

# House Bill 3029

Sponsored by Representative KENY-GUYER, Senators DEMBROW, GOLDEN; Representatives GORSEK, HERNANDEZ, NOSSE, PILUSO, Senators FAGAN, FREDERICK, MANNING JR, MONNES ANDERSON

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Provides that municipal bank is not required to obtain deposit insurance from Federal Deposit Insurance Corporation.

Provides that municipal bank may act as depository or custodian of public funds under certain conditions.

## A BILL FOR AN ACT

1  
2 Relating to public banks; amending ORS 295.001, 295.008, 295.015, 295.101, 706.008, 707.140 and  
3 708A.405.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 706.008 is amended to read:

6 706.008. As used in the Bank Act:

7 (1) "Bank" means:

8 (a) A company, other than an extranational institution, that accepts deposits that the Bank In-  
9 surance Fund insures to any extent under the provisions of the Federal Deposit Insurance Act, as  
10 amended, 12 U.S.C. 1811, et seq.; **or**

11 (b) **A municipal bank.**

12 (2) "Bank holding company" means a company that is a bank holding company under the federal  
13 Bank Holding Company Act of 1956, as amended, 12 U.S.C. 1841, et seq.

14 (3) "Bank service corporation" means a corporation or a limited liability company that is or-  
15 ganized to perform services authorized by ORS 708A.145, all of the capital stock or membership in-  
16 terests of which one or more banking institutions or national banks own.

17 (4) "Banking institution" means an Oregon commercial bank, an Oregon trust company or an  
18 Oregon savings bank.

19 (5) "Company" means an entity that is a company under the federal Bank Holding Company Act  
20 of 1956, as amended, 12 U.S.C. 1841, et seq.

21 (6) "Extranational institution" means a corporation, unincorporated company, partnership or  
22 association of two or more persons organized under the laws of a nation other than the United  
23 States, or other than a territory of the United States, Puerto Rico, Guam, American Samoa or the  
24 Virgin Islands, that engages directly in banking business.

25 (7) "Federal bank" means a national bank or another bank organized under the laws of the  
26 United States.

27 (8) "Financial holding company" means a company that engages in activities described for a fi-  
28 nancial holding company in section 103 of the federal Gramm-Leach-Bliley Act (P.L. 106-102).

29 (9) "Financial institution" means an insured institution, an extranational institution, a credit  
30 union as defined in ORS 723.006, an out-of-state credit union under ORS 723.042 or a federal credit

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1 union.

2 (10) "Institution" means an Oregon commercial bank or an Oregon trust company.

3 (11) "Insured institution" means a company, the deposits of which are insured under the provisions of the Federal Deposit Insurance Act, as amended, 12 U.S.C. 1811, et seq.

4 (12) "Municipal bank" means a company:

5 (a) Organized to conduct banking business in this state; and

6 (b) Whose organization was directed by ordinance or resolution of a local government as defined in ORS 174.116.

7 [(12)] (13) "National bank" means a bank that was organized under the provisions of the National Bank Act, as amended, 12 U.S.C. 21, et seq.

8 [(13)] (14) "Non-Oregon institution" means:

9 (a) An out-of-state state bank that engages in banking business in Oregon;

10 (b) An out-of-state trust company that transacts trust business in Oregon; or

11 (c) An extranational institution that engages in banking business in Oregon.

12 [(14)] (15) "Nonstock bank" means a bank that does not issue capital stock.

13 [(15)] (16) "Oregon bank" means an Oregon stock bank or Oregon nonstock bank.

14 [(16)] (17) "Oregon commercial bank" means an Oregon stock bank that was chartered under ORS chapter 707 as a bank other than a stock savings bank.

15 [(17)] (18) "Oregon nonstock bank" means a nonstock bank or savings bank, the home state of which is Oregon.

16 [(18)] (19) "Oregon operating institution" means:

17 (a) A bank that engages in banking business in this state;

18 (b) An extranational institution that engages in banking business in this state; or

19 (c) A trust company that transacts trust business in this state.

20 [(19)] (20) "Oregon savings bank" or "savings bank" means an Oregon stock savings bank or an Oregon nonstock savings bank.

21 [(20)] (21) "Oregon stock bank" means a stock bank, the home state of which is Oregon.

22 [(21)] (22) "Oregon stock savings bank" means an Oregon stock bank that was initially chartered as or was converted to a stock savings bank under the Bank Act.

23 [(22)] (23) "Oregon trust company" means a trust company that was organized under the provisions of ORS chapter 707.

24 [(23)] (24) "Out-of-state bank" means an out-of-state state bank or an out-of-state federal bank.

25 [(24)] (25) "Out-of-state bank holding company" means a bank holding company, the home state of which is not Oregon, and that is not the bank holding company of an Oregon stock bank or an in-state federal stock bank.

26 [(25)] (26) "Out-of-state federal bank" means a federal bank, the home state of which is not Oregon.

27 [(26)] (27) "Out-of-state financial holding company" means a financial holding company, the home state of which is not Oregon, and that is not the financial holding company of an Oregon stock bank or an in-state federal stock bank.

28 [(27)] (28) "Out-of-state state bank" means a state bank, the home state of which is not Oregon.

29 [(28)] (29) "Out-of-state trust company" means a trust company that was organized under the laws of another state.

30 [(29)] (30) "State bank" means a bank that was organized under the laws of a state.

31 [(30)] (31) "Stock bank" means a bank that issues capital stock.

1        [(31)] (32)(a) “Trust company” means a company that is authorized under the provisions of ORS  
 2 chapter 709 to transact trust business, including the trust department of a bank.

3        (b) “Trust company” does not include a corporation that a United States Bankruptcy Court ap-  
 4 points to serve as a bankruptcy trustee under Title 11, United States Code, during a time in which  
 5 the corporation is acting as a bankruptcy trustee.

6        **SECTION 2.** ORS 707.140 is amended to read:

7        707.140. (1) When subscriptions totaling not less than the amount of the initial paid-in capital  
 8 have been received, the incorporators shall submit for filing with the Director of the Department  
 9 of Consumer and Business Services:

10        (a) A list of stockholders, showing name, address, number of shares and amount paid, certified  
 11 by the president or cashier.

12        (b) A certificate of any escrow agent holding moneys in escrow as payment for subscriptions to  
 13 stock of the institution or Oregon stock savings bank showing the amount held.

14        (c) A list of the directors and senior officers elected.

15        (d) A copy of its bylaws certified to by its president or cashier.

16        (e) Evidence of approval by the Federal Deposit Insurance Corporation of the Oregon commer-  
 17 cial bank’s or Oregon stock savings bank’s application for deposit insurance.

18        (2) Upon receiving the items referred to in subsection (1) of this section, the director shall ex-  
 19 amine the condition of the institution or Oregon stock savings bank. If, upon examination, the di-  
 20 rector determines that the institution or Oregon stock savings bank has complied with the  
 21 requirements of the Bank Act and that the amount of the institution’s or Oregon stock savings  
 22 bank’s initial paid-in capital has been paid or is held in escrow for release upon issuance of a  
 23 charter, the director shall issue to the institution or Oregon stock savings bank a charter, which,  
 24 depending on the form of the application and the approval of the director, shall be to do a banking  
 25 business either as an Oregon commercial bank or as an Oregon stock savings bank, or to do a trust  
 26 business, or to do both a banking and trust business.

27        **(3) Notwithstanding subsection (1)(e) of this section, incorporators of a municipal bank**  
 28 **need not submit evidence of approval by the Federal Deposit Insurance Corporation for de-**  
 29 **posit insurance.**

30        **SECTION 3.** ORS 708A.405 is amended to read:

31        708A.405. (1) Oregon commercial banks shall secure insurance for their deposits from the Fed-  
 32 eral Deposit Insurance Corporation or a similar organization organized under the laws of the United  
 33 States.

34        **(2) This section does not apply to municipal banks.**

35        **SECTION 4.** ORS 295.001 is amended to read:

36        295.001. As used in ORS 295.001 to 295.108, unless the context requires otherwise:

37        (1) “Adequately capitalized” means a depository that is classified as adequately capitalized by  
 38 the depository’s primary federal regulatory authority, **or, if the depository is not federally regu-**  
 39 **lated, by a state regulatory authority.**

40        (2) “Bank depository” means:

41        (a) An insured institution or trust company that:

42        [(a)] (A) Maintains a head office or branch in this state in the capacity of an insured institution  
 43 or trust company; and

44        [(b)] (B) Complies with ORS 295.008[.]; **or**

45        **(b) A municipal bank that complies with ORS 295.008.**

1 (3) "Business day" means a day other than a federal or State of Oregon legal holiday or a day  
 2 other than a day on which offices of the State of Oregon are otherwise authorized by law to remain  
 3 closed.

4 (4) "Closed depository" means a depository that is subject to a loss.

5 (5) "Credit union depository" means a credit union as defined in ORS 723.006 or a federal credit  
 6 union if:

7 (a) The shares and deposits of the credit union or federal credit union are insured by the Na-  
 8 tional Credit Union Share Insurance Fund;

9 (b) The credit union or federal credit union maintains a head office or branch in this state in  
 10 the capacity of a credit union or federal credit union; and

11 (c) The credit union or federal credit union complies with ORS 295.008.

12 (6) "Custodian" means one of the following institutions that a depository designates for the  
 13 depository's own account:

14 (a) The Federal Home Loan Bank designated to serve this state, or a branch of the Federal  
 15 Home Loan Bank; or

16 (b) An insured institution, trust company, **municipal bank** or credit union that:

17 (A) Is authorized to accept deposits or transact trust business in this state;

18 (B) Complies with ORS 295.008; and

19 (C) Has been approved by the State Treasurer to serve as a custodian, if the State Treasurer  
 20 has approved custodians under ORS 295.008.

21 (7) "Custodian's receipt" or "receipt" means a document issued by a custodian that describes the  
 22 securities that a depository deposited with the custodian to secure public fund deposits.

23 (8) "Depository" means a bank depository or a credit union depository.

24 (9) "Financial institution outside this state" means a financial institution, as defined in ORS  
 25 706.008, that is not an extranational institution, as defined in ORS 706.008, and is not a bank de-  
 26 pository or credit union depository, as defined in this section.

27 (10) "Insured institution" means an insured institution as defined in ORS 706.008.

28 (11) "Loss" means the issuance of an order by a regulatory or supervisory authority or a court  
 29 of competent jurisdiction that:

30 (a) Restrains a depository from making payments of deposit liabilities; or

31 (b) Appoints a receiver for a depository.

32 (12) "Maximum liability" means a sum equal to 10 percent of the greater of:

33 (a) All uninsured public funds deposits held by a depository, as shown on the date of the  
 34 depository's most recent treasurer report; or

35 (b) The average of the balances of uninsured public funds deposits on the last two immediately  
 36 preceding treasurer reports.

37 (13) "Minimum collateral requirement" for a depository on any given date means a sum equal  
 38 to:

39 (a) For a well capitalized depository that the State Treasurer has not required to increase the  
 40 depository's collateral pursuant to ORS 295.018, 10 percent of the greatest of:

41 (A) All uninsured public funds held by the depository, as shown on the most recent treasurer  
 42 report;

43 (B) The average of the balances of uninsured public funds held by the depository, as shown on  
 44 the last two immediately preceding treasurer reports; or

45 (C) An amount otherwise prescribed in ORS 295.001 to 295.108.

1 (b) For a well capitalized depository that the State Treasurer required to increase the  
2 depository's collateral pursuant to ORS 295.018, the percentage the State Treasurer required pur-  
3 suant to ORS 295.018 multiplied by the greatest of:

4 (A) All uninsured public funds held by the depository, as shown on the most recent treasurer  
5 report;

6 (B) The average of the balances of uninsured public funds held by the depository, as shown on  
7 the last two immediately preceding treasurer reports; or

8 (C) An amount otherwise prescribed in ORS 295.001 to 295.108.

9 (c) For an adequately capitalized depository or an undercapitalized depository, 110 percent of  
10 the greater of:

11 (A) All uninsured public funds held by the depository; or

12 (B) The average of the balances of uninsured public funds held by the depository, as shown on  
13 the last two immediately preceding treasurer reports.

14 **(14) "Municipal bank" has the meaning given that term in ORS 706.008.**

15 [(14)] **(15)** "Net worth" means a depository's total risk-based capital, as shown on the imme-  
16 diately preceding report of condition and income, and may include capital notes and debentures that  
17 are subordinate to the interests of depositors.

18 [(15)] **(16)** "Pledge agreement" means a written agreement among an insured institution, trust  
19 company, **municipal bank** or credit union, the State Treasurer and a custodian that pledges the  
20 securities the insured institution, trust company, **municipal bank** or credit union deposits with the  
21 custodian as collateral for deposits of uninsured public funds that the insured institution, trust  
22 company, **municipal bank** or credit union holds. The board of directors or loan committee of the  
23 insured institution, trust company, **municipal bank** or credit union must approve the agreement and  
24 must continuously maintain the agreement as a written record of the insured institution, trust  
25 company, **municipal bank** or credit union.

26 [(16)] **(17)** "Public funds" or "funds" means funds that a public official has custody of or controls  
27 by virtue of office.

28 [(17)] **(18)** "Public official" means an officer or employee of this state or an agency, political  
29 subdivision or public or municipal corporation of this state, or a housing authority, that by law is  
30 the custodian of or has control of public funds.

31 [(18)] **(19)** "Report of condition and income" means the quarterly report a depository submits to  
32 the depository's primary federal regulatory authority.

33 [(19)] **(20)** "Security" or "securities" means:

34 (a) Obligations of the United States, including those of agencies and instrumentalities of the  
35 United States, and of government sponsored enterprises;

36 (b) Obligations of the International Bank for Reconstruction and Development;

37 (c) Bonds of a state of the United States that:

38 (A) Are rated in one of the four highest grades by a recognized investment service organization  
39 that has engaged regularly and continuously for a period of not less than 10 years in rating state  
40 and municipal bonds; or

41 (B) Having once been rated in accordance with subparagraph (A) of this paragraph, are ruled  
42 to be eligible securities for the purposes of ORS 295.001 to 295.108, notwithstanding the loss of the  
43 rating;

44 (d) Bonds of a county, city, school district, port district or other public body in the United States  
45 that are payable from or secured by ad valorem taxes and that meet the rating requirement or are

1 ruled to be eligible securities as provided in paragraph (c) of this subsection;

2 (e) Bonds of a county, city, school district, port district or other public body that are issued  
 3 pursuant to the Constitution or statutes of the State of Oregon or the charter or ordinances of a  
 4 county or city within the State of Oregon, if the bonds meet the rating requirement or are ruled to  
 5 be eligible securities as provided in paragraph (c) of this subsection;

6 (f) With the permission of the State Treasurer and in accordance with rules the State Treasurer  
 7 adopts, loans made to a county, city, school district, port district or other public body in the State  
 8 of Oregon, if the borrower has not defaulted with respect to the payment of principal or interest on  
 9 any of the borrower's loans within the preceding 10 years or during the period of the borrower's  
 10 existence if the borrower has existed for less than 10 years;

11 (g) With the permission of the State Treasurer and in accordance with rules the State Treasurer  
 12 adopts, bond anticipation notes that an authority issues, sells or assumes under ORS 441.560;

13 (h) Bonds, notes, letters of credit or other securities or evidence of indebtedness constituting the  
 14 direct and general obligation of a federal home loan bank or Federal Reserve bank;

15 (i) Debt obligations of domestic corporations that are rated in one of the three highest grades  
 16 by a recognized investment service organization that has engaged regularly and continuously for a  
 17 period of not less than 10 years in rating corporate debt obligations; and

18 (j) Collateralized mortgage obligations and real estate mortgage investment conduits that are  
 19 rated in one of the two highest grades by a recognized investment service organization that has  
 20 engaged regularly and continuously for a period of not less than 10 years in rating corporate debt  
 21 obligations.

22 [(20)] (21) "Treasurer report" means a written report that an officer of a depository that holds  
 23 uninsured public funds deposits has signed or authenticated and that sets forth as of the close of  
 24 business on a specified date:

25 (a) The total amount of uninsured public funds on deposit with the depository;

26 (b) The total amount of public funds on deposit with the depository;

27 (c) The net worth of the depository;

28 (d) The amount and nature of eligible collateral then on deposit with the depository's custodian  
 29 to collateralize the depository's public funds deposits; and

30 (e) The identity of the depository's custodian.

31 [(21)] (22) "Treasurer report due date" means a date not less than 10 business days after the  
 32 date a depository's report of condition and income is due to be submitted.

33 [(22)] (23) "Trust company" means a trust company as defined in ORS 706.008.

34 [(23)] (24) "Undercapitalized" means a depository that [*the depository's primary federal regulatory*  
 35 *authority has*] **is** classified as undercapitalized, significantly undercapitalized or critically undercap-  
 36 italized **by the depository's primary federal regulatory authority, or, if the depository is not**  
 37 **federally regulated, by a state regulatory authority.**

38 [(24)] (25)(a) "Uninsured public funds" or "uninsured public funds deposits" means public funds  
 39 deposited in a depository that exceed the amounts insured or guaranteed as described in ORS  
 40 295.002 (1)(a) and (b).

41 (b) "Uninsured public funds" or "uninsured public funds deposits" does not include public funds  
 42 deposited in a certificate of deposit or time deposit under ORS 295.004 (1) or public funds that an  
 43 Oregon depository arranges to deposit into an insured deposit account under ORS 295.004 (2).

44 [(25)] (26) "Value" means the current market value of securities.

45 [(26)] (27) "Well capitalized" means a depository that [*the depository's primary federal regulatory*

1 *authority has*] is classified as well capitalized by the depository's primary federal regulatory  
2 authority, or, if the depository is not federally regulated, by a state regulatory authority.

3 **SECTION 5.** ORS 295.008 is amended to read:

4 295.008. (1)(a) An insured institution, trust company, **municipal bank** or credit union may not  
5 be a custodian under ORS 295.001 to 295.108 unless the insured institution, trust company, **municipal bank**  
6 **or credit union** certifies in writing to the State Treasurer that the insured institution,  
7 trust company, **municipal bank** or credit union will furnish the reports required under ORS 714.075  
8 to the Director of the Department of Consumer and Business Services.

9 (b) The State Treasurer may approve one or more insured institutions, trust companies, **municipal banks**  
10 **or credit unions** to serve as custodians. The State Treasurer shall promptly notify all  
11 depositories of the approval of an insured institution, trust company, **municipal bank** or credit un-  
12 ion to serve as a custodian.

13 (2) An insured institution, trust company, **municipal bank** or credit union may not be a depos-  
14 itory under ORS 295.001 to 295.108 unless the insured institution, trust company, **municipal bank**  
15 or credit union:

16 (a) Certifies in writing to the State Treasurer that the insured institution, trust company, **municipal bank**  
17 **or credit union** will furnish to the Director of the Department of Consumer and Busi-  
18 ness Services by the time the director specifies:

19 (A) The reports required under ORS 714.075; and

20 (B) Any other information the director considers necessary to determine whether to advise the  
21 State Treasurer to order a depository to increase the depository's collateral under ORS 295.018;

22 (b) Except as provided in subsection (4) of this section, enters into a pledge agreement; and

23 (c) Complies with subsection (3) of this section.

24 (3) An insured institution, trust company, **municipal bank** or credit union that intends to be-  
25 come a depository shall file with the State Treasurer an initial written report that an officer of the  
26 insured institution, trust company, **municipal bank** or credit union has signed or authenticated and  
27 that sets forth, as of the date the insured institution, trust company, **municipal bank** or credit un-  
28 ion intends to commence acting as a depository:

29 (a) The estimated total amount of public funds that will be on deposit with the insured institu-  
30 tion, trust company, **municipal bank** or credit union;

31 (b) The estimated net worth of the insured institution, trust company, **municipal bank** or credit  
32 union;

33 (c) The amount and nature of the collateral that the insured institution, trust company, **municipal bank**  
34 **or credit union** will deposit with a custodian to collateralize the public funds deposits;  
35 and

36 (d) The identity of the custodian.

37 (4) An insured institution, trust company, **municipal bank** or credit union may be a depository  
38 under ORS 295.001 to 295.108 without entering into a pledge agreement or complying with sub-  
39 section (3) of this section if the insured institution, trust company, **municipal bank** or credit union  
40 does not hold any uninsured public funds deposits. The provisions of ORS 295.006, 295.013, 295.015,  
41 295.018, 295.037, 295.038 and 295.061 do not apply to an insured institution, trust company, **municipal bank**  
42 **or credit union** that is a depository under this subsection.

43 (5) An insured institution, trust company, **municipal bank** or credit union that merges with,  
44 acquires all the assets of, acquires ownership of or otherwise becomes a successor entity to a de-  
45 pository that has entered into a pledge agreement must execute a new pledge agreement or provide

1 evidence satisfactory to the State Treasurer that the successor insured institution, trust company,  
 2 **municipal bank** or credit union has assumed all of the depository's duties and obligations under the  
 3 existing pledge agreement. An insured institution, trust company, **municipal bank** or credit union  
 4 that fails to enter into a pledge agreement or provide evidence that the insured institution, trust  
 5 company, **municipal bank** or credit union has assumed the existing pledge agreement within the  
 6 time specified by the State Treasurer shall be treated as a depository that holds uninsured public  
 7 funds and that has failed to pledge adequate collateral under ORS 295.031.

8 **SECTION 6.** ORS 295.015 is amended to read:

9 295.015. Except as provided in ORS 295.018:

10 (1)(a) A depository throughout the period during which the depository possesses uninsured pub-  
 11 lic funds deposits shall maintain on deposit with the depository's custodian, at the depository's own  
 12 expense, securities that have a value at least equal to the depository's minimum collateral require-  
 13 ment and as otherwise prescribed in ORS 295.001 to 295.108. The depository shall deposit the  
 14 collateral with the depository's custodian and the depository and the custodian shall clearly mark  
 15 the collateral as security for public funds deposited in accordance with ORS 295.001 to 295.108.

16 (b) For purposes of this section, when pledged as collateral for public funds deposits, loans de-  
 17 scribed in ORS 295.001 [(19)] **(20)**(f) must be discounted to 75 percent of the unpaid principal balance  
 18 owing on the loan from time to time, or to a lower value that the State Treasurer determines from  
 19 time to time.

20 (c) A bond anticipation note that is pledged as collateral for public funds deposits and for which  
 21 there is no readily determinable market value must be discounted to 75 percent of the unpaid prin-  
 22 cipal balance owing on the note from time to time, or to a lower value that the State Treasurer  
 23 determines from time to time.

24 (2) A depository may deposit other eligible securities with the depository's custodian and release  
 25 from deposit securities that the depository pledged to secure deposits of public funds if the remain-  
 26 ing securities have a value not less than the depository's minimum collateral requirement. The State  
 27 Treasurer shall execute releases and surrender custodian's receipts that are appropriate to effect  
 28 pledges and releases of matured and excess pledged securities.

29 (3) If a depository's minimum collateral requirement increases because the depository ceases to  
 30 be a well capitalized depository as reflected in the depository's last treasurer report, call report or  
 31 other public filing, or if the depository receives notice from the depository's custodian or from the  
 32 State Treasurer:

33 (a) Within three business days after the date on which the depository's minimum collateral re-  
 34 quirement increases, the depository shall notify the depository's custodian and the State Treasurer  
 35 in writing that the depository's minimum collateral requirement has increased, setting forth the  
 36 depository's new minimum collateral requirement and the depository's plan for increasing the  
 37 depository's pledged collateral to the minimum collateral requirement; and

38 (b) Within five business days after the date on which the depository's minimum collateral re-  
 39 quirement increases, or within a longer period approved by the State Treasurer in coordination with  
 40 the Department of Consumer and Business Services, the depository shall, in accordance with the  
 41 plan approved by the State Treasurer, tender to the depository's custodian additional securities that  
 42 have a value sufficient to increase the total value of the depository's securities pledged as collateral  
 43 for public funds deposits to the depository's new minimum collateral requirement.

44 (4) If a depository's minimum collateral requirement decreases because the depository becomes  
 45 a well capitalized depository, or because the State Treasurer no longer requires the depository to

1 pledge additional collateral under ORS 295.018, the depository may:

2 (a) Notify the depository's custodian and the State Treasurer in writing that the depository's  
3 minimum collateral requirement has decreased, setting forth the depository's new minimum collat-  
4 eral requirement; and

5 (b) With the written approval of the State Treasurer, release from the depository's custodian  
6 securities that exceed the depository's new minimum collateral requirement.

7 (5) The State Treasurer shall act upon requests for releases of securities under subsections (2)  
8 and (4)(b) of this section within three business days after receiving each request.

9 **SECTION 7.** ORS 295.101 is amended to read:

10 295.101. (1) The following public funds are not subject to the provisions of ORS 295.001 to  
11 295.108:

12 (a) Funds that are deposited for the purpose of paying principal, interest or premium, if any, on  
13 bonds, as defined in ORS 286A.001 and 287A.001, and related costs or securing a borrowing related  
14 to an agreement for exchange of interest rates entered into under ORS 286A.110 or 287A.335.

15 (b) Funds that are invested in authorized investments under provisions of law other than ORS  
16 295.001 to 295.108. Funds invested under ORS 293.701 to 293.857 are invested in authorized invest-  
17 ments for purposes of this subsection from the time the funds are transferred by the State Treasurer  
18 to a third party under the terms of a contract for investment or administration of the funds that  
19 requires such a transfer until the time the funds are returned to the treasurer or paid to another  
20 party under the terms of the contract.

21 (c) Negotiable certificates of deposit purchased by the State Treasurer under ORS 293.736 or  
22 by an investment manager under ORS 293.741.

23 (d) Funds that are held by a public official and are required by federal law or contractual pro-  
24 visions to be collateralized at 100 percent, if the funds are deposited in an account that is separate  
25 from other accounts of the public official in a depository, and the public official and the depository  
26 have entered into a written agreement that provides a perfected security interest to the public of-  
27 ficial in collateral valued at an amount at least equal to the amount of funds in the account in a  
28 manner substantially similar to a pledge agreement described in ORS 295.001 [(15)].

29 (2) Notwithstanding subsection (1) of this section, funds deposited by a custodial officer under  
30 ORS 294.035 (3)(d) are subject to the provisions of ORS 295.001 to 295.108.

31