

State of Arkansas
92nd General Assembly
Regular Session, 2019

A Bill

SENATE BILL 257

By: Senator K. Hammer
By: Representative Brown

For An Act To Be Entitled

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

Subtitle

TO INCLUDE FINANCIAL INSTITUTIONS INSURED BY THE NATIONAL CREDIT UNION ADMINISTRATION AS INSTITUTIONS ALLOWED TO SERVE AS DEPOSITORIES OF PUBLIC FUNDS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 19-3-502(1), concerning the definition of "bank" under the State Treasury Management Law, is amended to read as follows:

(1) "Bank" means:

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

(B) A foreign bank organized under the laws of a territory of the United States, Puerto Rico, Guam, American Samoa, or the United States



Virgin Islands if the deposits of the foreign bank are insured by the Federal Deposit Insurance Corporation;

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

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

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

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

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

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

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

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

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

SECTION 6. Arkansas Code § 19-3-519(b), concerning institutions that may participate in the State Treasury Certificate of Deposit Investment

Program, is amended to read as follows:

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

- (1) ~~National banks~~ A national bank that ~~have their~~ has its principal ~~offices~~ office in Arkansas or ~~are~~ is legally operating branches in Arkansas;
- (2) ~~Banks~~ A bank chartered in the State of Arkansas;
- (3) ~~Banks~~ A bank chartered by ~~other states~~ another state that ~~are~~ is legally operating branches in Arkansas;
- (4) ~~Savings and loan associations or savings banks~~ A savings and loan association or savings bank chartered by the United States that ~~have their~~ has its principal ~~offices~~ office in Arkansas or ~~are~~ is legally operating branches in Arkansas; ~~and~~
- (5) ~~Savings and loan associations~~ A savings and loan association chartered by the State of Arkansas; and
- (6) A credit union federally insured by the National Credit Union Administration that:
 - (A) Has its principal office in this state; or
 - (B) Is legally operating a branch in this state.

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

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

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

As used in this subchapter:

~~(a)~~(1) "Bank" or "banking institution" means ~~any~~ a state bank, national bank, savings bank, savings association, thrift, credit union, or other financial institution authorized to do business and having a main office or branch office in this state, ~~which~~ that is insured by the Federal Deposit Insurance Corporation, ~~or the National Credit Union Administration;~~ and

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

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

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

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

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

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

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

SECTION 11. Arkansas Code § 19-8-111(a)(2), concerning additional authority for investment of public funds by depositories for public funds, is

amended to read as follows:

(2) Each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration for one hundred percent (100%) of the principal and accrued interest of the deposit;

SECTION 12. DO NOT CODIFY. (a) The State Board of Finance shall revise its rules to be consistent with this act by stating that credit unions insured by the National Credit Union Administration have the same rights and responsibilities as banks and other financial institutions insured by the Federal Deposit Insurance Corporation under the State Treasury Management Law, § 19-3-501 et seq., and the other provisions included in this act.

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

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

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

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