ORDER AUTHORIZING STATE-CHARTERED BANKS TO PLEDGE ASSETS TO SECURE BANK OF NORTH DAKOTA LETTERS OF CREDIT

WHEREAS House Bill No. 1060 (1997 N.D. Session Laws, Ch. 78, §4), enacted by the Fifty-fifth Legislative Assembly, effective August 1, 1997, provides that the State Banking Board may determine by Order or Rule any activity for state-chartered banks considered incidental to the business of banking,

WHEREAS Senate Bill No. 2157 (1997 N.D. Session Laws, Ch. 224, §1), enacted by the Fifty-fifth Legislative Assembly, effective August 1, 1997, provides that public corporations may accept letters of credit issued by the Bank of North Dakota in lieu of a surety bond for any deposit in excess of the Federal Deposit Insurance Corporation insured deposit limitation,

WHEREAS state-chartered banks are not allowed to pledge assets to secure deposits, but are statutorily required to pledge a personal or surety bond as security or, in lieu of a bond, eligible securities for public corporation deposits.

NOW, THEREFORE, IT IS HEREBY RESOLVED, since banks are required to pledge assets to secure public corporation deposits and Senate Bill No. 2157 provides that Bank of North Dakota letters of credit can be pledged as an eligible security under N.D.C.C. §21-04-09 for public corporation deposits, the Board considers the pledging of assets to secure letters of credit when the bank is required to directly pledge assets to secure public deposits is an activity that is incidental to the business of banking, subject to the following conditions:

1. Federal Deposit Insurance Corporation approval if FDIC determines that such approval is necessary;
2. The face value of assets pledged to the Bank of North Dakota letters of credit cannot exceed one hundred fifty percent of the amount of the letter of credit;

3. That the authorization herein granted for banks to pledge assets is limited to Bank of North Dakota letters of credit that are issued in favor of public corporations to pledge for deposits in excess of FDIC insurance limitations.

Dated this 29th day of July, 1997, effective August 1, 1997.

[Signature]
Gary D. Preszler, Chairman
State Banking Board

Signed on behalf of the State Banking Board pursuant to a duly approved motion of the Board on July 29, 1997.

ATTEST:

[Signature]
Timothy J. Karsky, Secretary
State Banking Board