requirements for final approval as a public depository must be completed within a three month period, or as adjusted by the Commission.

Since newly qualified depositories have no experience to determine average deposits, they are required to report deposits on forms "Interim Commission Report." This reporting procedure is maintained for the first three quarters following approval as a public depository (refer to Exhibit "C, Section 3").

Until public depositories have submitted three consecutive reports to the Commission, they shall at all times pledge and segregate eligible securities in an amount not less than ten percent of all public funds on deposit in said depository. Such securities shall be valued at market value.

LOSS OF QUALIFICATION

A financial institution may lose its designation as a public depository in any of the following situations:

- The depository may choose not to accept any public deposits. After one full year without public deposits, the institution may request release of its collateral. It may choose at that time to maintain its designation as a public depository. However, if at some future date the depository wishes to again accept public deposits, it may do so only after a review by, and possible re-application to the Commission;
- When the net worth of an institution is depleted, it may no longer accept additional public deposits. Any public funds on deposit at that time must be collateralized at one hundred percent. Additionally, a public treasurer must be permitted to withdraw deposits, including accrued interest, prior to maturity and in accordance with applicable statutory and governmental regulations. The depository may only accept deposits of public funds after merger with, or acquisition by, an existing public depository or improvement in its net worth position;
- Violation of any of the rules or provision of the statute shall be grounds for cancellation, suspension, or revocation of a financial institution's authority to act as a public depository. For example, the statute empowers the Commission to require a public depository to furnish information dealing with public deposits and the exact status of its net worth. It further provides that any depository which refuses or neglects to promptly and accurately provide such information when requested shall no longer be a public depository; or,

- When a depository has defaulted and is unable to repay deposits.

Whenever any of the above conditions are found to exist, public treasurers will be notified regarding an institution's current status as a public depository.

REPORTING PROCEDURES AND REQUIREMENTS

PERIOD COVERED – REPORT DATE

Statute and rules require that all public depositories report to the Commission as of the last business day of each calendar quarter and non-quarter months. Reporting formats are supplied by the Commission and, in accordance with the law, accuracy of the information contained therein must be certified under oath. Quarterly reports must be completed and received by the Commission no later than thirty calendar days after the end of the quarter. Non-quarter monthly reports must be completed and received no later than eight working days after month end.

Responsibility for prompt compliance is vested with the depository. Failure to comply within the time allotted constitutes grounds for disqualification as a public depository and subsequent withdrawal of all public funds.

In addition to regular quarterly reports, RCW 39.58.103 provides that each public depository shall notify the Commission, in writing, when its net worth has been reduced by an amount greater than ten percent from the amount shown on the last quarterly report submitted to the Commission. This notification must be made within five working days of the reduction.

REPORTS OF PUBLIC DEPOSITS

A sample of the Commission report is shown in Exhibit "C." For financial institutions with out-of-state net worth or headquarters outside of Washington, a sample of the Washington proportional net worth reporting requirement is shown in Exhibit "G, Section 2."

Commission reports must include copies of the appropriate schedules of the depository's Consolidated Report of Condition or Office of Thrift Supervision Thrift Financial Report, whichever is applicable.

For clarification, deposits of the following public entities are included under the terms of the Act: the state of Washington, including funds of the State Treasurer, state institutions of higher learning (including community colleges), the Toll Bridge Authority, and all other state departments, boards and Commissions; all county and city funds, (including funds held in trust for courts); funds of public utility districts, port districts, irrigation districts, school districts, housing authorities, public hospital districts, public water and sewer districts, fire protection districts; and all other local taxing bodies. Deposits of the U.S. government are not to be included in this report.

Although Commission reports are submitted in a summarized form, under no circumstances is the reporting depository relieved of the responsibility of maintaining work sheets and/or other records supporting the reported information. These records are subject to review by request of a duly authorized representative of the Commission.

Monthly reports of public deposit balances are submitted to the Commission in accordance with RCW 39.58.040 and WAC 389-12-090 (refer to Exhibit "I").

COMPUTATION OF MAXIMUM LIABILITY

The maximum liability of a public depository is an amount equal to ten percent of all public deposits held by the depository on the most recent Commission report date or the average of the balances of public deposits on the four most recent Commission report dates, whichever is greater. This amount, subject to audit, represents the maximum amount the Commission can assess each depository in the event of a loss due to default of a participating depository.

The amount of the maximum liability represents a depository's minimum collateral requirement. Securities pledged by a depository in excess of this amount are not subject to settlement of a loss due to the default of another public depository.

ACQUISITIONS AND MERGERS

In the event of acquisition or merger, the surviving depository must assume the reported maximum liability for the acquired depository from the date of acquisition. Securities pledged by the acquired depository may be released when the Commission receives proof that the acquiring depository has securities pledged in an amount sufficient to meet the aggregate maximum liability.

OTHER REPORTS TO THE COMMISSION

Additional reports, inspections or audits may be required by the Commission to facilitate the performance of its functions.

COLLATERAL PROCEDURES

DEPOSITORY PLEDGE AGREEMENT

Only forms supplied by the Commission are acceptable for establishing a depository pledge agreement and may be obtained from the Office of the State Treasurer.

Two different forms are used: One designed for those depositories utilizing the Federal Home Loan Bank of Seattle as trustee (refer to Exhibit "A"); another for those depositories utilizing commercial banks or trust companies as trustee (refer to Exhibit "B"). *NOTE: currently the Federal Reserve Bank of San Francisco has exercised their option not to be a Depository Pledge Agreement signer (RCW 39.58.010(15)).*

PLEDGING REQUIREMENTS

Depositories must transmit securities pledged as collateral and place them under control of the third party trustee. In accordance with the depository pledge agreement, the trustee maintains complete jurisdiction over the possession of the securities pledged on behalf of the Commission.

Each public depository must maintain eligible securities with its trustee having a market value at least equal to its maximum liability. Additionally, any depository having excess deposits is required to collateralize such excess deposits at one hundred percent. Depositories not meeting the minimum financial standards set by the Commission must collateralize their total public deposits at one hundred percent. Compliance is the public depository's responsibility.

Increases in the amount of collateral pledged and substitution of like amounts of securities may be made without prior approval of the Commission. However, any reduction in the total amount of collateral pledged requires advance written authorization to the trustee by the Commission.

All transactions involving pledged securities require that a copy of the safekeeping receipt or transaction document be mailed to the Commission within twenty-four hours following the transaction. This includes all transactions whether an increase in collateral, a reduction in collateral, a substitution of securities, or the cash conversion of a called or matured security.

ELIGIBLE SECURITIES

Eligible securities are defined in RCW 39.58.050. **NOTE:** Out-of-state revenue bonds are not included as eligible collateral and are not acceptable.

VALUATION OF SECURITIES

Each public depository must value securities pledged as collateral at current market value.

RELEASE OF COLLATERAL

A depository may substitute collateral by pledging eligible securities in a like amount at any time. However, if the depository wishes to reduce its total collateral pledged, it must forward a written request to the Commission. This request must include: (a) current public deposits; (b) current par and market value of total collateral pledged; and, (c) a description of the security to be released as well as both par and market value of the security.

When a depository requests release of securities pledged as collateral for public deposits, Commission staff must be provided sufficient time to review the depository's collateral requirements. Additionally, written authorization from the Commission must be received by the trustee before the securities may be released.

LOSSES – PROCEDURES FOR ASSESSMENT

DEFINITION

The statute defines a loss as the issuance of an order by a regulatory or supervisory authority or a court restraining a depository from making payments of deposit liabilities, or the appointment of a receiver for a public depository. The Commission rules define the date of loss as one of the following situations, whichever occurs first:

- Taking possession of the depository by a supervisory agency;
- Appointment of a receiver or conservator for a depository;
- Commencement of proceedings for a voluntary liquidation;
- The date an order is issued by a regulatory agency or a court restraining a depository from making payments on deposit liabilities; and,
- The date the Commission declares that a depository is unable to repay public deposits in full.

DETERMINATION OF AMOUNT

When a loss occurs, the receiver is required, within twenty days after taking possession of a public depository, to certify to the Commission the amounts on deposit by each public depositor. Within ten days after receiving the certification, each public depositor must supply the Commission with a verified statement of its deposits as disclosed by its records. The Commission is responsible for fixing the amount of such public deposits and, after deducting any allowable FDIC insurance, assessing the balance of the loss against all public depositories.

ASSESSMENT PROCEDURES

The Commission assesses the collateral pool to reimburse public treasurers for deposits not covered by federal deposit insurance. If necessary, the failed depository is assessed the entire amount of its collateral. If this does not cover the losses, the balance of the depositories in the pool are assessed proportionately up to their maximum liability on the date of the failure. Since commercial banks and thrift institutions have separate collateral pools, only the depositories in the same pool as the failed depository are assessed.

Assessments are payable on the second business day following demand and, in the event of failure to pay, the Commission is empowered to take possession of, and liquidate, securities pledged as collateral.

Amounts subsequently received from distribution of the remaining assets of the depository shall first be paid to the public depositors to the extent of any unpaid net deposit liability, and then to the public depositories against which assessments were made in the same proportion as the assessments.

Any expense incurred by the Commission in the course of liquidation is paid as a liquidation expense of the depository in which the loss occurred.

STATUTES

As published in the 2006 Revised Code of Washington

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Chapter 39.58 RCW
Public funds – deposits and investments – public depositaries

RCW Sections

- 39.58.010 Definitions.
- 39.58.020 Public funds – Protection against loss.
- 39.58.030 Public deposit protection commission – State finance committee constitutes – Proceedings.
- 39.58.040 General powers of commission.
- 39.58.045 Financial institutions claiming exemption from sales, use or ad valorem taxes – Notification of commission.
- 39.58.050 Collateral for deposits – Segregation – Eligible securities.
- 39.58.060 Loss in a bank public depositary – Procedure for payment.
- 39.58.065 Loss in a thrift public depositary – Procedure for payment.
- 39.58.070 Subrogation of commission to depositor's rights – Sums received from distribution of assets, payment.
- 39.58.080 Deposit of public funds in public depositary required – Deposits in institutions located outside the state.
- 39.58.085 Demand accounts in out-of-state and alien banks – Limitations.
- 39.58.090 Authority to secure deposits in accordance with chapter – Bonds and securities for deposits dispensed with.
- 39.58.100 Reports of public depositaries – Certification by director of financial institutions.
- 39.58.103 Notice to commission of reduced net worth.
- 39.58.105 Investigation of financial institution applying to become public depositary – Report.
- 39.58.108 Requirements to become depositary.
- 39.58.120 Interest rates.
- 39.58.130 Investment deposits – Net worth of public depositary.
- 39.58.135 Limitations on deposits.
- 39.58.140 Liability of treasurers.
- 39.58.155 State-wide custodian – Exemption from chapter.
- 39.58.750 Receipt, disbursement, or transfer of public funds by wire or other electronic communication means authorized.

39.58.010
Definitions.

In this chapter, unless the context otherwise requires:

- (1) "Public funds" means moneys under the control of a treasurer or custodian belonging to, or held for the benefit of, the state or any of its political subdivisions, public corporations, municipal corporations, agencies, courts, boards, commissions, or committees, including moneys held as trustee, agent, or bailee;
- (2) "Public depositary" means a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has been approved by the commission to hold public deposits, and which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability. Addition of the word "bank" denotes a bank, trust company, or national banking association and the word "thrift" denotes a savings association or savings bank;

- (3) "Loss" means the issuance of an order by a regulatory or supervisory authority or a court of competent jurisdiction (a) restraining a public depository from making payments of deposit liabilities or (b) appointing a receiver for a public depository;
- (4) "Commission" means the Washington public deposit protection commission created under RCW 39.58.030;
- (5) "Eligible collateral" means securities which are enumerated in RCW 39.58.050 (5) and (6) as eligible collateral for public deposits;
- (6) The "maximum liability" of a public depository on any given date means a sum equal to ten percent of (a) all public deposits held by the public depository on the then most recent commission report date, or (b) the average of the balances of said public deposits on the last four immediately preceding reports required pursuant to RCW 39.58.100, whichever amount is greater, less any assessments paid to the commission pursuant to this chapter since the then most recent commission report date;
- (7) "Public funds available for investment" means such public funds as are in excess of the anticipated cash needs throughout the duration of the contemplated investment period;
- (8) "Investment deposits" means time deposits, money market deposit accounts, and savings deposits of public funds available for investment;
- (9) "Treasurer" shall mean the state treasurer, a county treasurer, a city treasurer, a treasurer of any other municipal corporation, and any other custodian of public funds;
- (10) "Financial institution" means any national or state chartered commercial bank or trust company, savings bank, or savings association, or branch or branches thereof, located in this state and lawfully engaged in business;
- (11) "Commission report" means a formal accounting rendered by all public depositories to the commission in response to a demand for specific information made by the commission detailing pertinent affairs of each public depository as of the close of business on a specified date, which is the "commission report date." "Commission report due date" is the last day for the timely filing of a commission report;
- (12) "Director of financial institutions" means the Washington state director of the department of financial institutions;
- (13) "Net worth" of a public depository means (a) the equity capital as reported to its primary regulatory authority on the quarterly report of condition or statement of condition and may include capital notes and debentures which are subordinate to the interests of depositors, or (b) equity capital adjusted by rule of the commission;
- (14) "Depository pledge agreement" means a tripartite agreement executed by the commission with a financial institution and its designated trustee. Such agreement shall be approved by the directors or the loan committee of the financial institution and shall continuously be a record of the financial institution. New securities may be pledged under this agreement in substitution of or in addition to securities originally pledged without executing a new agreement;
- (15) "Trustee" means a third-party safekeeping agent which has completed a depository pledge agreement with a public depository and the commission. Such third-party safekeeping agent may be the federal reserve bank of San Francisco, the federal home loan bank of Seattle, the trust department of the public depository, or such other third-party safekeeping agent approved by the commission.

39.58.020

Public funds – Protection against loss.

All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in this chapter.

39.58.030

Public deposit protection commission – State finance committee constitutes – Proceedings.

The Washington public deposit protection commission shall be the state finance committee. The record of the proceedings of the public deposit protection commission shall be kept in the office of the commission and a duly certified copy thereof, or any part thereof, shall be admissible in evidence in any action or proceedings in any court of this state.

39.58.040

General powers of commission.

The commission shall have power (1) to make and enforce regulations necessary and proper to the full and complete performance of its functions under this chapter; (2) to require any public depository to furnish such information dealing with public deposits and the exact status of its net worth as the commission shall request. Any public depository which refuses or neglects to give promptly and accurately or to allow verification of any information so requested shall no longer be a public depository and shall be excluded from the right to receive or hold public deposits until such time as the commission shall acknowledge that such depository has furnished the information requested; (3) to take such action as it deems best for the protection, collection, compromise or settlement of any claim arising in case of loss; (4) to prescribe regulations, subject to this chapter, fixing the requirements for qualification of financial institutions as public depositories, and fixing other terms and conditions consistent with this chapter, under which public deposits may be received and held; (5) to make and enforce regulations setting forth criteria establishing minimum standards for the financial condition of bank and thrift depositories and, if the minimum standards are not met, providing for additional collateral requirements or restrictions regarding a public depository's right to receive or hold public deposits; (6) to fix the official date on which any loss shall be deemed to have occurred taking into consideration the orders, rules and regulations of supervisory authority as they affect the failure or inability of a public depository to repay public deposits in full; and (7) in case loss occurs in more than one public depository, to determine the allocation and time of payment of any sums due to public depositors under this chapter.

39.58.045

Financial institutions claiming exemption from sales, use or ad valorem taxes – Notification of commission.

The director of the department of revenue shall notify the public deposit protection commission quarterly on the first day of October, January, April, and July of the names and addresses of any financial institutions which have claimed exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state.

39.58.050

Collateral for deposits – Segregation – Eligible securities.

(1) Every public depository shall complete a depository pledge agreement with the commission and a trustee, and shall at all times maintain, segregated from its other assets, eligible collateral in the form of securities enumerated in this section having a value at least equal to its maximum liability and as otherwise prescribed in this chapter. Such collateral shall be segregated by deposit with the depository's trustee and shall be clearly designated as security for the benefit of public depositors under this chapter.

(2) Securities eligible as collateral shall be valued at market value, and the total market value of securities pledged in accordance with this chapter shall not be reduced by withdrawal or substitution of securities except by prior authorization, in writing, by the commission.

- (3) The public depository shall have the right to make substitutions of an equal or greater amount of such collateral at any time.
- (4) The income from the securities which have been segregated as collateral shall belong to the public depository without restriction.
- (5) Each of the following enumerated classes of securities, providing there has been no default in the payment of principal or interest thereon, shall be eligible to qualify as collateral:
 - (a) Certificates, notes or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States;
 - (b) State, county, municipal, or school district bonds or warrants of taxing districts of the state of Washington or any other state of the United States, provided that such bonds and warrants shall be only those found to be within the limit of indebtedness prescribed by law for the taxing district issuing them and to be general obligations;
 - (c) The obligations of any United States government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system;
 - (d) Bonds, notes, letters of credit, or other securities or evidence of indebtedness constituting the direct and general obligation of a federal home loan bank or federal reserve bank;
 - (e) Revenue bonds of this state or any authority, board, commission, committee, or similar agency thereof, and any municipality or taxing district of this state;
 - (f) Direct and general obligation bonds and warrants of any city, town, county, school district, port district, or other political subdivision of any state, having the power to levy general taxes, which are payable from general ad valorem taxes;
 - (g) Bonds issued by public utility districts as authorized under the provisions of Title 54 RCW, as now or hereafter amended;
 - (h) Bonds of any city of the state of Washington for the payment of which the entire revenues of the city's water system, power and light system, or both, less maintenance and operating costs, are irrevocably pledged, even though such bonds are not general obligations of such city;
- (6) In addition to the securities enumerated in this section, every public depository may also segregate such bonds, securities, and other obligations as are designated to be authorized security for public deposits under the laws of this state.
- (7) The commission may at any time or times declare any particular security as ineligible to qualify as collateral when in the commission's judgment it is deemed desirable to do so.

39.58.060

Loss in a bank public depository – Procedure for payment.

When the commission determines that a loss has occurred in a bank public depository, it shall as soon as possible make payment to the proper public officers of all funds subject to such loss, pursuant to the following procedures:

- (1) For the purposes of determining the sums to be paid, the director of financial institutions or the receiver shall, within twenty days after issuance of a restraining order or taking possession of any bank public depository, ascertain the amount of public funds on deposit therein as disclosed by its records and the amount thereof covered by deposit insurance and certify the amounts thereof to the commission and each such public depositor;

- (2) Within ten days after receipt of such certification, each such public depositor shall furnish to the commission verified statements of its deposits in such bank public depositary as disclosed by its records;
- (3) Upon receipt of such certificate and statements, the commission shall ascertain and fix the amount of such public deposits, net after deduction of any amount received from deposit insurance, and, after determining and declaring the apparent net loss, assess the same against all then bank public depositaries, as follows: First, against the public depositary in which the loss occurred, to the extent of the full value of collateral segregated pursuant to this chapter; second, against all other bank public depositaries pro rata in proportion to the maximum liability of each such depositary as it existed on the date of loss;
- (4) Assessments made by the commission shall be payable on the second business day following demand, and in case of the failure of any public depositary so to pay, the commission shall forthwith take possession of the securities segregated as collateral by such depositary pursuant to this chapter and liquidate the same for the purpose of paying such assessment;
- (5) Upon receipt of such assessment payments, the commission shall reimburse the public depositors of the public depositary in which the loss occurred to the extent of the depositary's net deposit liability to them.

39.58.065

Loss in a thrift public depositary – Procedure for payment.

When the commission determines that a loss has occurred in a thrift public depositary, it shall as soon as possible make payment to the proper public officers of all funds subject to such loss, pursuant to the following procedures:

- (1) For the purposes of determining the sums to be paid, the director of financial institutions or the receiver shall, within twenty days after issuance of a restraining order or taking possession of any thrift public depositary, ascertain the amount of public funds on deposit therein as disclosed by its records and the amount thereof covered by deposit insurance and certify the amounts thereof to the commission and each such public depositor;
- (2) Within ten days after receipt of such certification, each such public depositor shall furnish to the commission verified statements of its deposits in such thrift depositary as disclosed by its records;
- (3) Upon receipt of such certificate and statements, the commission shall ascertain and fix the amount of such public deposits, net after deduction of any amount received from deposit insurance, and, after determining and declaring the apparent net loss, assess the same against all then thrift public depositaries, as follows: First, against the public depositary in which the loss occurred, to the extent of the full value of collateral segregated pursuant to this chapter; second, against all other thrift public depositaries pro rata in proportion to the maximum liability of each such depositary as it existed on the date of loss;
- (4) Assessments made by the commission shall be payable on the second business day following demand, and in case of the failure of any public depositary so to pay, the commission shall forthwith take possession of the securities segregated as collateral by such depositary pursuant to this chapter and liquidate the same for the purpose of paying such assessment;
- (5) Upon receipt of such assessment payments, the commission shall reimburse the public depositors of the public depositary in which the loss occurred to the extent of the depositary's net deposit liability to them.

39.58.070

Subrogation of commission to depositor's rights – Sums received from distribution of assets, payment.

Upon payment to any public depositor, the commission shall be subrogated to all of such depositor's right, title and interest against the public depositary in which the loss occurred and shall share in any distribution of its assets ratably with other depositors. Any sums received from any distribution shall be paid to the public

depositors to the extent of any unpaid net deposit liability and the balance remaining shall be paid to the public depositaries against which assessments were made, pro rata in proportion to the assessments actually paid by each such depositary: PROVIDED, That the public depositary in which the loss occurred shall not share in any such distribution of the balance remaining. If the commission incurs expense in enforcing any such claim, the amount thereof shall be paid as a liquidation expense of the public depositary in which the loss occurred.

39.58.080

Deposit of public funds in public depositary required – Deposits in institutions located outside the state.

(1) Except for funds deposited pursuant to a fiscal agency contract with the state fiscal agent or its correspondent bank, funds deposited pursuant to a custodial bank contract with the state's custodial bank, and funds deposited pursuant to a local government multistate joint self-insurance program as provided in RCW 48.62.081, no public funds shall be deposited in demand or investment deposits except in a public depositary located in this state or as otherwise expressly permitted by statute: PROVIDED, That the commission, or the chair upon delegation by the commission, upon good cause shown, may authorize, for such time and upon such terms and conditions as the commission or chair deem appropriate, a treasurer to maintain a demand deposit account with a banking institution located outside the state of Washington solely for the purpose of transmitting money received to public depositaries in the state of Washington for deposit.

(2) Notwithstanding subsection (1) of this section, the commission, or the chair upon delegation by the commission, upon good cause shown, may authorize, for that time and upon the terms and conditions as the commission or chair deems appropriate, a treasurer to maintain a demand deposit account with a banking institution located outside the state of Washington for deposit of certain higher education endowment funds, for a specified instructional program or research project being performed outside the state of Washington.

39.58.085

Demand accounts in out-of-state and alien banks – Limitations.

(1) (a) The commission, or the chair upon delegation by the commission, may authorize state and local governmental entities to establish demand accounts in out-of-state and alien banks in an aggregate amount not to exceed one million dollars. No single governmental entity shall be authorized to hold more than fifty thousand dollars in one demand account.

(b) The governmental entities establishing such demand accounts shall be solely responsible for their proper and prudent management and shall bear total responsibility for any losses incurred by such accounts. Accounts established under the provisions of this section shall not be considered insured by the commission.

(c) The state auditor shall annually monitor compliance with this section and the financial status of such demand accounts.

(2) Subsection (1)(a) of this section does not apply to RCW 39.58.080(2).

39.58.090

Authority to secure deposits in accordance with chapter – Bonds and securities for deposits dispensed with.

All institutions located in this state which are permitted by the statutes of this state to hold and receive public funds shall have power to secure such deposits in accordance with this chapter. Except as provided in this chapter, no bond or other security shall be required of or given by any public depositary for any public funds on deposit.

39.58.100

Reports of public depositaries – Certification by director of financial institutions.

On or before each commission report due date, each public depositary shall render to the commission a written report, certified under oath, indicating the total amount of public funds on deposit held by it, the net worth of the depositary, and the amount and nature of eligible collateral then segregated for the benefit of the commission.

The commission may instruct the director of financial institutions to examine and thereafter certify as to the accuracy of any statement to the commission by any public depositary.

39.58.103

Notice to commission of reduced net worth.

Each public depositary shall notify the commission in writing within five working days of the happening of an event which causes its net worth to be reduced by an amount greater than ten percent of the amount shown as its net worth on the most recent report submitted pursuant to RCW 39.58.100.

39.58.105

Investigation of financial institution applying to become public depositary – Report.

The commission may require the state auditor or the director of financial institutions to thoroughly investigate and report to it concerning the condition of any financial institution which makes application to become a public depositary, and may also as often as it deems necessary require such investigation and report concerning the condition of any financial institution which has been designated as a public depositary. The expense of all such investigations or reports shall be borne by the financial institution examined. In lieu of any such investigation or report, the commission may rely upon information made available to it or the director of financial institutions by the office of the comptroller of the currency, the office of thrift supervision, the federal deposit insurance corporation, the federal reserve board, or any state bank or thrift regulatory agency.

The director of financial institutions shall in addition advise the commission of any action he or she has directed any public depositary to take which will result in a reduction of greater than ten percent of the net worth of such depositary as shown on the most recent report it submitted pursuant to RCW 39.58.100.

39.58.108

Requirements to become depositary.

Any financial institution may become a depositary upon approval by the commission and segregation of collateral in the manner as set forth in this chapter, and upon compliance with all rules as promulgated by the commission. For the first twelve-month period following qualification as a public depositary, the depositary shall at all times pledge and segregate eligible securities in an amount equal to not less than ten percent of all public funds on deposit in the depositary.

39.58.120

Interest rates.

Time deposits issued pursuant to this chapter shall bear interest at a rate not in excess of the maximum rate permitted by any applicable governmental regulation.

39.58.130

Investment deposits – Net worth of public depository.

A treasurer is authorized to deposit in a public depository any public funds available for investment and secured by collateral in accordance with the provisions of this chapter, and receive interest thereon. The authority provided by this section is additional to any authority now or hereafter provided by law for the investment or deposit of public funds by any such treasurer: PROVIDED, That in no case shall the aggregate of demand and investment deposits of public funds by any such treasurer in any one public depository exceed at any time the net worth of that depository. If a public depository's net worth is reduced, a treasurer may allow public funds on deposit in excess of the reduced net worth to remain until maturity upon pledging by the depository of eligible securities valued at market value in an amount at least equal to the amount of the excess deposits. The collateral shall be segregated as provided in RCW 39.58.050. If the additional securities required by this section are not pledged by the depository, the depository shall permit withdrawal prior to maturity by the treasurer of deposits, including accrued interest, in accordance with applicable statutes and governmental regulations.

39.58.135

Limitations on deposits.

Notwithstanding RCW 39.58.130, (1) aggregate deposits received by a public depository from all public treasurers shall not exceed at any time one hundred fifty percent of the value of the depository's net worth, nor (2) shall the aggregate deposits received by any public depository exceed thirty percent of the total aggregate deposits of all public treasurers in all depositories as determined by the public deposit protection commission. However, a public depository may receive deposits in excess of the limits provided in this section if eligible securities, as prescribed in RCW 39.58.050, are pledged as collateral in an amount equal to one hundred percent of the value of deposits received in excess of the limitations prescribed in this section.

39.58.140

Liability of treasurers.

When deposits are made in accordance with this chapter, a treasurer shall not be liable for any loss thereof resulting from the failure or default of any public depository without fault or neglect on his or her part or on the part of his or her assistants or clerks.

39.58.155

State-wide custodian – Exemption from chapter.

A state-wide custodian under RCW 43.08.280 may be exempted from the requirements of this chapter, based on rules adopted by the public deposit protection commission.

39.58.750

Receipt, disbursement, or transfer of public funds by wire or other electronic communication means authorized.

Notwithstanding any provision of law to the contrary, the state treasurer or any county, city, or other municipal treasurer or other custodian of public funds may receive, disburse, or transfer public funds under his or her jurisdiction by means of wire or other electronic communication in accordance with accounting standards established by the state auditor under RCW 43.09.200 with regard to municipal treasurers or other custodians or by the office of financial management under RCW 43.88.160 in the case of the state treasurer and other state custodians to safeguard and insure accountability for the funds involved.

Chapter 35.38 RCW

Fiscal – depositaries

RCW Sections

- 35.38.010 Designation of depositaries.
- 35.38.040 Segregation of collateral.
- 35.38.050 Treasurer's official bond not affected.
- 35.38.055 City official as officer, employee or stockholder of depositary.
- 35.38.060 Definition – "Financial institution."

35.38.010

Designation of depositaries.

The treasurer in all cities and towns shall annually at the end of each fiscal year, or at such other times as may be deemed necessary, designate one or more financial institutions which are qualified public depositaries as set forth by the public deposit protection commission as depositary or depositaries for the moneys required to be kept by the treasurer.

35.38.040

Segregation of collateral.

Before any such designation shall entitle the treasurer to make deposits in any financial institution, each financial institution so designated shall segregate eligible securities as collateral as provided by RCW 39.58.050 as now or hereafter amended.

35.38.050

Treasurer's official bond not affected.

The foregoing provisions of this chapter shall in no way affect the duty of a city or town treasurer to give bond to the city or town for the faithful performance of his duties in such amount as may be fixed by the city or town council or other governing body by ordinance.

35.38.055

City official as officer, employee or stockholder of depositary.

Whenever a financial institution is designated by the treasurer in accordance with the provisions of this chapter, as a depositary for funds to be kept by the treasurer of such city or town and such financial institution has filed and had approved a contract with such city or town and complied with chapter 39.58 RCW, such contract shall not be invalid by reason of any official of the city being also an officer, employee, or stockholder of such financial institution.

35.38.060

Definition – "Financial institution."

"Financial institution," as used in the foregoing provisions of this chapter, means a branch of a bank engaged in banking in this state in accordance with RCW 30.04.300, and any state bank or trust company, national banking association, stock savings bank, mutual savings bank, or savings and loan association, which institution is located in this state and lawfully engaged in business.

Chapter 43.85 RCW

State depositaries

RCW Sections

- 43.85.070 Deposits deemed in state treasury – Liability.
- 43.85.190 Investment deposits and rate of interest.
- 43.85.200 Investment deposits and rate of interest – State moneys defined.
- 43.85.210 Investment deposits and rate of interest – Demand and time accounts authorized.
- 43.85.220 Investment deposits and rate of interest – Members of federal reserve or federal deposit insurance corporation.
- 43.85.230 Investment deposits and rate of interest – Term deposit basis.

43.85.070

Deposits deemed in state treasury – Liability.

The state treasurer may deposit with any qualified public depositary which has fully complied with all requirements of law and the regulations of the public deposit protection commission any state moneys in his hands or under his official control and any sum so on deposit shall be deemed to be in the state treasury, and he shall not be liable for any loss thereof resulting from the failure or default of any such depositary without fault or neglect on his part or on the part of his assistants or clerks.

43.85.190

Investment deposits and rate of interest.

It is the purpose of RCW 43.85.190 through 43.85.230 to authorize the state treasurer to make investment deposits of state moneys or funds in his custody in qualified public depositaries at a rate of interest permitted by any applicable statute or regulation.

43.85.200

Investment deposits and rate of interest – State moneys defined.

All moneys or funds belonging to or in the custody of the state under the control of the state treasurer shall be considered as state moneys or funds.

43.85.210

Investment deposits and rate of interest – Demand and time accounts authorized.

The state treasurer may deposit state moneys or funds at interest in any qualified public depositary upon a demand or time account basis.

43.85.220

Investment deposits and rate of interest – Members of federal reserve or federal deposit insurance corporation.

If state depositaries are member banks of the federal reserve system, or are banks the deposits of which, within certain limits, are insured by the federal deposit insurance corporation and, as such, are prohibited by a statute of the United States or by a lawful regulation of the federal reserve system or of the federal deposit insurance corporation, or of any authorized agency of the federal government, from paying interest upon demand deposits

of public funds of a state, the payment of interest shall not be required of such depositaries to the extent and for the period of time that payment thereof is prohibited.

43.85.230

Investment deposits and rate of interest – Term deposit basis.

The state treasurer may deposit moneys not required to meet current demands upon a term deposit basis not to exceed five years at such interest rates and upon such conditions as to withdrawals of such moneys as may be agreed upon between the state treasurer and any qualified public depository.

Chapter 43.86A RCW

Surplus funds – investment program

RCW Sections

- 43.86A.010 Finding – Objectives.
- 43.86A.020 Surplus funds held as demand deposits to be limited.
- 43.86A.030 Time certificate of deposit investment program – Funds available for – Allocation.
- 43.86A.040 Other investment powers of state treasurer not limited.
- 43.86A.050 Implementation of chapter by state treasurer.
- 43.86A.060 Linked deposit program – Minority and women’s business enterprises.
- 43.86A.070 Linked deposit program – Liability.
- 43.86A.080 Linked deposit program – Minority and women’s business enterprises – Public depositories’ participation.

43.86A.010

Finding – Objectives.

The legislature finds that a procedure should be established for the management of short term treasury surplus funds by the state treasurer in order to insure a maximum return while they are on deposit in public depositories. The objectives of this procedure are to minimize noninterest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

43.86A.020

Surplus funds held as demand deposits to be limited.

After March 19, 1973, the state treasurer shall limit surplus funds held as demand deposits to an amount necessary for current operating expenses including direct warrant redemption payments, investments and revenue collection. The state treasurer may hold such additional funds as demand deposits as he deems necessary to insure efficient treasury management.

43.86A.030

Time certificate of deposit investment program – Funds available for – Allocation.

(1) Funds held in public depositories not as demand deposits as provided in RCW 43.86A.020 and 43.86A.030, shall be available for a time certificate of deposit investment program according to the following formula: The state treasurer shall apportion to all participating depositories an amount equal to five percent of the three year

average mean of general state revenues as certified in accordance with Article VIII, section 1(b) of the state Constitution, or fifty percent of the total surplus treasury investment availability, whichever is less. Within thirty days after certification, those funds determined to be available according to this formula for the time certificate of deposit investment program shall be deposited in qualified public depositories. These deposits shall be allocated among the participating depositories on a basis to be determined by the treasurer.

(2) The state treasurer may use up to one hundred million dollars per year of all funds available under this section for the purposes of RCW 43.86A.060. The amounts made available to these public depositories shall be equal to the amounts of outstanding loans made under RCW 43.86A.060.

(3) The formula so devised shall be a matter of public record giving consideration to, but not limited to deposits, assets, loans, capital structure, investments or some combination of these factors. However, if in the judgment of the state treasurer the amount of allocation for certificates of deposit as determined by this section will impair the cash flow needs of the state treasury, the state treasurer may adjust the amount of the allocation accordingly.

43.86A.040

Other investment powers of state treasurer not limited.

Except as provided in RCW 43.86A.020 and 43.86A.030, nothing in this chapter shall be construed as a limitation upon the powers of the state treasurer to determine the amount of surplus treasury funds which may be invested in time certificates of deposit.

43.86A.050

Implementation of chapter by state treasurer.

The state treasurer shall devise the necessary formulae and methodology to implement the provisions of this chapter. Periodically, but at least once every six months, the state treasurer shall review all rules and shall adopt, amend or repeal them as may be necessary. These rules and a list of time certificate of deposit allocations shall be published in the treasurer's monthly financial report as required under the provisions of RCW 43.08.150.

43.86A.060

Linked deposit program – Minority and women's business enterprises.

(1) The state treasurer shall establish a linked deposit program for investment of deposits in qualified public depositories. As a condition of participating in the program, qualified public depositories must make qualifying loans as provided in this section. The state treasurer may purchase a certificate of deposit that is equal to the amount of the qualifying loan made by the qualified public depository or may purchase a certificate of deposit that is equal to the aggregate amount of two or more qualifying loans made by one or more qualified public depositories.

(2) Qualifying loans made under this section are those:

- (a) Having terms that do not exceed ten years;
- (b) Where an individual loan does not exceed one million dollars;
- (c) That are made to a minority or women's business enterprise that has received state certification under chapter 39.19 RCW;
- (d) Where the interest rate on the loan to the minority or women's business enterprise does not exceed an interest rate that is two hundred basis points below the interest rate the qualified public depository would charge for a loan for a similar purpose and a similar term, except that, if the preference given by the state treasurer to the qualified public depository under subsection (3) of this section is less than two hundred basis points, the qualified public depository may reduce the preference given on the loan by an amount that

corresponds to the reduction in preference below two hundred basis points given to the qualified public depository; and

(e) Where the points or fees charged at loan closing do not exceed one percent of the loan amount.

(3) In setting interest rates of time certificate of deposits, the state treasurer shall offer rates so that a two hundred basis point preference will be given to the qualified public depository, except that the treasurer shall lower the amount of the preference to ensure that the effective interest rate on the time certificate of deposit is not less than two percent.

(4) Upon notification by the state treasurer that a minority or women's business enterprise is no longer certified under chapter 39.19 RCW, the qualified public depository shall reduce the amount of qualifying loans by the outstanding balance of the loan made under this section to the minority or women's business enterprise.

43.86A.070

Linked deposit program – Liability.

The state and those acting as its agents are not liable in any manner for payment of the principal or interest on qualifying loans made under RCW 43.86A.060. Any delay in payments or defaults on the part of the borrower does not in any manner affect the deposit agreement between the qualified public depository and the state treasurer.

43.86A.080

Linked deposit program – Minority and women's business enterprises – Public depositories' participation.

Public depositories participating in the linked deposit program are encouraged to increase the funds available to certified minority and women's business enterprises by taking full advantage of the linked deposit program loans to qualify for the community reinvestment act community programs under federal law (12 U.S.C. Sec. 2901 et seq.).

Other Pertinent Statutory References

RCW Sections

- 15.65.470 Depositories for revolving fund – Deposits.
- 30.04.300 Foreign branch banks.
- 35.58.510 Obligations of corporation are legal investments and security for public deposits.
- 35.81.110 Bonds as legal investment, security.
- 35.82.220 Housing bonds legal investments and security.
- 35A.40.020 Payment of claims and obligations by warrant or check.
- 35A.40.030 Fiscal – Depositories
- 36.29.020 Custodian of moneys – Investment of funds not required for immediate expenditures – Service fee.
- 36.48.010 Depositories to be designated by treasurer.
- 39.60.030 Obligations eligible as collateral security.
- 39.60.040 Insured shares, deposits or accounts as collateral – Partially guaranteed obligations.
- 54.24.120 Obligations as lawful securities and investments.

15.65.470

Depositories for revolving fund--Deposits.

The director or his or her designee shall designate financial institutions which are qualified public depositories under chapter 39.58 RCW as depository or depositories of money received for the marketing act revolving fund.

All moneys received by the director or his or her designee or by any administrator, board or employee, except an amount of petty cash for each day's needs as fixed by the regulations, shall be deposited each day in a designated depository.

30.04.300

Foreign branch banks.

A branch of any foreign bank or banker actually and publicly engaged in banking in this state on March 10, 1917, in full compliance with the laws hereof, which were in force immediately prior to March 10, 1917, and which branch has a capital not less in amount than that required for the organization of a state bank as provided in this title at the time and place when and where such branch was established, may continue its said business, subject to all of the regulations and supervision provided for banks. The amount upon which it pays taxes shall be prima facie evidence of the amount and existence of such capital. No such bank or banker shall set forth on its or his stationery or in any manner advertise in this state a greater capital, surplus and undivided profits than are actually maintained at such branch. Every foreign corporation, bank and banker, and every officer, agent and employee thereof who violates any provision of this section or which violates the terms of the resolution filed as required by RCW 30.04.290 shall for each violation forfeit and pay to the state of Washington the sum of one thousand dollars. A civil action for the recovery of any such sum may be brought by the attorney general in the name of the state.

35.58.510

Obligations of corporation are legal investments and security for public deposits.

All banks, trust companies, bankers, savings banks, and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking or investment business, all insurance companies, insurance associations, and other persons carrying on an insurance business, and all executors, administrators, curators, trustees and other fiduciaries, may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by a metropolitan municipal corporation pursuant to this chapter. Such bonds and other obligations shall be authorized security for all public deposits. It is the purpose of this section to authorize any persons, political subdivisions and officers, public or private, to use any funds owned or controlled by them for the purchase of any such bonds or other obligations. Nothing contained in this section with regard to legal investments shall be construed as relieving any person of any duty of exercising reasonable care in selecting securities.

35.81.110

Bonds as legal investment, security.

All banks, trust companies, bankers, savings banks and institutions, building and loan associations, savings and loan associations, investment companies, and other persons carrying on a banking or investment business, all insurance companies, insurance associations, and other persons carrying on an insurance business and all executors, administrators, curators, trustees, and other fiduciaries, may legally invest any sinking funds, moneys, or other funds belonging to them or within their control in any bonds or other obligations issued by a municipality under this chapter. Such bonds and other obligations shall be authorized security for all public deposits. It is the purpose of this section to authorize any persons, political subdivisions, and officers, public or private, to use any funds owned or controlled by them for the purchase of any such bonds or other obligations. Nothing contained in this section with regard to legal investments shall be construed as relieving any person of any duty of exercising reasonable care in selecting securities.

35.82.220

Housing bonds legal investments and security.

Notwithstanding any restrictions on investments contained in any laws of this state, the state and all public officers, municipal corporations, political subdivisions, and public bodies, all banks, bankers, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control in any bonds or other obligations issued by a housing authority pursuant to the housing authorities law of this state or issued by any public housing authority or agency in the United States, and such bonds and other obligations shall be authorized security for all public deposits; it being the purpose of this chapter to authorize any persons, firms, corporations, associations, political subdivisions, bodies and officers, public or private, to use any funds owned or controlled by them, including (but not limited to) sinking, insurance, investment, retirement, compensation, pension and trust funds, and funds held on deposit, for the purchase of any such bonds or other obligations: PROVIDED, HOWEVER, That nothing contained in this chapter shall be construed as relieving any person, firm or corporation from any duty of exercising reasonable care in selecting securities.

35A.40.020

Payment of claims and obligations by warrant or check.

A code city, by ordinance, may adopt a policy for the payment of claims or other obligations of the city, which are payable out of solvent funds, electing either to pay such obligations by warrant, or to pay such obligations by check: PROVIDED, That no check shall be issued when the applicable fund is not solvent at the time payment is ordered, but a warrant shall be issued therefor. When checks are to be used, the legislative body shall designate the qualified public depository whereon such checks are to be drawn, and the officers authorized or required to sign such checks. Wherever in this title, reference is made to warrants, such term shall include checks where authorized by this section.

35A.40.030

Fiscal – Depositaries.

The legislative body of a code city, at the end of each fiscal year, or at such other times as the legislative body may direct, shall designate one or more financial institutions which are qualified public depositaries as set forth by the public deposit protection commission as depository or depositaries of the moneys required to be kept by the code city treasurer or other officer performing the duties commonly performed by the treasurer of a code city: PROVIDED, That where any bank has been designated as a depository hereunder such designation shall continue in force until revoked by a majority vote of the legislative body of such code city. The provisions relating to depositaries, contained in chapter 39.58 RCW, as now or hereafter amended, are hereby recognized as applicable to code cities and to the depositaries designated by them.

36.29.020

Custodian of moneys – Investment of funds not required for immediate expenditures – Service fee.

The county treasurer shall keep all moneys belonging to the state, or to any county, in his or her own possession until disbursed according to law. The county treasurer shall not place the same in the possession of any person to be used for any purpose; nor shall he or she loan or in any manner use or permit any person to use the same; but it shall be lawful for a county treasurer to deposit any such moneys in any regularly designated qualified public depository. Any municipal corporation may by action of its governing body authorize any of its funds which are not required for immediate expenditure, and which are in the custody of the county treasurer or other municipal

corporation treasurer, to be invested by such treasurer. The county treasurer may invest in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.59 RCW: PROVIDED, Five percent of the earnings, with an annual maximum of fifty dollars, on each transaction authorized by the governing body shall be paid as an investment service fee to the office of the county treasurer or other municipal corporation treasurer when the earnings become available to the governing body: PROVIDED FURTHER, That if such investment service fee amounts to five dollars or less the county treasurer or other municipal corporation treasurer may waive such fee.

If in the judgment of the governing body of the municipal corporation or the county treasurer it is necessary to redeem or to sell any of the purchased securities before their ultimate maturity date, the governing body may, by resolution, direct the county treasurer pursuant to RCW 36.29.010(8) to cause such redemption to be had at the redemption value of the securities or to sell the securities at not less than market value and accrued interest.

Whenever the funds of any municipal corporation which are not required for immediate expenditure are in the custody or control of the county treasurer, and the governing body of such municipal corporation has not taken any action pertaining to the investment of any such funds, the county finance committee shall direct the county treasurer, under the investment policy of the county finance committee, to invest, to the maximum prudent extent, such funds or any portion thereof in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, in bankers' acceptances purchased on the secondary market, in federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system or deposit such funds or any portion thereof in investment deposits as defined in RCW 39.58.010 secured by collateral in accordance with the provisions of chapters 39.58 and 39.59 RCW: PROVIDED, That the county treasurer shall have the power to select the specific qualified financial institution in which the funds may be invested. The interest or other earnings from such investments or deposits shall be deposited in the current expense fund of the county and may be used for general county purposes. The investment or deposit and disposition of the interest or other earnings therefrom authorized by this paragraph shall not apply to such funds as may be prohibited by the state Constitution from being so invested or deposited.

36.48.010

Depositaries to be designated by treasurer.

Each county treasurer shall annually at the end of each fiscal year or at such other times as may be deemed necessary, designate one or more financial institutions in the state which are qualified public depositories as set forth by the public deposit protection commission as depository or depositories for all public funds held and required to be kept by the treasurer, and no county treasurer shall deposit any public money in financial institutions, except as herein provided. Public funds of the county or a special district for which the county treasurer acts as its treasurer may only be deposited in bank accounts authorized by the treasurer or authorized in statute. All bank card depository service contracts for the county and special districts for which the county treasurer acts as its treasurer must be authorized by the county treasurer.

39.60.030**Obligations eligible as collateral security.**

Wherever, by statute of this state, collateral is required as security for the deposit of public or other funds; or deposits are required to be made with any public official or department; or an investment of capital or surplus, or a reserve or other fund is required to be maintained consisting of designated securities, the bonds and other securities herein made eligible for investment shall also be eligible for such purpose.

39.60.040**Insured shares, deposits or accounts as collateral – Partially guaranteed obligations.**

The obligations issued pursuant to said Federal Home Loan Bank Act and to said Title IV of the National Housing Act as such acts are now or hereafter amended, and the shares, deposits or accounts of any institution which has the insurance protection provided by Title IV of the National Housing Act, as now or hereafter amended, may be used at face value or withdrawal value, and bonds or other interest bearing obligations as to which the payment of some but less than the full principal and interest is guaranteed by the United States of America or any agency thereof may be used to the extent of the portion so guaranteed, wherever, by statute of this state or otherwise, collateral is required as security for the deposit of public or other funds, or deposits are required to be made with any public official or department, or an investment of capital or surplus, or a reserve or other fund, is required to be maintained consisting of designated security, or wherever by statute of this state or otherwise, any surety, whether personal, corporate, or otherwise, or any collateral or security, is required or permitted for any purpose, including without limitation on the generality of the foregoing, any bond, recognizance, or undertaking.

54.24.120**Obligations as lawful securities and investments.**

All bonds, warrants, and revenue obligations issued under the authority of chapter 1, Laws of 1931 and chapter 182, Laws of 1941 shall be legal securities, which may be used by any bank or trust company for deposit with the state treasurer, or any county, city, or town treasurer, as security for deposits in lieu of a surety bond under any law relating to deposits of public moneys and shall constitute legal investments for trustees and other fiduciaries other than corporations doing a trust business in this state and for savings and loan associations, banks, and insurance companies doing business in this state. All such bonds, warrants, and revenue obligations and all coupons appertaining thereto shall be negotiable instruments within the meaning of and for all purposes of the negotiable instruments law of this state.

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**ADMINISTRATIVE RULES
TITLE 389 WAC**

**Rules adopted and filed with the Code Reviser in
accordance with Washington Administrative Code**

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Title 389 WAC
Practice and procedure – public deposits

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389-12-010

Promulgation.

The public deposit protection commission, hereinafter referred to as the "commission," after due and proper notice, and pursuant to the provisions of chapter 193, Laws of 1969 1st ex. sess., as last amended by chapters 25 and 160, Laws of 1986, hereinafter referred to as the "act," hereby adopts and promulgates the following rules and regulations, effective July 1, 1986.

389-12-020

Definitions.

Unless the context requires otherwise:

- (1) "Public depository" means a financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and whose charter has been approved by the commission to hold public deposits.
- (2) "Financial institution" means any of the following which are located in this state and are lawfully engaged in business:
 - (a) Bank depositaries—Any branch of a bank engaged in the banking business in this state in accordance with RCW 30.04.300, and any state bank or trust company or national banking association.
 - (b) Thrift depositaries—Any state chartered mutual savings bank or stock savings bank, any state or federally chartered savings and loan association (including federally chartered savings bank).
- (3) "Investment deposit" shall mean time deposits, savings deposits, and money market deposit accounts of public funds available for investment. Savings deposits shall mean an interest bearing deposit of public funds that is subject to withdrawal and that is not payable on a specified date or at the expiration of a specified time after the date of deposit. Time deposit shall mean a single maturity or multiple maturity interest bearing investment deposit of public funds, which is either evidenced by a certificate of deposit issued by a public depository, or reflected in a book-entry system of such depository approved by federal regulatory authorities, state supervisor of banking and/or state supervisor of savings and loan associations, and which is payable to a treasurer on a date certain. Such certificate shall not be negotiable, nor an interest in an investment deposit transferable, except between treasurers and/or public depositaries. Money market deposit account shall mean an account established with a public depository in accordance with Public Law No. 97-320, the Garn-St. Germain Depository Institutions Act of 1982.
- (4) "Commission report" shall mean a formal accounting rendered by public depositaries to the commission, which details pertinent information of each depository as of the close of the last business day of each calendar quarter; the commission report is due in the office of the commission not later than thirty days after the end of each calendar quarter. In addition, each public depository shall submit to the commission a non-quarter monthly reporting of public funds. This report shall be due eight working days after the end of each non-quarter month.
- (5) "Date of loss" shall mean the date on which a loss shall be deemed to have occurred within the meaning of the act, and shall be the first to happen of the following:
 - (a) The date of the taking of possession of the financial institution by a supervisory agency; or
 - (b) The date of the appointment of the receiver or conservator for a financial institution; or
 - (c) The date of the commencement of a voluntary liquidation proceeding for a financial institution; or
 - (d) The date of an order issued by a regulatory authority or a court of competent jurisdiction restraining a financial institution from making payments on deposit liabilities; or
 - (e) The date on which the commission declares that a financial institution no longer has the ability to repay public deposits in full.
- (6) "Depository pledge agreement" means a written tri-party agreement, on a form supplied by the commission, wherein a financial institution, in compliance with the act and as a condition precedent to becoming or continuing to be a public depository, transfers and delivers securities which are eligible collateral to a corporate fiduciary under the exercise of its trust powers, to the federal reserve bank of San Francisco, the federal home loan bank of Seattle, the trust department of the public depository, or any other institution as approved by the commission, which agrees to safekeep such securities for the primary benefit of the commission under the terms and conditions of the agreement and for the purposes set forth by the act and the regulations of the commission. Such agreement

shall be executed on behalf of the commission by the chairman, who shall be the state treasurer. Upon completion, the agreement shall be approved by the board of directors or loan committee of the financial institutions. The agreement must be continuously, from the time it its execution, an official record of the bank. Copies of the meeting minutes which reflect this are to be provided to the commission.

(7) "Segregation of collateral" means the transfer and delivery of eligible securities by a public depository pursuant to a depository pledge agreement (RCW 39.58.050). A depository wishing to reduce the amount of securities pledged as collateral must submit a written request to the commission. The trustee holding the collateral shall not allow a reduction of securities without the prior written approval of the commission. When a public depository pledges eligible securities whose payments include a periodic principal reduction, the trustee shall advise the commission, on no less than a monthly basis, of the amounts of such principal payments as well as the new total value which result from the principal payments.

(8) "Net worth" of a public depository means:

(a) For a bank depository, the aggregate of capital, surplus, undivided profits and all capital notes and debentures which are subordinate to the interest of depositors;

(b) For a thrift depository, the aggregate of such capital stock, guaranty fund, general reserves, surplus, undivided profits, and all capital notes and debentures which are subordinate to the interest of depositors, as are eligible for inclusion in otherwise determining the net worth of a mutual savings bank, stock savings bank, or savings and loan association, excluding appraised equity capital, income capital certificates, net worth certificates, and deferred losses on loans sold;

Net worth for both bank and thrift depositories headquartered outside Washington state may be adjusted by the commission to reflect the depositories' proportional net worth position in Washington state.

(9) "Corporate fiduciary" for the purposes of these rules means a financial institution as defined herein which is possessed of statutorily granted trust authority: Provided, That for the purposes of this definition such financial institution need not be located or doing business in the state of Washington.

(10) "Out-of-state bank" for the purposes of these rules means a financial institution which has its principal place of business outside the state of Washington.

(11) "Alien bank" for the purposes of these rules means a financial institution organized under the laws of a foreign country and having its principal place of business in that country, the majority of the beneficial ownership and control of which is vested in citizens of countries other than the United States of America.

389-12-030

New public depositories.

Any financial institution in the state of Washington eligible under the act, in order to become a public depository, must be approved by the commission and segregate collateral in the manner as set forth in these rules prior to the receipt of public deposits. Until such time as public depositories have submitted four consecutive reports to the commission as required by RCW 39.58.100, they shall at all times be required to pledge and segregate eligible securities, valued at market value, in an amount equal to not less than 10% of all public funds on deposit in said depository. During the interim period in which a financial institution is required to file four consecutive reports, each such institution shall report to the commission on each commission report date in a format supplied by the commission.

389-12-040

Computation and report of maximum liability.

On each commission report date each public depository shall recalculate its maximum liability in a format to be supplied by the commission. Such report shall, in addition to other information, show the current amount of

deposits of Washington state and its political subdivisions for the most recent commission report date, such deposits as shown on the four most recent reports (i.e., current report and three immediately preceding reports), the average of these deposits for the four report periods, and the depository's maximum liability as defined in RCW 39.58.010(6).

The quarterly report to the commission shall be received in the office of the commission not later than thirty days following each calendar quarter end, and shall have attached a completed copy of the balance sheet and deposit liabilities portion of the depository's most recent consolidated report of condition or consolidated statement of condition as reported to the depository's primary regulator.

At the end of each calendar quarter, the commission shall provide each public depository the amount constituting thirty percent of total public funds on deposit in Washington state for the preceding quarter. Depositories will use this figure for the current report period and to monitor their total public funds on deposit for the ensuing quarter, unless notified of a revised figure by the commission.

Upon written request from a public depository the commission may, for good cause shown, extend the due date for commission reports for a period not to exceed ten days.

If the maximum liability has increased from the previous report or if aggregate public deposits exceed the limitations prescribed in section 19, chapter 177, Laws of 1984, the depository shall immediately increase its collateral and the commission shall be so notified.

Each public depository shall provide to the commission a copy of any changes, amendments, or alterations to the depository's financial report as submitted to appropriate regulatory authority which relate to (a) deposits of states and political subdivision, and/or (b) net worth.

A monthly report of public funds shall, in a format supplied by the commission, be submitted by each public depository to the commission no later than eight working days following the end of each month. If applicable, adjustments to the depositories' last reported net worth and/or additional collateral being pledged shall be listed on the monthly report. The monthly report shall be submitted to the commission every month, except for those months in which the quarterly report must be submitted to the commission.

389-12-050

Valuation.

Securities pledged as collateral by a public depository shall be reported at market value.

Market value shall be computed as of the date of segregation or the last preceding commission report date, whichever is later. When the commission report is submitted, each depository shall provide in a format supplied by the commission a current listing of those securities pledged and their then current market and par value.

389-12-060

Deposit of collateral.

Except for the exchange or substitution of securities having a like or greater market value, the trustee shall not permit the withdrawal of any security without advance written approval of the commission.

The trustee, under a depository pledge agreement, shall inform the commission whenever assets are delivered to or by the trustee by mailing to the commission, within twenty-four hours following such deposit or withdrawal, a copy of the receipt signed by the party that accepted delivery of such assets.

No costs, fees and expenses incidental to the functioning of the pledge agreement shall be a charge against the commission or its interest in the securities pledged.

Each public depository shall at all times maintain eligible collateral segregated and pledged with its trustee having a value at least equal to its maximum liability as defined in the act and under these rules and regulations. Compliance with the foregoing requirement shall be the depository's responsibility regardless of the frequency and form of reports required by the commission.

389-12-065

Aggregate deposit limitations.

Whenever the public funds on deposit in a public depository exceed the limits set forth in section 19, chapter 177, Laws of 1984, such depository shall immediately:

- (1) Notify the commission; and
- (2) Provide additional collateral, if necessary, to provide one hundred percent collateralization of such excess deposits.

When a depository's net worth position is reduced, such depository shall determine if any public treasurer's funds on deposit exceed the revised net worth. If any such excess deposits exist, the depository shall immediately notify the commission and provide the commission with a detailed accounting of deposits. The depository shall also advise the commission of its intent to:

- (1) Provide one hundred percent collateralization of the excess deposits; or
- (2) Allow the treasurer to withdraw such deposits in accordance with section 18, chapter 177, Laws of 1984.

389-12-071

Minimum standards for the financial condition of public depositories.

Notwithstanding any other provisions of chapter 39.58 RCW and chapter 389-12 WAC, a public depository must maintain a specified ratio of net worth to assets of not less than three percent. If such ratio for a depository shall fall below three percent, the depository shall pledge securities as collateral, valued at current market value, in a total amount at least equal to one hundred percent of its current public deposits: Provided, That the commission may, at any time, in its discretion, require a depository to pledge additional collateral after consultation with appropriate regulatory authorities.

The collateral pledged under this section shall not be less than the maximum liability as required in RCW 39.58.050(1), but may include collateral required by RCW 39.58.130, 39.58.135, and WAC 389-12-065.

389-12-075

Collateral level to be maintained.

Whenever a public depository must pledge securities as collateral in accordance with RCW 39.58.130, 39.58.135, WAC 389-12-065, and 389-12-071, the depository must monitor its public funds on deposit on a daily basis and maintain securities, valued at current market value, accordingly.

389-12-080

Maximum deposit limitation.

In determining the maximum deposit limitation of any financial institution, a treasurer, unless advised to the contrary by the commission, may assume that each public depository's net worth has remained unchanged from that stated in the most recently rendered commission report.

389-12-090**Additional reports, inspections, audits.**

The commission may from time to time require such additional reports as will facilitate the performance of its functions. All public depositaries are required to submit to such inspections and/or audits of their public deposits and/or eligible collateral as the commission may from time to time require.

389-12-100**Violations – Penalty.**

Violations of any of these rules or of any of the provisions of the act shall be grounds for cancellation, suspension, or revocation of a financial institution's authority to act as a public depositary.

389-12-120**Administration.**

The Washington public deposit protection commission shall be administered through the office of the Washington State Treasurer, Legislative Building, Olympia, Washington.

389-12-130**Financial institution mergers.**

The liability of a public depositary under chapter 39.58 RCW shall not be altered by any merger, take-over or acquisition except to the extent that such liability is assumed by the successor entity and no assets subject to a depositary pledge agreement shall be released by the commission or the trustee until such assumed liability is evidenced by the deposit of assets pursuant to the depositary pledge agreement of the successor entity.

389-12-140**Demand deposit account with financial institution located outside the state of Washington.**

A treasurer may, with the approval of the commission, establish a demand deposit account with an out-of-state bank or an alien bank. Prior to establishing such account, a treasurer shall submit, in writing, for review by the commission, the following information: (1) Detailed information setting forth the justification for such account, projected cash flows, and other benefits which will accrue to the public entity through the establishment of such account; (2) period of time such account will be in use; (3) reasons such account cannot be established with a public depositary; (4) name and location of financial institution or alien bank and name and telephone number of contact person at financial institution or alien bank; (5) extent of deposit insurance provided by financial institution or alien bank; (6) most recent fiscal year end and quarterly financial report, if any, provided to regulatory agency and/or shareholders by financial institution or alien bank; (7) proposed method of ensuring safety of deposits if not fully covered by deposit insurance, and (8) such other information as the commission reasonably may require.

The account shall not be established until it shall have been authorized by a resolution of the commission or action authorized by the chair, setting forth the terms and conditions for such account. A copy of such resolution will be forwarded to the public entity and the state auditor.

Accounts authorized under this section are not considered to be protected against loss by the Public Deposit Protection Act.

389-12-200

Purpose.

The purpose of this chapter shall be to ensure compliance by the Washington public deposit protection commission with the provisions of chapter 1, Laws of 1973 (Initiative 276), Disclosure–Campaign finances–Lobbying–Records; and in particular with sections 25–32 of that act, dealing with public records.

389-12-210

Definitions.

(1) "Public record" includes any writing containing information relating to the conduct of governmental or proprietary function prepared, owned, used or retained by any state or local agency regardless of physical form or characteristics.

(2) "Writing" means handwriting, typewriting, printing, photostating, photographing, and every other means of recording any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combination thereof, and all paper, maps, magnetic or paper tapes, photographic films and prints, magnetic or punched cards, discs, drums and other documents.

(3) The "Washington public deposit protection commission" is the commission established by chapter 39.58 RCW. The Washington state public deposit protection commission shall hereinafter be referred to as the "commission." Where appropriate, the term Washington public deposit protection commission also refers to the staff and employees of the commission.

389-12-220

Description of central and field organization of the Washington public deposit protection commission.

The Washington public deposit protection commission is a state agency empowered to perform all duties prescribed by law with respect to the collateralization of public funds. The administrative offices of the Washington public deposit protection commission and its staff are located in the state treasurer's office in the Legislative Building, Olympia, Washington.

389-12-230

Operations and procedures.

The Washington public deposit protection commission is charged with the duty of protecting public funds on deposit by Washington's public treasurers in the event of a default of a public depository, and such other duties as set forth in chapter 39.58 RCW.

389-12-240

Public records available.

All public records of the Washington public deposit protection commission as defined in WAC 389-12-210 are deemed to be available for public inspection and copying pursuant to these rules, except as otherwise provided by section 31, chapter 1, Laws of 1973 and WAC 389-12-210.

389-12-250

Public records officer.

The Washington public deposit protection commission's public records shall be in the charge of the public records officer designated by the agency. The person so designated shall be located in the administrative office of the agency. The public records officer shall be responsible for the following: The implementation of the Washington

public deposit protection commission's rules and regulations regarding release of public records, coordinating the staff of the commission in this regard, and generally insuring compliance by the staff with the public records disclosure requirements of chapter 1, Laws of 1973.

389-12-260

Office hours.

Public records shall be available for inspection and copying during the customary office hours of the Washington public deposit protection commission. For the purpose of this chapter, the customary office hours shall be from 9:00 a.m. to noon and from 1:00 p.m. to 4:00 p.m., Monday through Friday, excluding legal holidays.

389-12-270

Requests for public records.

In accordance with requirements of chapter 1, Laws of 1973, that agencies prevent unreasonable invasions of privacy, protect public records from damage or disorganization, and prevent excessive interference with essential functions of the agency, public records may be inspected or copied or copies of such records may be obtained, by members of the public, upon compliance with the following procedures:

(1) A request shall be made in writing upon a form prescribed by the Washington public deposit protection commission which shall be available at its administrative office. The form shall be presented to the public records officer, or to any member of the commission's staff, if the public records officer is not available, at the administrative office of the commission during customary office hours. The request shall include the following information:

- (a) The name of the person requesting the record;
- (b) The time of day and calendar date on which the request was made;
- (c) The nature of the request;
- (d) If the matter requested is referenced within the current index maintained by the records officer, a reference to the requested record as it is described in such current index;
- (e) If the requested matter is not identifiable by reference to the commission's current index, an appropriate description of the record requested.

(2) In all cases in which a member of the public is making a request, it shall be the obligation of the public records officer or staff member to whom the request is made, to assist the member of the public in appropriately identifying the public record requested.

389-12-280

Copying.

No fee shall be charged for the inspection of public records. The commission shall charge a fee of not to exceed 25 cents per page of copy for providing copies of public records. This charge shall not exceed the amount necessary to reimburse the commission for its actual costs incident to such copying.

389-12-290

Exemptions.

(1) The commission reserves the right to determine that a public record requested in accordance with the procedures outlined in WAC 389-12-270, is exempt under the provisions of section 31, chapter 1, Laws of 1973.

(2) In addition, pursuant to section 26, chapter 1, Laws of 1973, the commission reserves the right to delete identifying details when it makes available or publishes any public record, in any cases when there is reason to

believe that disclosure of such details would be an invasion of personal privacy protected by chapter 1, Laws of 1973. The public records officer will fully justify such deletion in writing.

(3) All denials of requests for public records must be accompanied by a written statement specifying the reason for the denial, including a statement of the specific exemption authorizing the withholding of the record and a brief explanation of how the exemption applies to the record withheld.

389-12-300

Review of denials of public records requests.

(1) Any person who objects to the denial of a request for a public record may petition for prompt review of such a decision by tendering a written request for review. The written request shall specifically refer to the written statement by the public records officer or other staff member which constituted or accompanied the denial.

(2) Immediately after receiving a written request for review of a decision denying a public record, the public records officer or other staff member denying the request shall refer it to the state treasurer as chairman of the commission. The chairman shall consider the matter and either affirm or reverse such denial or call a special meeting of the Washington public deposit protection commission as soon as legally possible to review the denial. In any case, the request shall be returned with a final decision, within two business days following the original denial.

(3) Administrative remedies shall not be considered exhausted until the system has returned the petition with a decision or until the close of the second business day following denial of inspection, whichever occurs first.

389-12-310

Records index.

It is unduly burdensome for the commission to prepare and maintain an index of their materials since there is no appropriation provision for administrative staff and all of the duties prescribed by statute are conducted by state treasurer staff members, in addition to their regularly assigned duties regardless of overtime requirements and without regard to additional pay. All records of the commission are and will be made available in accordance with the due processes as set forth in these rules.

389-12-320

Request for commission's decisions and other matters--Procedure.

All communications with the commission including but not limited to the submission of materials pertaining to its operations and/or the administration or enforcement of chapter 1, Laws of 1973, and these rules, requests for copies of the commission's decisions and other matters, shall be addressed as follows: Washington Public Deposit Protection Commission, c/o Office of State Treasurer, Legislative Building, Olympia, Washington, 98504.

389-12-330

Adoption of form.

The commission hereby adopts for use by all persons requesting inspection and/or copying or copies of the records, the form attached hereto as Appendix A, entitled "Request for public record."

FORMS

DEPOSITARY PLEDGE AGREEMENTS:

EXHIBIT "A" — SAFEKEEPING OF SECURITIES WITH COMMERCIAL BANK TRUST
DEPARTMENTS AND TRUST COMPANIES

EXHIBIT "B" — SAFEKEEPING OF SECURITIES WITH THE TRUST DEPARTMENT OF THE
FEDERAL HOME LOAN BANK OF SEATTLE

QUARTERLY COMMISSION REPORTS:

EXHIBIT "C" — ALL PUBLIC DEPOSITARIES

SAVINGS ASSOCIATIONS NET WORTH

EXHIBIT "D" — SECTION ONE

WA PROPORTIONAL NET WORTH

EXHIBIT "D" — SECTION TWO

INTERIM REPORTS

EXHIBIT "D" — SECTION THREE

MONTHLY COMMISSION REPORTS:

EXHIBIT "E" — ALL PUBLIC DEPOSITARIES

APPLICATION FOR APPROVAL:

EXHIBIT "F" — SAMPLE LETTER FORMAT

DEPOSITARY PLEDGE AGREEMENT

In Accordance With Chapter 39.58 of the Revised Code of Washington

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
[FINANCIAL INSTITUTION NAME, CITY, STATE]
[FINANCIAL INSTITUTION TRUST DEPARTMENT]

By these presents the **Washington Public Deposit Protection Commission**, hereinafter referred to as **Commission**, [Financial Institution Name, City, State], hereinafter referred to as **Depositary**, and [Financial Institution Trust Department], hereinafter referred to as **Trustee**, do hereby **Agree**:

I. It is the intent of the parties hereto to create, in accordance with the regulations of the Commission, a Depositary Pledge Agreement incidental to the Depositary functioning as a public depositary.

II. The Depositary warrants that at no time will the value of its assets pledged hereunder be less than the minimum value required by law and the regulations of the Commission.

III. The Depositary agrees to transfer and deliver to the Trustee for safekeeping hereunder only such assets as may be pledged as security for public deposits pursuant to applicable state law.

IV. The Trustee agrees to accept delivery from the Depositary of all such assets tendered and to safekeep the same hereunder for the benefit of the Commission and the Depositary each as their interests, from time to time, might appear.

V. Income accruing on the assets pledged hereunder shall belong to the Depositary without restriction and shall be subject to its order at all times.

VI. The Depositary shall have the right at any time to substitute assets hereunder; provided, however, that if any such substitution will effect a reduction in the aggregate value of all assets subject to this agreement then the Trustee shall not permit such substitution without first obtaining the Commission's written approval thereof. The Trustee shall allow the reduction in the aggregate value of all assets as it applies solely to securities which receive periodic paydowns.

VII. The Trustee agrees to inform the Commission whenever assets are delivered to or by the Trustee by facsimile notification to the Commission, within twenty-four hours following each delivery, a copy of the delivery confirmation signed by an authorized agent of the Trustee. The Trustee shall ensure receipt of the original confirmation by the Commission within five days.

VIII. The Trustee need not inquire into the propriety of any act of the Commission and can with immunity deliver the pledged assets to the Commission in response to a demand from the Commission which, in the sole judgment of the Trustee, appears to be proper and within the powers of the Commission.

EXHIBIT "A"
SAMPLE DOCUMENT

IX. No costs, fees, or expenses incidental to the functioning of this agreement shall be charged against the Commission or its interest in the assets hereunder. Depository agrees to compensate Trustee for its services hereunder.

X. Insofar as this Agreement relates to the duties and liabilities of the Trustee, any party hereto may terminate this Agreement by giving ten days written notice of intent to terminate to the other two parties hereto. Within the term of such notice, the Depository shall designate a successor Trustee and the resigning or terminated Trustee shall immediately deliver the assets held hereunder to such successor Trustee. The Commission retains the right to request a revised Pledge Agreement at their discretion.

XI. This Agreement shall be governed in all respects by, and construed in accordance with the laws of the State of Washington. The venue of any action hereunder shall be exclusively in the Superior Court for Thurston County, Washington. The Trustee, by execution of this Agreement, acknowledges the jurisdiction of the courts of the state of Washington in this matter.

In witness whereof the parties hereto have executed this Depository Pledge Agreement in triplicate original on this _____ day of _____ .

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION

Michael J. Murphy, State Treasurer and Chairman

[FINANCIAL INSTITUTION TRUST DEPARTMENT]

Trust Officer

[FINANCIAL INSTITUTION NAME, CITY, STATE]

President and /or Chief Executive Officer

DEPOSITARY PLEDGE AGREEMENT

In Accordance With Chapter 39.58 of the Revised Code of Washington

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
[DEPOSITARY NAME, CITY, STATE]
THE FEDERAL HOME LOAN BANK OF SEATTLE

By these presents the **Washington Public Deposit Protection Commission**, hereinafter referred to as **Commission**, *[Depositary Name, City, State]*, hereinafter referred to as **Depositary**, and **The Federal Home Loan Bank of Seattle**, hereinafter referred to as **Trustee**, do hereby **Agree**:

I. It is the intent of the parties hereto to create, in accordance with the regulations of the Commission, a Depositary Pledge Agreement incidental to the Depositary functioning as a public depository.

II. The Depositary warrants that at no time will the value of its assets pledged hereunder be less than the minimum value required by law and the regulations of the Commission.

III. The Depositary agrees to transfer and deliver to the Trustee for safekeeping hereunder only such assets as may be pledged as security for public deposits pursuant to applicable state law.

IV. The Trustee agrees to accept delivery from the Depositary of all such assets tendered and to safekeep the same hereunder for the benefit of the Commission and the Depositary each as their interests, from time to time, might appear.

V. Income accruing on the assets pledged hereunder shall belong to the Depositary without restriction and shall be subject to its order at all times.

VI. The Depositary shall have the right at any time to substitute assets hereunder; provided, however, that if any such substitution will effect a reduction in the aggregate value of all assets subject to this agreement then the Trustee shall not permit such substitution without first obtaining the Commission's written approval thereof. The Trustee shall allow the reduction in the aggregate value of all assets as it applies solely to securities which receive periodic paydowns.

VII. The Trustee agrees to inform the Commission whenever assets are delivered to or by the Trustee by mailing or facsimile notification to the Commission, within twenty-four hours following settlement of each delivery, a copy of the delivery confirmation signed by an authorized agent of the Trustee. The Trustee agrees to make every reasonable effort to ensure the confirmations are delivered to the Commission in an expedient manner.

VIII. The Trustee need not inquire into the propriety of any act of the Commission and can with immunity deliver the pledged assets to the Commission in response to a demand from the Commission which, in the sole judgment of the Trustee, appears to be proper and within the powers of the Commission.

EXHIBIT "B"
SAMPLE DOCUMENT

IX. No costs, fees, or expenses incidental to the functioning of this agreement shall be charged against the Commission or its interest in the assets hereunder. Depository agrees to compensate Trustee for its services hereunder.

X. Insofar as this Agreement relates to the duties and liabilities of the Trustee, any party hereto may terminate this Agreement by giving ten days written notice of intent to terminate to the other two parties hereto. Within the term of such notice, the Depository shall designate a successor Trustee and the resigning or terminated Trustee shall immediately deliver the assets held hereunder to such successor Trustee. The Commission retains the right to request a revised Pledge Agreement at their discretion.

XI. Under the provisions of various documents already in force between the Depository and the Trustee, the assets pledged hereunder have been assigned by the Depository to the Trustee as security for any and all of the Depository's obligations to the Trustee. The parties hereby agree that the Trustee's security interest in the collateral is and will be subordinate to that of the Commission and that the Trustee holds the collateral both on behalf of the Commission, as the primarily secured party and under all the terms, conditions and provisions of this Depository Pledge Agreement, and on behalf of the Trustee, as the secondarily secured party.

XII. This Agreement shall be governed in all respects by, and construed in accordance with the laws of the state of Washington. The venue of any action hereunder shall be exclusively in the Superior Court for Thurston County, Washington. The Trustee, by execution of this Agreement, acknowledges the jurisdiction of the courts of the state of Washington in this matter.

In witness whereof the parties hereto have executed this Depository Pledge Agreement in triplicate original on this _____ day of _____ .

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION

Michael J. Murphy, State Treasurer and Chairman

THE FEDERAL HOME LOAN BANK OF SEATTLE

Manager, Correspondent Network Services

[DEPOSITARY NAME, CITY, STATE]

President and Chief Executive Officer

**PUBLIC DEPOSIT PROTECTION COMMISSION
COMMISSION REPORT**

Legal Name of Bank Depository

Date Submitted _____

Main Branch Location / Address, City, State

Quarter Ending **End of Quarter Date**

Mailing Address / P.O. Box

*Original is due in this office on or before
(Day / Date)*

City / State / Zip+4

REPORT SUMMARY

[Do Not Omit Zeros]

| | | |
|--|----------|----------|
| Public Deposits on <i>End of Quarter Date</i> [Line 1] | | \$ _____ |
| (*) Adjusted Net Worth on <i>End of Quarter Date</i> [Line 4] | | \$ _____ |
| (*) WA Proportional Net Worth on <i>End of Quarter Date</i> [Line 5] | | \$ _____ |
| Deposit Limitation [Line 9] | | \$ _____ |
| (*) Four-Quarter Average of Public Deposits [Line 2] | | \$ _____ |
| Maximum Liability [Line 3] | | \$ _____ |
| Collateral Requirement [Line 15] | | \$ _____ |
| Assets on <i>End of Quarter Date</i> [Line 5] | | \$ _____ |
| Net Worth to Assets Ratio [Line 6] | | _____ % |
| Amount of Collateral Greater Than (Less Than) Requirement [Line 16] | | \$ _____ |
| Market Value of Collateral [Line 17] | \$ _____ | |
| Additional Collateral to be Pledged [Line 20] | \$ _____ | |
| Total Collateral [Line 17 <i>plus</i> Line 20] | | \$ _____ |

CERTIFICATION: *I hereby certify that the information reported herein and the attachments to this report are true, complete, and accurate.*

Subscribed and sworn before me this _____ day of

Signature of Bank Officer

Signature of Notary

Name & Title of Bank Officer

Notary Public in and for the State of Washington,

residing at _____ .

Area Code / Telephone Number / Fax Number

[Notary Seal]

*Original to Commission
Copy to Depository Files*

| ◆ FOR COMMISSION USE ONLY ◆ | | |
|---------------------------------|----------------------------|-----------------------|
| <i>Initial Review</i> | <i>Collateral Verified</i> | <i>Final Approval</i> |
| PDPC Comments / Actions: | | |
| | | |

COMMISSION REPORT
(Quarter End Date)
(Depository Name / City)
Page 2

Line
No.

[Do Not Omit Zeros]

SCHEDULE A – PUBLIC DEPOSITS

Deposits of Washington State and its Political Subdivisions on *End of Quarter Date*:

| | | | |
|-----|------------------------------------|----------|--|
| | Demand Deposits | \$ _____ | |
| | Investment Deposits | _____ | |
| [1] | Total Public Deposits | \$ _____ | |

(*) FOUR-QUARTER AVERAGE COMPUTATION

| | Report Date | Deposits Reported | |
|-----|-----------------------------------|-------------------|--|
| | <i>End of Quarter Date</i> | \$ _____ | |
| | <i>End of Quarter Date</i> | _____ | |
| | <i>End of Quarter Date</i> | _____ | |
| | <i>End of Quarter Date</i> | _____ | |
| | Total | \$ _____ | |
| [2] | Four-Quarter Average | \$ _____ | |

SCHEDULE B – MAXIMUM LIABILITY COMPUTATION

| | | | |
|-----|---|----------|--|
| [3] | Maximum Liability , 10% of total Public Deposits [Line 1] or 10% of Four-Quarter Average [Line 2], whichever amount is greater | \$ _____ | |
|-----|---|----------|--|

(*) SCHEDULE C – ADJUSTED NET WORTH

| | | | |
|-----|---|----------|--|
| | Perpetual Preferred Stock and Related Surplus | \$ _____ | |
| | Common Stock | _____ | |
| | Surplus (exclude surplus related to preferred stock) | _____ | |
| | Retained Earnings | _____ | |
| | Accumulative Other Comprehensive Income | _____ | |
| | Other Equity Capital Components | _____ | |
| | Total Equity Capital | \$ _____ | |
| | <i>Plus:</i> Subordinated Notes and Debentures | _____ | |
| [4] | Total Adjusted Net Worth on <i>End of Quarter Date</i> | \$ _____ | |

(*) PROPORTIONAL NET WORTH

COMMISSION REPORT
(Quarter End Date)
(Depository Name / City)
Page 3

Line
No.

[Do Not Omit Zeros]

SCHEDULE D – MINIMUM FINANCIAL STANDARDS

| | | |
|-----|--|----------|
| [5] | Total Assets on <i>End of Quarter Date</i> | \$ _____ |
| [6] | Net Worth to Assets Ratio | _____ % |

If the percentage shown on Line 6 is less than three percent, securities must be pledged as collateral, valued at market value, in an amount at least equal to one hundred percent of current public deposits.

SCHEDULE E – DEPOSIT LIMITATION COMPUTATION

| | | |
|-----|---|----------|
| [7] | 150% of WA Proportional Net Worth [1.5 x Line 4, Schedule C] | \$ _____ |
| [8] | 30% of Total Public Deposits in Washington State as last reported to the Commission | \$ _____ |
| [9] | Deposit Limitation – enter amount shown in Line 7 or 8, whichever is <i>less</i> | \$ _____ |

EXCESS DEPOSIT/COLLATERAL COMPUTATION

| | | |
|------|--|----------|
| [10] | If Public Deposits [Line 1] are greater than the amount on Line 9, enter the difference | \$ _____ |
| [11] | Collateral Computation for Excess Deposits [90% of Line 10] | \$ _____ |

SCHEDULE F – COLLATERAL COMPUTATION

| | | |
|------|---|----------|
| [12] | Maximum Liability [Amount from Line 3] | \$ _____ |
| [13] | Excess Deposits Computation [Amount from Line 11] | \$ _____ |
| [14] | Public Deposits [Amount from Line 1] | \$ _____ |

COLLATERAL REQUIREMENT

| | | |
|------|--|----------|
| [15] | If the percentage shown on Line 6 in Schedule D is greater than 3%, enter the total of Lines 12 and 13. If the percentage shown on Line 6 in Schedule D is less than 3%, public deposits must be collateralized at 100% – Enter the amount from Line 12 or Line 14, whichever is greater | \$ _____ |
|------|--|----------|

COLLATERAL ADEQUACY

| | | |
|------|---|----------|
| [16] | Market Value of Collateral Pledged [Amount from Line 17] | \$ _____ |
| | <i>Less:</i> Collateral Requirement [Amount from Line 15] | _____ |
| | Amount of Collateral Greater Than (Less Than) Requirement | \$ _____ |

Note: If the amount on Line 16 is negative, additional collateral must be pledged immediately. List additional securities pledged in Schedule G (page 4). It is a depository's responsibility to monitor its public deposits on a daily basis. Excess public deposits and public deposits of depositories that do not meet the minimum financial requirements must be collateralized at one hundred percent at all times. [See WAC 389-12-075.]

COMMISSION REPORT
(Quarter End Date)
(Depository Name / City)
Page 4

Line
No.

SCHEDULE G – SECURITIES PLEDGED AS COLLATERAL

Securities Pledged on End of Quarter Date:

[Do Not Omit Zeros]

| Description | Rate | Maturity Date | Original Par Value | Current Face Value (*) | Market Value |
|-------------|------|------------------|-----------------------|---------------------------|-----------------|
|-------------|------|------------------|-----------------------|---------------------------|-----------------|

| | | | |
|------|--------------------------|----|--|
| [17] | Market Value | \$ | |
| [18] | Current Face Value | \$ | |
| [19] | Original Par Value | \$ | |

Additional Collateral to be Pledged:

If the market value of securities pledged as collateral [Line 18] is *less* than the collateral requirement [Schedule F, Line 16], additional securities *must* be pledged *immediately*. List additional securities to be pledged below.

[Do Not Omit Zeros]

| Description | Rate | Maturity Date | Original Par Value | Current Face Value (*) | Market Value |
|-------------|------|------------------|-----------------------|---------------------------|-----------------|
|-------------|------|------------------|-----------------------|---------------------------|-----------------|

| | | | |
|------|--------------------------|----|--|
| [20] | Market Value | \$ | |
| [21] | Current Face Value | \$ | |
| [22] | Original Par Value | \$ | |

(*) Please refer to instructions and Exhibit "D."

REPORT INSTRUCTIONS
QUARTERLY COMMISSION REPORT

Line numbers will not be accurate for newly qualified depositaries, savings associations, and institutions with out-of-state net worth due to their different reporting requirements.

- NOTE:**
- For Commission reporting requirements see RCW 39.58.
 - Report all amounts to the nearest dollar – do not omit zeros.
 - Enter the *legal* name of the bank and the location of main or regional branch.

SUMMARY

Summary of data from the Commission Report.

CERTIFICATION SECTION

The Commission Report is not valid and complete unless signed by an *officer* of the bank whose signature is properly notarized.

SCHEDULE A

PUBLIC DEPOSITS

Current Status: Enter total demand (non-interest bearing) and investment (interest bearing) public deposits of Washington State and its political subdivisions. If the total differs from that shown on Line 3, Column A and C, in Schedule RC-E – Deposit Liabilities of the Report of Condition, **an explanation must be provided.** Enter the total on Line 1.

Four-Quarter Average: Enter public deposits previously reported to the Commission for the dates shown. Divide the total by four and enter the average on Line 2.

(*) **NEWLY QUALIFIED PUBLIC DEPOSITARIES ONLY:**

Previous Interim Report Date: Enter public deposits previously reported to the Commission for the dates shown. (Refer to Exhibit "D – Section 3.")

SCHEDULE B

MAXIMUM LIABILITY COMPUTATION

Line 3: Enter 10 percent of Line 1 or Line 2, whichever is *greater*.

SCHEDULE C

ADJUSTED/PROPORTIONAL NET WORTH

Commercial/Savings Banks: Enter amounts comprising equity capital as reported on Schedule RC – Balance Sheet of the Report of Condition. Add subordinated notes and debentures, if any. Enter adjusted net worth total on Line 4.

(*) **Savings Associations:** Enter amounts comprising equity capital as reported on Schedule SC – Statement of Condition of the Thrift Financial Report. Add subordinated notes and debentures, if any. Enter adjusted net worth total on Line 4. (Refer to Exhibit "D, Section 1.")

(*) **PUBLIC DEPOSITARIES WITH OUT-OF-STATE NET WORTH ONLY:**

WA Proportional Net Worth: Enter **total** Washington deposits (public and private). Enter **total** deposits all locations. This figure should agree with Schedule RC – Balance Sheet Line 13.a *plus* Line 13.b. Divide total deposits by deposits all locations multiplied by adjusted net worth figure entered on Line 4. **Line 5:** Enter WA Proportional Net Worth.

REPORT INSTRUCTIONS (Continued)
COMMISSION REPORT

SCHEDULE D

MINIMUM FINANCIAL STANDARDS

Line 5: Enter total assets from Schedule RC – Balance Sheet of the Report of Condition. **Line 6:** Divide adjusted net worth [Line 4] by assets [Line 5] and convert to percentage.

SCHEDULE E

DEPOSIT LIMITATION COMPUTATION

(*) ***INSTITUTIONS WITHOUT OUT-OF-STATE NET WORTH:***

Line 7: Multiply adjusted net worth [Line 4] by one and one-half and enter here. **Line 8:** *This figure is supplied by the Commission.* **Line 9:** Enter the **lesser** of Lines 7 and 8.

Excess Deposit/Collateral Computation: Line 10: Subtract public deposits [Line 1] from the amount on Line 9 and enter the difference. If the amount on Line 9 is greater than public deposits reported [Line 1], enter Ø.

Line 11: Enter 90 percent of Line 10.

(*) ***INSTITUTIONS WITH OUT-OF-STATE NET WORTH***

Line 8: Multiply WA proportional net worth [Line 5] by one and one-half and enter here. **Line 9:** *This figure is supplied by the Commission.* **Line 10:** Enter the **lesser** of Lines 8 and 9.

Excess Deposit/Collateral Computation: Line 11: Subtract public deposits [Line 1] from the amount on Line 10 and enter the difference. If the amount on Line 10 is greater than public deposits reported [Line 1], enter Ø.

Line 12: Enter 90 percent of Line 11.

SCHEDULE F

COLLATERAL COMPUTATION

Line 12: Enter maximum liability figure from Line 3. **Line 13:** Enter amount from Line 11. **Line 14:** Enter amount from Line 1.

Collateral Requirement: Complete Line 15.

Collateral Adequacy: Subtract collateral requirement [Line 15] from market value of collateral pledged [Line 17]. If the amount on Line 16 is negative, additional collateral must be pledged *immediately*.

SCHEDULE G

SECURITIES PLEDGED AS COLLATERAL

Securities Pledged: List securities pledged as collateral, showing par value and market value. (*) Show current face value for mortgage-backed securities such as participation certificates or pools with periodic reductions in principal balance. After verifying its accuracy, you may attach the account information supplied by your trustee at quarter end. **Line 17:** Enter total market value of securities pledged as collateral. **Line 18:** Enter total current face value, if applicable. **Line 19:** Enter total par value of securities pledged.

Additional Collateral to be Pledged: If the amount on Line 17 is less than the collateral requirement [Line 15], additional collateral must be pledged *immediately*. List securities to be pledged in this section. **Line 20:** Enter total market value of additional securities to be pledged. **Line 21:** Enter total current face value, if applicable, of additional securities to be pledged. **Line 22:** Enter total par value of additional securities to be pledged.

REPORT INSTRUCTIONS (Concluded)
COMMISSION REPORT

MAILING INSTRUCTIONS:

- Submit **original** Commission Report to the Commission. The certification section must be signed by an **officer** of the bank whose signature is properly notarized.
- **Commercial Banks / Savings Banks:** Attach a copy of the following schedules from your institution's *[End of Quarter Date]*, Report of Condition: Schedule RC – Balance Sheet, Schedule RC-E – Deposit Liabilities, and Schedule RI-A – Changes in Equity Capital. **The Commission Report is not complete without these schedules.**
- **Savings Associations:** Attach a copy of the following schedules from your institution's *[End of Quarter Date]*, Thrift Financial Report as submitted to the Office of Thrift Supervision: Schedule SC – Consolidated Statement of Condition, Schedule SI – Consolidated Deposit Information, and Schedule SI – Consolidated Supplemental Information. **The Commission Report is not complete without these schedules.**
- The **original** Commission Report including copies of the appropriate schedules must be received in the office of the Public Deposit Protection Commission not later than thirty days after the end of the calendar quarter *[Day, Date]*. **Faxes are not accepted as original reports.**

MAILING ADDRESSES:

- **Standard Mailing Address:** Public Deposit Protection Commission
Office of the State Treasurer
P.O. Box 40206
Olympia, WA 98504-0206
- **Overnight Delivery Address:** Office of the State Treasurer
General Administration Building
210 11th Avenue Southwest
First Floor, Room 125
Olympia, WA 98504
- **Telephone Number:** (360) 902 – 9077
- **Fax Number:** (360) 704 – 5177

SECTION 1

THRIFT DEPOSITARIES:

SAVINGS ASSOCIATIONS – SCHEDULE C WILL APPEAR AS FOLLOWS:

Line
No.

[Do Not Omit Zeros]

SCHEDULE C – ADJUSTED/PROPORTIONAL NET WORTH

| | | |
|---|-----------|----|
| Perpetual Preferred Stock – Cumulative | \$ | |
| Perpetual Preferred Stock – Non-cumulative | | |
| Common Stock – Par Value | | |
| Common Stock – Paid in Excess of Par | | |
| Unrealized Gains (Losses) on Available-for-Sale Securities | | |
| Other | | |
| Retained Earnings | | |
| Other Components of Equity Capital | | |
| Total Equity Capital | \$ | |
| <i>Plus:</i> Subordinated Debentures | | |
| [4] Total Adjusted Net Worth on End of Quarter Date | | \$ |

SECTION 2

PUBLIC DEPOSITARIES WITH OUT-OF-STATE NET WORTH:

PROPORTIONAL NET WORTH IS BASED UPON BANK'S PRESENCE IN WASHINGTON STATE:

WA PROPORTIONAL NET WORTH

| | | |
|---|----|----|
| Total Deposits – Washington State | \$ | |
| Total Deposits – All Locations | | |
| [5] WA Proportional Net Worth on End of Quarter Date | | \$ |

SECTION 3

NEWLY QUALIFIED PUBLIC DEPOSITARIES:

UNTIL FILING ITS FOURTH QUARTERLY REPORT – SCHEDULE A WILL APPEAR AS FOLLOWS:

Line
No.

SCHEDULE A – PUBLIC DEPOSITS

Deposits of Washington State and its Political Subdivisions on End of Quarter Date:

| | | |
|--|----|----|
| Demand Deposits | \$ | |
| Investment Deposits | | |
| [1] Total Public Deposits | | \$ |

Previous Interim Commission Reports:

| Report Date | Deposits Reported |
|---------------------------|-------------------|
| End of Quarter Date | \$ |
| End of Quarter Date | _____ |

PUBLIC DEPOSIT PROTECTION COMMISSION
MONTHLY REPORT

Legal Name of Public Depository

Date Submitted _____

Main Branch Location / Address, City, State

Month Ending Month End Date

Mailing Address / P.O. Box Number

*Original is due in this office on or before
[Day / Date]*

City / State / Zip+4

Report to the nearest dollar – do not omit zeros.

Total Washington Public Funds on Deposit on [Month End Date] \$ _____

- If additional collateral is being pledged, provide description, par value, and market value below.
- RCW 39.58.103 requires that a public depository notify the Commission in writing within five working days whenever its net worth is reduced by an amount greater than ten percent. If your net worth has been reduced since your last report, please provide the current adjusted net worth amount below.

CERTIFICATION: I hereby certify that the foregoing reported information is true and correct.

Subscribed and sworn before me this _____ day of

Signature of Officer of Public Depository

_____ .

Name & Title of Officer

Signature of Notary

Area Code / Telephone Number / Fax Number

Notary Public in and for the State of Washington,

residing at _____ .

[Notary Seal]

Standard Delivery Address: Public Deposit Protection Commission
Office of the State Treasurer
P.O. Box 40206
Olympia, WA 98504-0206

Overnight Delivery Address: Office of the State Treasurer
General Administration Building
210 11th Avenue Southwest
First Floor, Room 125
Olympia, WA 98504

If there are questions regarding this report, please contact the Commission at (360) 902 – 9077

SAMPLE APPLICATION LETTER REQUESTING DESIGNATION AS A PUBLIC DEPOSITARY

(Date)

Honorable Michael J. Murphy
State Treasurer and Chairman
Public Deposit Protection Commission
P.O. Box 40206
Olympia, WA 98504-0206

Dear Mr. Murphy:

Please consider this letter as the formal request for *[Financial Institution charter name, City, State]* to be designated as a public depository by the Public Deposit Protection Commission. We understand that such designation is necessary for public treasurers to make deposits with this financial institution. We agree to pledge securities as collateral for public deposits in accordance with the provisions of Chapter 39.58 RCW, as last amended. We have selected *[Name of Trustee]* to act as trustee for pledged securities.

[Financial Institution] opened for business in Washington State on *[Date]*. Enclosed is a copy of our Articles of Incorporation, Bylaws, Deposit Certification issued by the Federal Deposit Insurance Corporation, Certificate of Authority from the Department of Financial Institutions, and our most recent balance sheet showing net worth of \$_____ and assets of \$_____.

[Financial Institution] is a *[State / Federally]* chartered *[commercial / savings]* bank and a member of the Federal Deposit Insurance Corporation, the Federal Reserve Bank of San Francisco, and The Federal Home Loan Bank of Seattle ***[include only those that are applicable]***. We request favorable consideration of this application by the Public Deposit Protection Commission.

Sincerely,

PRESIDENT AND/OR CHIEF EXECUTIVE OFFICER

Enclosures

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INDEX

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STATE OF WASHINGTON

PUBLIC DEPOSIT PROTECTION ACT

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