

By: Senator(s) Woodfield

To: Business and
Financial
Institutions

SENATE BILL NO. 2975

1 AN ACT TO AMEND SECTION 27-105-5, MISSISSIPPI CODE OF 1972,
2 TO PROVIDE THAT ANY FINANCIAL INSTITUTION MAINTAINING A
3 DEPOSIT-TAKING FACILITY IN MISSISSIPPI WHOSE ACCOUNTS ARE
4 FEDERALLY INSURED MAY QUALIFY AS A STATE DEPOSITORY; TO AMEND
5 SECTION 27-105-9, MISSISSIPPI CODE OF 1972, TO REVISE THE FORMULA
6 FOR ALLOCATING STATE FUNDS AMONG STATE DEPOSITORIES; AND FOR
7 RELATED PURPOSES.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

9 SECTION 1. Section 27-105-5, Mississippi Code of 1972, is
10 amended as follows:

11 27-105-5. (1) Any financial institution maintaining a
12 deposit-taking facility in this state whose accounts are insured
13 by the Federal Deposit Insurance Corporation or any successors to
14 such insurance corporation, may qualify as a state depository by
15 submitting an application to the State Treasurer as provided by
16 Section 27-105-9, if such institution has a primary capital to
17 total assets ratio of five and one-half percent (5-1/2%) or more.

18 Such ratio shall be determined not later than December 1 in each
19 calendar year by the State Treasurer on the basis of balance
20 sheets of applying institutions at June 30 of the same calendar
21 year, and an institution shall not be a qualified depository and
22 shall not receive any state funds unless its ratio has been
23 certified annually by the Treasurer as meeting the prescribed
24 requirement. Each applicant shall furnish to the State Treasurer
25 such financial statements, balance sheets or other documentation,
26 sworn to by a duly elected officer, on such date or dates and on
27 such forms as the State Treasurer may require. Any knowing or
28 willful misstatement of fact on such forms shall subject the

29 officer swearing thereto to the penalty of perjury, and the
30 financial institution of which he is an officer shall not be
31 eligible to serve as a depository for a period of one (1) year
32 commencing with the date on which the State Treasurer certifies
33 that such a misstatement has been made. When so approved by the
34 State Treasurer, such institution shall place on deposit with the
35 State Treasurer the following bonds, notes and liquid securities
36 in an aggregate amount at least equal to one hundred five percent
37 (105%) of the amount of funds on deposit in the aggregate by the
38 State of Mississippi or any agency or department thereof in excess
39 of that portion of accounts insured by the Federal Deposit
40 Insurance Corporation, or any successor thereto, to wit:

41 (a) All securities that are direct obligations of the
42 United States Treasury or any other obligations fully guaranteed
43 by the United States Government.

44 (b) Bonds, notes and other obligations of the Federal
45 Home Loan Bank, Federal National Mortgage Association, Federal
46 Land Banks, Banks for Cooperatives, and Federal Intermediate
47 Credit Banks, the Government National Mortgage Association, the
48 Federal Housing Administration, the Farmers Home Administration,
49 the Farm Credit System Financial Assistance Corporation, the
50 United States Postal Service, the Federal Financing Bank, the
51 Student Loan Marketing Association, the Small Business
52 Administration, the General Services Administration, the
53 Washington Metropolitan Area Transit Authority, the Maritime
54 Administration, the Export-Import Bank, the International Bank for
55 Reconstruction and Development, the Inter-American Development
56 Bank, the Asian Development Bank, loan participations which carry
57 the guarantee of the Commodity Credit Corporation, an
58 instrumentality of the United States Department of Agriculture or
59 other similar agencies approved by the State Treasurer.

60 (c) Obligations of the Tennessee Valley Authority.

61 (d) Legal obligation or revenue bonds of the State of
62 Mississippi, its agencies, or any political subdivision thereof,
63 or any municipality located in the State of Mississippi, or the
64 Yazoo Mississippi Delta and the Mississippi Levee Districts, or
65 the Mississippi Higher Education Assistance Corporation or its

66 successors, or any body corporate and politic created pursuant to
67 the laws of the State of Mississippi.

68 (e) General obligations issued by any state or by a
69 county, parish or municipality of any state, the full faith and
70 credit of which are pledged to the payment of principal and
71 interest, that are rated "A" or better by any recognized national
72 rating agency engaged in the business of rating bonds.

73 (f) Surety bonds of any surety company authorized to do
74 business in the State of Mississippi.

75 (g) All bonds authorized as security for state funds
76 under items (c), (d) and (e), inclusive, shall be investment
77 quality, and any bonds under said items (c), (d), (e) and (f),
78 inclusive, which are rated substandard by any of the appropriate
79 supervisory authorities having jurisdiction over said depository
80 or by any recognized national rating agency engaged in the
81 business of rating bonds, shall not be eligible for pledging as
82 security to the State of Mississippi by any qualified state
83 depository.

84 No bonds shall be accepted as security for more than their
85 stated par value or market value, whichever is lower, except bonds
86 and obligations of the State of Mississippi and Mississippi State
87 Highway bonds or notes which may be accepted as security at par
88 value or market value, whichever is greater.

89 The bonds, notes and liquid securities to be placed on
90 deposit shall secure both deposits and the accrued interest
91 thereon.

92 Money shall be drawn from the depositories so as to leave in
93 each as near as practicable, its equitable proportion of state
94 funds.

95 The State Treasurer is authorized and empowered to:

96 (i) Deposit for safekeeping in the vaults of any
97 of the state or national banks located within this state which are
98 members of the Federal Deposit Insurance Corporation and which

99 have appropriate safekeeping facilities approved by the State
100 Depository Commission, any federal reserve bank, any federal
101 reserve branch bank, or any bank which is a member of the Federal
102 Reserve System and is located in a city where there is a federal
103 reserve bank or a federal reserve branch bank, the securities
104 placed with him by financial institutions qualifying as state
105 depositories; or

106 (ii) Accept, in lieu of the securities themselves,
107 safekeeping trust receipts issued to the State Treasurer by the
108 authorized safekeeping banks listed in subparagraph (i) above;
109 such safekeeping trust receipts to describe the securities and
110 show that such securities are held for safekeeping for the account
111 of the State Treasurer. The securities so deposited shall not be
112 commingled in any manner with the assets of the safekeeping bank.

113 The safekeeping banks listed in subparagraph (i) above are
114 authorized to issue to the State Treasurer their safekeeping trust
115 receipts based on safekeeping trust receipts issued to them by any
116 of their correspondent banks which are members of the Federal
117 Reserve System and are located in any federal reserve city and
118 which have physical custody of the pledged securities.

119 In no event shall the State Treasurer deposit for safekeeping
120 with any depository securities placed by said depository with the
121 State Treasurer in qualifying as a state depository, nor shall he
122 accept a safekeeping trust receipt by or from a depository
123 covering securities it owns in order to secure state funds on
124 deposit therewith.

125 (2) As used in this section, the following terms shall have
126 the meanings set forth below:

127 (a) The term "primary capital" means the sum of common
128 stock, perpetual preferred stock, capital surplus, undivided
129 profits, capital reserves, mandatory convertible debt (to the
130 extent of twenty percent (20%) of primary capital exclusive of
131 such debt), minority interests in consolidated subsidiaries, net

worth certificates issued pursuant to 12 USCS 1823(i) and the allowance for loan and lease losses, and minus assets classified loss and intangible assets other than mortgage servicing rights.

(b) The term "assets classified loss" means:

(i) When measured as of the date of examination of the financial institution, those assets that have been determined by an evaluation made by a state or federal examiner as of that date to be a loss; and

(ii) When measured as of any other date, those assets:

(A) That have been determined: 1. by an evaluation made by a state or federal examiner at the most recent examination of the financial institution to be a loss, or 2. by evaluations made by the financial institution since its most recent examination to be a loss; and

(B) That have not been charged off from the financial institution's books or collected.

(c) The term "intangible assets" means those assets that would be required to be reported in the item for intangible assets in a Federal Deposit Insurance Corporation (FDIC) banking institution's "Reports of Condition and Income" (Call Reports), regardless of whether such institution is insured by the FDIC.

(d) The term "mandatory convertible debt" means a subordinated debt instrument meeting the requirements of the Federal Deposit Insurance Corporation which requires the issuer to convert such instrument into common or perpetual preferred stock by a date at or before the maturity of the debt instrument. The maturity of these instruments must be twelve (12) years or less.

(e) The term "mortgage servicing rights" means the purchased rights to perform the servicing function for a specific group of mortgage loans that are owned by others. Mortgage servicing rights must be amortized over a period not to exceed fifteen (15) years or their estimated useful life, whichever is

shorter.

(f) The term "perpetual preferred stock" means a preferred stock that does not have a stated maturity date or that cannot be redeemed at the option of the holder. It includes those issues of preferred stock that automatically convert into common stock at a stated date. It excludes those issues, the rate on which increases, or can increase, in such a manner that would effectively require the issuer to redeem the issue.

(g) The term "total assets" means the average of total assets of any financial institution which are or would be included in a Federal Deposit Insurance Corporation (FDIC) banking institution's "Reports of Condition and Income" (Call Reports), regardless of whether such institution is insured by the FDIC, plus the allowance for loan and lease losses, minus assets classified loss and minus intangible assets other than mortgage servicing rights.

SECTION 2. Section 27-105-9, Mississippi Code of 1972, is amended as follows:

27-105-9. The State Treasurer shall give notice of the provisions of this article once a month to each eligible bank and financial institution in the state having an amount of state funds less than the amount authorized to be allocated to the bank or financial institution under Section 27-105-33 and this section, and shall receive such applications as they or any of them may make for the privilege of keeping any part of the state funds on forms to be furnished by the Treasurer, and shall place the state funds with the institutions applying therefor if the depository application has been duly approved by the Treasurer.

The Treasurer, when considering the various depository applications, shall review the financial statement of the applying depository and become satisfied regarding its liquidity and capital ratio so as to assure the safety of all state funds, and likewise to give the equitable apportionment of the state funds

198 throughout the state.

199 State funds required for current operation, as determined
200 pursuant to Section 27-105-33, shall be deposited in one or more
201 demand accounts. State funds not required for current operation,
202 as determined pursuant to Section 27-105-33, shall be deposited in
203 one or more interest-bearing accounts or time certificates of
204 deposit, or otherwise invested pursuant to Section 27-105-33.
205 When any depository holding state demand accounts receives an
206 order from the Treasurer or his designee to transfer collected
207 funds out of such accounts to any interest-bearing accounts or
208 time certificates of deposit in such depository or any other
209 depository pursuant to the provisions of this chapter, the
210 transfer shall be made immediately or as soon thereafter as
211 practicable. If the Treasurer finds that any depository is not
212 transferring funds as hereinabove provided, such depository shall
213 be disqualified from holding or receiving any state demand
214 accounts for a period of time not to exceed one (1) year.

215 All funds allocated to approved depositories under the
216 provisions of subsection (b) of Section 27-105-33 shall be
217 allocated to qualified depositories of the state on a pro rata
218 basis determined as follows:

219 (a) Each qualified depository shall be assigned a
220 numerator which shall be the sum of (i) thirty-five percent (35%)
221 of that portion of its Mississippi-based deposits that does not
222 exceed Two Hundred Fifty Million Dollars (\$250,000,000.00), plus
223 (ii) twenty-five percent (25%) of that portion of its
224 Mississippi-based deposits that exceed Two Hundred Fifty Million
225 Dollars (\$250,000,000.00) but does not exceed Five Hundred Million
226 Dollars (\$500,000,000.00), plus (iii) fifteen percent (15%) of
227 that portion of its Mississippi-based deposits that exceeds Five
228 Hundred Million Dollars (\$500,000,000.00).

229 (b) Each such numerator shall be divided by a
230 denominator, which shall be the sum of (i) thirty-five percent

231 (35%) of the first Two Hundred Fifty Million Dollars
232 (\$250,000,000.00) or portion thereof of the Mississippi-based
233 deposits of each qualified depository, plus (ii) twenty-five
234 percent (25%) of the next Two Hundred Fifty Million Dollars
235 (\$250,000,000.00) or portion thereof of the Mississippi-based
236 deposits of each qualified depository, plus (iii) fifteen percent
237 (15%) of the Mississippi-based deposits of each qualified
238 depository in excess of Five Hundred Million Dollars
239 (\$500,000,000.00), being the sum of the numerators of all
240 depositories. The resulting percentage shall be the pro rata
241 share of such depository in funds allocated under Section
242 27-105-33(b).

243 (c) All such computations shall be determined annually by
244 December 1 on the basis of the deposits held by the depositories
245 at deposit facilities located in the State of Mississippi as
246 reported in the Federal Deposit Insurance Corporation's Market
247 Share Report -- Deposits of All FDIC-Insured Institutions
248 Operating in Mississippi on June 30 of each year. For the
249 purposes of this section, "Mississippi-based deposits" means the
250 total deposits held at deposit facilities located in the State of
251 Mississippi on June 30 as reported annually by the Federal Deposit
252 Insurance Corporation in the above-referenced report.

253 State funds allocated to each approved depository shall not
254 be more than four percent (4%) of the depository's
255 Mississippi-based deposits. Interest-bearing time certificates of
256 deposit and other interest-bearing deposits, either general or
257 special, made pursuant to Section 27-105-33, may be treated as not
258 coming within this percentage if, in the discretion of the
259 Treasurer, the best interest of the state can be served to
260 increase its earnings and decrease its expenses in the handling of
261 the state funds; however, any and all depositories must first
262 qualify and be approved by the Treasurer to receive demand
263 deposits subject to withdrawal or transfer by check of the

264 Treasurer when properly presented and so demanded. For the
265 purposes of this section, the term "paid-in and earned capital
266 funds" means the sum of common stock, perpetual preferred stock,
267 surplus, undivided profits and capital reserves as these amounts
268 are or would be reflected in a Federal Deposit Insurance
269 Corporation (FDIC) banking institution's "Reports of Condition and
270 Income" (Call Reports), regardless of whether such institution is
271 insured by the FDIC.

272 The depository contract shall be for one (1) year, but may be
273 renewed from year to year upon proper review and approval of the
274 Treasurer. Each applicant shall furnish to the Treasurer a
275 financial statement sworn to by a duly elected officer, and on
276 such date or dates as the Treasurer may provide.

277 SECTION 3. This act shall take effect and be in force from
278 and after July 1, 1999.