

INTERIM STUDY PROPOSAL 2019-089

1  
2 State of Arkansas  
3 92nd General Assembly  
4 Regular Session, 2019  
5

**A Bill**

SENATE BILL 257

6 By: Senator K. Hammer  
7 By: Representative Brown

8 Filed with: Senate Committee on Insurance and Commerce  
9 pursuant to A.C.A. §10-3-217.

**For An Act To Be Entitled**

11 AN ACT TO INCLUDE FINANCIAL INSTITUTIONS INSURED BY  
12 THE NATIONAL CREDIT UNION ADMINISTRATION AS  
13 INSTITUTIONS ALLOWED TO SERVE AS DEPOSITORIES OF  
14 PUBLIC FUNDS; TO PROVIDE PARITY FOR FINANCIAL  
15 INSTITUTIONS INSURED BY THE NATIONAL CREDIT UNION  
16 ADMINISTRATION WITH SIMILAR FINANCIAL INSTITUTIONS  
17 INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION;  
18 AND FOR OTHER PURPOSES.

**Subtitle**

21 TO INCLUDE FINANCIAL INSTITUTIONS INSURED  
22 BY THE NATIONAL CREDIT UNION  
23 ADMINISTRATION AS INSTITUTIONS ALLOWED TO  
24 SERVE AS DEPOSITORIES OF PUBLIC FUNDS.  
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28 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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30 SECTION 1. Arkansas Code § 19-3-502(1), concerning the definition of  
31 "bank" under the State Treasury Management Law, is amended to read as  
32 follows:

33 (1) "Bank" means:

34 (A) A state bank, a national bank, a credit union, or an  
35 out-of-state, state-chartered bank that has received a certificate of  
36 authority under § 23-48-1001; and

1 (B) A foreign bank organized under the laws of a territory  
2 of the United States, Puerto Rico, Guam, American Samoa, or the United States  
3 Virgin Islands if the deposits of the foreign bank are insured by the Federal  
4 Deposit Insurance Corporation;

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6 SECTION 2. Arkansas Code § 19-3-502(2), concerning the definition of  
7 "bank depository" used under the State Treasury Management Law, is amended to  
8 read as follows:

9 (2) "Bank depository" means a bank, credit union, or savings and  
10 loan association that accepts a deposit of funds from the State Treasury;

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12 SECTION 3. Arkansas Code § 19-3-502(5), concerning the definition of  
13 "Certificate of Deposit Account" used under the State Treasury Management  
14 Law, is amended to read as follows:

15 (5) "Certificate of Deposit Account" means the asset account in  
16 the State Treasury consisting of all, but only, certificates of deposit and  
17 share certificates acquired by the Treasurer of State through the State  
18 Treasury Certificate of Deposit Investment Program;

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20 SECTION 4. Arkansas Code § 19-3-502, concerning the definitions to be  
21 used under the State Treasury Management Law, is amended to add an additional  
22 subdivision to read as follows:

23 (19) "Credit union" means a nonprofit, member-owned financial  
24 cooperative carrying on the business of a credit union under a charter issued  
25 by this state or the National Credit Union Administration.

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27 SECTION 5. Arkansas Code § 19-3-510(c), concerning types of accounts  
28 for deposits, is amended to read as follows:

29 (c) The demand deposit account, share account, or share draft account  
30 in a bank depository or an investment depository shall consist of:

- 31 (1) All federal funds, as described in § 19-7-101 et seq.;
- 32 (2) Trust funds to the extent that the trust funds are not  
33 invested in securities and certificates of deposit; and
- 34 (3) State funds to the extent that the state funds are not  
35 invested in securities.

1 SECTION 6. Arkansas Code § 19-3-519(b), concerning institutions that  
 2 may participate in the State Treasury Certificate of Deposit Investment  
 3 Program, is amended to read as follows:

4 (b) The following institutions may participate in the program:

5 (1) ~~National banks~~ A national bank that ~~have their~~ has its  
 6 principal ~~offices~~ office in Arkansas or ~~are~~ is legally operating branches in  
 7 Arkansas;

8 (2) ~~Banks~~ A bank chartered in the State of Arkansas;

9 (3) ~~Banks~~ A bank chartered by ~~other states~~ another state that  
 10 ~~are~~ is legally operating branches in Arkansas;

11 (4) ~~Savings and loan associations or savings banks~~ A savings and  
 12 loan association or savings bank chartered by the United States that ~~have~~  
 13 ~~their~~ has its principal ~~offices~~ office in Arkansas or ~~are~~ is legally  
 14 operating branches in Arkansas; ~~and~~

15 (5) ~~Savings and loan associations~~ A savings and loan association  
 16 chartered by the State of Arkansas; and

17 (6) A credit union federally insured by the National Credit  
 18 Union Administration that:

19 (A) Has its principal office in this state; or

20 (B) Is legally operating a branch in this state.

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 22 SECTION 7. Arkansas Code § 19-3-519(h)(2), concerning the rates paid  
 23 by institutions participating in the State Treasury Certificate of Deposit  
 24 Investment Program, is amended to read as follows:

25 (2) The rates shall not exceed the maximum rate, if any, that  
 26 banks are permitted to pay on time certificates of deposit for the same  
 27 period of time by regulations of the Federal Reserve System, ~~or~~ the Federal  
 28 Deposit Insurance Corporation, or the National Credit Union Administration.  
 29

30 SECTION 8. Arkansas Code § 19-8-101 is amended to read as follows:  
 31 19-8-101. Definitions.

32 As used in this subchapter:

33 ~~(a)(1)~~ (1) “Bank” or “banking institution” means ~~any~~ a state bank,  
 34 national bank, savings bank, savings association, thrift, credit union, or  
 35 other financial institution authorized to do business and having a main  
 36 office or branch office in this state, ~~which~~ that is insured by the Federal

1 Deposit Insurance Corporation, or the National Credit Union Administration;  
2 and

3 ~~(b)(2)~~ “Public funds” or “funds” means ~~any and~~ all kinds of  
4 funds handled by treasurers, collectors, commissioners, sheriffs, clerks, and  
5 receivers appointed under § 14-62-104.

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7 SECTION 9. Arkansas Code § 19-8-105(a), concerning the annual list of  
8 eligible banks with respect to depositories for public funds, is amended to  
9 read as follows:

10 (a)(1) Annually, on December 1, the Bank Commissioner shall furnish to  
11 the governing board of each city, or town officer, and the county board of  
12 each county, and also any officer of any improvement district or any other  
13 political subdivision, having the supervision of public funds or funds  
14 belonging to the state or any political subdivision a list of all the banks  
15 or banking institutions doing business in this state ~~which~~ that are members  
16 of the Federal Deposit Insurance Corporation or the National Credit Union  
17 Administration.

18 (2)(A) The commissioner shall recommend the maximum amount of  
19 deposit of public funds each bank or banking institution ~~shall be~~ is allowed  
20 to receive.

21 (B) ~~None of these public~~ Public funds shall not be  
22 deposited into any bank or banking institution other than those contained in  
23 the list required under subdivision (a)(1) of this section.

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25 SECTION 10. Arkansas Code § 19-8-107(c)(3), concerning depository  
26 agreements with respect to depositories for public funds, is amended to read  
27 as follows:

28 (3) Depository boards and banks or banking institutions giving  
29 or holding collateral for deposits of public funds shall comply with federal  
30 laws and regulations so that the governmental entity or political subdivision  
31 depositing public funds holds a valid claim in deposits and collateral given  
32 for those deposits against, and prevent avoidance of such a claim by, the  
33 Federal Deposit Insurance Corporation or its successor, the National Credit  
34 Union Administration or its successor, or any similar deposit insurance  
35 agency acting as receiver, conservator, or in any other capacity.

1 SECTION 11. Arkansas Code § 19-8-111(a)(2), concerning additional  
2 authority for investment of public funds by depositories for public funds, is  
3 amended to read as follows:

4 (2) Each deposit is insured by the Federal Deposit Insurance  
5 Corporation or the National Credit Union Administration for one hundred  
6 percent (100%) of the principal and accrued interest of the deposit;  
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8 SECTION 12. DO NOT CODIFY. (a) The State Board of Finance shall  
9 revise its rules to be consistent with this act by stating that credit unions  
10 insured by the National Credit Union Administration have the same rights and  
11 responsibilities as banks and other financial institutions insured by the  
12 Federal Deposit Insurance Corporation under the State Treasury Management  
13 Law, § 19-3-501 et seq., and the other provisions included in this act.

14 (b)(1) When adopting the initial rules to implement subsection (a) of  
15 this section, the final rule shall be filed with the Secretary of State for  
16 adoption under § 25-15-204(f):

17 (A) On or before January 1, 2020; or

18 (B) If approval under § 10-3-309 has not occurred by  
19 January 1, 2020, as soon as practicable after approval under § 10-3-309.

20 (2) The State Board of Finance shall file the proposed rule with  
21 the Legislative Council under § 10-3-309(c) sufficiently in advance of  
22 January 1, 2020, so that the Legislative Council may consider the rule for  
23 approval before January 1, 2020.

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26 Referred requested by the Arkansas Senate

27 Prepared by: ANS/VJF  
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