

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

May 31, 2016

The Washington Public Deposit Protection Commission met in special session after notice was duly given to the press and radio of Thurston County.

Present: State Treasurer James L. McIntire, Chairman  
Governor Jay Inslee, Member (By Phone)  
Lieutenant Governor Brad Owen, Member (By Phone)

Also Present: Ellen Evans, Office of the State Treasurer  
Svein Braseth, Office of the State Treasurer  
Wolfgang Opitz, Office of the State Treasurer  
Shad Pruitt, Office of the State Treasurer  
Nancy Adams, Office of the State Treasurer  
Andrew Smith, Office of the State Treasurer  
Rusty Fallis, Attorney General's Office (By Phone)  
Scott Merriman, Office of Financial Management (By Phone)  
David Schumacher, Office of Financial Management (By Phone)  
Robbie Stedman, KeyBank, N.A.

Chairman McIntire called the meeting to order at 4:53 P.M.

Chairman McIntire stated the first item on the agenda was consideration of the minutes from the December 18, 2015 meeting. Lieutenant Governor Owen moved acceptance of the minutes, the motion was seconded and the minutes were adopted.

Chairman McIntire stated the second item on the agenda was the presentation of a motion for the Commission's consideration to allow the State Treasurer's office to enter into the rule making process due to statutory changes in Chapter 39.58 RCW by the 2016 Legislature. These are largely housekeeping in nature. Chairman McIntire moved the proposed motion as follows:

- (1) The Commission directs the administrator of the Public Deposit Protection Commission through the Office of the State Treasurer, to proceed with the rulemaking process in accordance with applicable law, to amend the regulations governing public deposits, as set forth in Chapter 389-12 WAC;
- (2) The Commission directs the administrator to utilize in said rulemaking process the proposed amendments to Chapter 389-12 WAC as presented to the Commission today (Draft Rules);
- (3) In the event the administrator does not receive substantive comments relating to the proposed amendments during the rulemaking process, the Draft Rules are deemed to be adopted by the Commission at the conclusion of the public hearing to be held pursuant to Chapter 34.05 RCW; and

- (4) In the event the administrator does receive substantive comments to the proposed amendments during the rulemaking process, the Draft Rules will not be deemed to be adopted and the Commission shall consider the comments at a special meeting and take such further action as it deems appropriate.

The motion was seconded by Governor Inslee. Chairman McIntire stated it is a simple rulemaking process and that although the changes appear to be long it is because the definitions have been re-alphabetized. He asked if there were any questions or comments. Hearing none, all those in favor please signify by saying "Aye." Governor Inslee and Lieutenant Governor Owen both stated "Aye." The motion was adopted.

The third item on the agenda is Resolution 2016-1, which was presented by Chairman McIntire for the Commission's consideration. The resolution would allow Well-Capitalized public depositories to reduce their level of collateral pledged to protect uninsured deposits from 100% to no less than 50%. While at the same time increase the maximum liability from 10% to 25% for those institutions opting to go below 100%. The change will lower the cost of collateral for banks that face a combination of federal capital reporting requirements and a low interest rate environment. This is expected to reduce the barriers to accepting public deposits. Banks that are not Well-Capitalized will be required to maintain 100% collateral for uninsured public deposits. This is really going to help some of the smaller banks; Some of the larger banks don't seem to be as concerned about this. We see this as a benefit to some of our community banks. The PDPC action in 2009 had moved collateral requirements from 10% to 100% to better protect public deposits and to help maintain confidence in the banking sector during the 2008 – 2011 financial crisis so that local governments would continue to have safe and sound banking services. Representatives of the banking industry and DFI have been consulted and both support adopting this resolution. You have in front of you, I believe, a copy of the resolution, which I'm not going to read. Are there any questions or comments?

Governor Inslee commented that this something that does bare thinking about. I just want to say that we have thought about it and it seems to me that this a reasonable approach to return to what you might want to think of as a little more normal conditions. It was important to maintain public confidence so the decision was made several years ago, but it seems to me that it is a reasonable decision to give us better borrowing costs and local governments and universities would suggest that is important to them so I vote in favor of this motion.

Chairman McIntire stated it has been a long seven and half years since I took office and this issue gave some of us some pretty white knuckles within the first few days of my taking office. It was a real struggle for the first six months but the great leadership that we got from our staff all round; Nancy Adams in particular, who took the brunt of the work on this here right now and I just want to say thank you very much to Nancy. Nancy is going to be retiring soon and she has seen us through the darkest days of public banking this state has seen in eighty or ninety years. So I really want to say thank you to you Nancy.

Having said that, is there any other comments? So hearing none we'll ask for a vote. All those in favor please signify by saying "Aye." Governor Inslee and Lieutenant Governor Owen both stated "Aye." All those opposed? Motion is adopted.

Chairman McIntire updated the Commission on activity authorized by the Chair granting approval to various depositories in accordance with Resolution 2010-4, dated May 25, 2010.

Chairman McIntire updated the Commission members on out-of-state and/or foreign account activity for the University of Washington pursuant to Resolution 2005-7, dated August 16, 2005.

With that, I think this concludes our business on the Public Deposit Protection Commission unless there is anything else to be raised.

Rusty Fallis, Assistant Attorney General asked Chairman McIntire to clarify for the record who made the motion and who seconded the motion related to Resolution 2016-1.

Chairman McIntire stated the last motion was made by me as Chair and seconded by Governor Inslee.

There being nothing further, Chairman McIntire adjourned the meeting of the Public Deposit Protection Commission at 5:00 P.M.

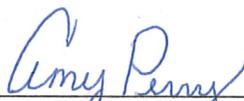
STATE OF WASHINGTON  
PUBLIC DEPOSIT PROTECTION COMMISSION

  
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STATE TREASURER DUANE A. DAVIDSON, CHAIRMAN

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GOVERNOR JAY INSLEE, MEMBER

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LIEUTENANT GOVERNOR CYRUS HABIB, MEMBER

**ATTEST:**

  
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AMY PERRY, ADMINISTRATOR  
PUBLIC DEPOSIT PROTECTION COMMISSION