
By: Delegate Rawlings

Introduced and read first time: January 31, 1997

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 State Treasury - Depositories - Deposit Insurance and Collateral Requirements

3 FOR the purpose of providing an exception for certain financial institutions to the
4 deposit insurance and collateral requirements that apply to financial institutions
5 with which State moneys are on deposit; and generally relating to depositories for
6 State money.

7 BY repealing and reenacting, with amendments,
8 Article - State Finance and Procurement
9 Section 6-209
10 Annotated Code of Maryland
11 (1995 Replacement Volume and 1996 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 Article - State Finance and Procurement

15 6-209.

16 (a) State money on deposit with a financial institution shall be secured by:

17 (1) deposit insurance; or

18 (2) collateral as required by this section.

19 (b) (1) The collateral for State money on deposit with a financial institution:

20 (i) must have, at all times, a market value that equals or exceeds the
21 State money that is on deposit with the financial institution and is not covered by deposit
22 insurance; and

23 (ii) must be approved by the Treasurer.

24 (2) If the collateral is a surety bond under § 6-202 of this subtitle:

25 (i) the surety bond shall be in a form and amount acceptable to the
26 Treasurer as determined by the Treasurer from time to time; and

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1 (ii) the financial institution that provides the surety bond as collateral
2 shall immediately notify the Treasurer if the rating assigned to the issuing insurance
3 company by any rating agency, found acceptable to the Treasurer under § 6-202 of this
4 subtitle, is withdrawn or downgraded, in which event the financial institution shall
5 immediately provide the Treasurer with substitute collateral permitted under § 6-202 of
6 this subtitle.

7 (3) Subject to the requirements of this subsection, a financial institution may
8 change its collateral from time to time.

9 (c) (1) A custodian shall hold the collateral under this section for the benefit of
10 the State.

11 (2) A financial institution may use as a custodian:

12 (i) any banking institution that is approved by the Commissioner of
13 Financial Regulation to conduct commercial banking business in the State;

14 (ii) a federal reserve bank; or

15 (iii) any national banking association that is approved by the
16 Comptroller of the Currency to conduct banking business in the State.

17 (3) A financial institution may not be approved as custodian for the
18 collateral of a depository unless the assets of the financial institution equal or exceed
19 200% of the value of the collateral to be held for the depository.

20 (D) A FINANCIAL INSTITUTION IS EXEMPT FROM THE REQUIREMENTS OF
21 THIS SECTION IF:

22 (1) THE PRINCIPAL OFFICE OF THE FINANCIAL INSTITUTION IS
23 LOCATED IN THE STATE; AND

24 (2) THE FINANCIAL INSTITUTION:

25 (I) HAS AN "A" OR BETTER RATING FROM AN INDEPENDENT,
26 NATIONALLY RECOGNIZED STATISTICAL REPORTING SERVICE; AND

27 (II) IS APPROVED BY THE TREASURER.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 1997.