

Office of the Washington State Treasurer

2010 Report to the Washington State Legislature on Actions Taken by the Public Deposit Protection Commission

An update on recent events, responses, rulemaking and issues
related to modernizing and improving the protection of public
deposits in Washington State



December, 2010

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Executive Summary:

The financial downturn continued to put stress on Washington's financial institutions in 2010. This year, the FDIC closed twelve public depository banks that were holding roughly \$169 million of public deposits. However, safeguards put in place by the Legislature, the Public Deposit Protection Commission and the State Treasurer successfully protected the public's money and the state's 87 public depository banks. As of June 30, 2009, public deposits that previously could have been lost became either fully insured or fully collateralized at each individual financial institution. With 100 percent collateral standing behind uninsured public deposits, we have substantially reduced risks and liabilities. Moreover, in all twelve bank closures this year, the FDIC was able to find a purchaser that agreed to take over all the deposits.

The 100 percent collateral level for uninsured public funds was reached in part because FDIC insurance coverage for qualifying non-interest bearing accounts is available through the Transaction Account Guarantee (TAG) program. This enhanced coverage allows financial institutions to accept large public deposits in accounts that do not require collateral.

In sum, the reforms to strengthen the state's Public Deposit Protection Act enacted by the 2009 Legislature, signed into law by the Governor, and implemented by the Public Deposit Protection Commission and State Treasurer have worked.

Introduction:

The 2009 Legislature unanimously passed Substitute House Bill 2061 to address systemic risks to state and local government public deposits and financial institutions that came to light during the financial collapse of 2007-2009. The measure provides greater discretion to the Public Deposit Protection Commission (PDPC) and additional authority to the State Treasurer. It facilitates the efficient and effective implementation of new reporting, rulemaking and administrative requirements for banks, savings banks, and savings associations. With this additional authority and agility the PDPC and the Treasurer can respond to rapid changes in both the economy and the condition of financial institutions.

On March 6, 2009, Gov. Chris Gregoire signed SHB2061 and it took effect immediately. The PDPC and the Treasurer then acted quickly to reduce the risk that an individual bank failure would jeopardize public tax dollars and the broader network of financial institutions authorized to accept public deposits.

The new law requires the State Treasurer to provide an annual report to the Legislature on actions taken by the Commission and the State Treasurer regarding public deposit protection.

In compliance, the Treasurer's office issued a [2009 report](#) to provide an accounting of the issues and actions taken by the Public Deposit Protection Commission and the State Treasurer to protect public deposits.

This 2010 report is intended to provide an update on the actions taken by the PDPC and the State Treasurer during the period since December, 1 2009, the date the first report was published. It also provides a timeline of relevant events involving the financial institutions holding public deposits in Washington State.

Turning Point:

On January 16, 2009, Bank of Clark County failed and more than \$15 million was lost due to lack of insurance or sufficient collateral. This loss triggered a first-ever assessment on other public depositaries to recover the public funds. The 40-year-old Public Deposit Protection Act served its purpose and provided the necessary guidelines to recover the public tax-dollars lost in the closure but not without causing grave concern among financial institutions participating in the collateral pool standing behind all public deposits. This unfortunate event drove home the need for reform. Inaction would have jeopardized \$8 billion in public deposits and the state's financial institutions.

Swift and prudent action by the Legislature, Governor, the State Treasurer and regulators has reigned in the systemic risk to public deposits and the financial system. The Office of the State Treasurer is pleased to report that as of June 30, 2009, public deposits that previously could have been lost are now either fully insured or fully collateralized. By working together, we have created better protections for public deposits while also reducing risks and liabilities for financial institutions.

We have come a long way since the Bank of Clark County's failure. Having 100 percent collateral standing behind uninsured public deposits has already reduced risks and liabilities. The FDIC closed three other banks in 2009: Westsound, Venture and United Commercial Bank. (Fig. 1)

2009		
Bank	Date of Closure	Acquiring Institution
Bank of Clark County	January 16, 2009	Umpqua Bank, OR
Westsound Bank	May 8, 2009	Kitsap Bank, WA
Venture Bank	September 11, 2009	First-Citizens Bank & TC.
United Commercial Bank	November 6, 2009	East West Bank

Figure 1

In 2010, the FDIC closed 12 more public depository banks in Washington. (Fig. 2)

2010		
Bank	Date of Closure	Acquiring Institution
Horizon Bank	January 8, 2010	Washington Federal Savings
Evergreen Bank	January 22, 2010	Umpqua Bank, OR
Columbia River Bank	January 22, 2010	Columbia State Bank
American Marine Bank	January 29, 2010	Columbia State Bank
Rainier Pacific Savings Bank	February 26, 2010	Umpqua Bank, OR
City Bank	April 16, 2010	Whidbey Island Bank
Frontier Bank	April 30, 2010	Union Bank
Washington First Intl Bank	June 11, 2010	East West Bank
Cowlitz Bank	July 30, 2010	Heritage Bank
North County Bank	September 24, 2010	Whidbey Island Bank
Shoreline Bank	October 1, 2010	GBC International Bank
Pierce Commercial Bank	November 5, 2010	Heritage Bank

Figure 2

In each case, the acquiring institution agreed to purchase the bank that was closed by regulators in a way that protected public deposits and prevented additional assessments.

Our 87 public depositories now hold roughly \$5 billion in public funds that are either fully insured or fully collateralized. The 100 percent collateral level for uninsured public funds was attainable in part because FDIC insurance coverage for qualifying non-interest bearing accounts is available through the Transaction Account Guarantee (TAG) program. The enhanced coverage allows financial institutions to accept large public deposits in accounts that do not require collateral.

The federal TAG program was originally scheduled to sunset December 31, 2009 but the State Treasurer marshaled forces from among a broad range of stakeholders nationwide to successfully advocate for successive extensions of this program through June 30, 2012.

However, the PDPC has required banks to reduce their reliance on TAG coverage through resolution. As of the end of October 2010, approximately 80 percent of the \$5 billion in public deposits was fully collateralized. The remaining 20 percent was secured by standard FDIC coverage up to \$250,000 and TAG.

A significant amount of public deposits continue to be federally insured through what is anticipated to be the worst part of this current economic crisis.

Although some public depositories in Washington still face significant challenges the actions of the Legislature, Governor, the Public Deposit Protection Commission, local government finance officers and financial institutions has virtually eliminated the untenable risks that were allowed under the previous statute.

Signs of trouble:

Relative stability in the banking industry over four decades preserved the Public Deposit Protection Act in essentially its original form, but that stability was shaken by the financial crisis of 2008. As venerable financial institutions foundered, it became clear the status quo could no longer adequately protect public deposits.

On September 25, 2008, Washington Mutual Bank (WaMu) became the largest bank failure in U.S. history. It should have been a wake-up call. Washington State narrowly averted a much larger disaster that could have crippled all 11 other public depository institutions in the savings and loan collateral pool, and could have resulted in the loss of as much as \$727 million in public funds.

When JPMorgan Chase bought Washington Mutual, it agreed to honor the uninsured public deposits held by WaMu. Washington narrowly avoided a situation that would have required a problematic assessment on the state's much smaller remaining public deposit savings and loans. Had JP Morgan taken only the insured deposits, the Public Deposit Protection Commission would have been required to assess the 11-member thrift pool \$51.3 million to cover uninsured public fund losses. This estimate is based on a 10 percent maximum liability associated with the June 2008 quarterly reports from the remaining 11 pool participants.

When federal regulators took control of WaMu on September 28, it was holding between \$440 million and \$872 million public deposits with only \$93.8 million in pledged collateral. Combined, the funds that would have been collected from the thrift pool and the collateral available from the bank would have been insufficient to cover the losses. As much as \$727 million in public funds could have been lost.

These events were a clear warning that the outdated Public Deposit Protection Act had created an unacceptable risk to public tax dollars and financial institutions. However, at that time no action plan or risk assessment was prepared nor was legislation offered to update the Public Deposit Protection Act.

Role of the Washington State Treasurer's Office:

The Washington State Treasurer's Office implements the laws, rules and procedures related to the work of the PDPC, established by the Legislature in 1969 to ensure that state and local government funds deposited in state and federally chartered banks are not lost should a bank fail.

In such an event, state law compels both the PDPC and the state's public depositories to act in a timely manner to restore public funds to the depositors. The law requires that the PDPC levy a pro rata assessment on each of the remaining banks acting as public depositories. The assessed amounts are sent to depositories by the State Treasurer.

In the case of an assessment, payments remitted to the State Treasurer's Office are apportioned among the public entities to cover remaining deposits that were not insured or covered by the assets of the Bank.

Insured Deposits and FDIC Issues

In addition to changes in state laws associated with Public Deposit Protection Commission rules, the State Treasurer strongly advocated the extension of enhanced federal deposit insurance – the Transaction Account Guarantee (TAG) program.

Instituted by the FDIC in October 2008 in response to the financial crisis, the TAG program has been an important tool to reach this new level of protection. More than half of the public deposits in Washington are insured by the FDIC through the program and therefore do not require collateral at a time when liquidity is critical to our banking system.

The TAG program was slated to expire December 31, 2009, which would have forced banks that may still be struggling to provide much higher levels of collateral to secure public deposits at one hundred percent.

The State Treasurer has been in regular contact with the FDIC urging them to extend the TAG program. OST also worked closely with state regulators, state and corporate treasurers, and the banking community to actively support the extension which allows more time for economic recovery to take hold and greater stability to return.

Adding six months to this important program helped solidify a still fragile economic recovery by helping improve the confidence both public and private sector depositors have in their financial institutions.

In summer 2009, the Treasurer outlined his concerns and rationale for requesting an extension to FDIC chairwoman Sheila Bair. See Appendix

On August 27, 2009, the Federal Deposit Insurance Corporation's Board of Directors voted unanimously to extend the Transaction Account Guarantee Program until June 30, 2010. Then again, on April 13, 2010, the FDIC adopted the rule extending the Transaction Account Guarantee (TAG) component of the Temporary Liquidity Guarantee Program for an additional six months, through December 31, 2010, with the possibility of extending the program an additional 12 months without further rulemaking. In July 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 extending the TAG Program for two years to insure noninterest-bearing transaction accounts through December 31, 2012. By insuring non-interest-bearing deposits larger than \$250,000, this program has been invaluable in our effort to protect nearly \$5 billion of public deposits.

Looking Ahead:

The Office of the State Treasurer continues to work with state and federal regulators to keep abreast of changing conditions in public depositaries as the nation faces challenges as the economy regains its footing.

The office continues to work with financial institutions, local governments and local government depositors to understand how to reduce reliance on FDIC insurance and transition to use of collateral.

Timeline:

January 16, 2009 – Bank of Clark County closed (Public Deposit Protection Act initiated for 1st time in 40 year history).

- DFI – State Bank Regulator – closed bank and designated FDIC as Receiver.
- FDIC – Sold Bank of Clark County (BCC) to Umpqua Bank of Roseburg, Ore. (Insured deposits only).
- FDIC – Provided public depositors with “insured” & “secured” (collateral pledged by BCC) funds
- FDIC – Provided public depositors with Receivership Certificates for the “unsecured” portion (the “Loss”).
-

February 3, 2009 - PDPC calculated each remaining bank’s portion of the “unsecured.”

- Deposits to be assessed to the pool of depositaries & notified each of their shares.

Note: PDPC was required to wait for December 31 reports (filed January 31) showing each banks public deposit balance (most recent report per statute). Reports from 12/31/08 showed approximately \$8 billion in public deposits with an estimated \$800 million in pledged collateral.

February 6, 2009 - PDPC assessed 90 Banks for “unsecured” public deposits (\$15.144 million).

- Depositors provided account information for wire transfer.

February 6, 2009 - Banks were required to remit share of loss in two business days.

Tuesday, February 10, 5 p.m. - All banks remitted payment.

Wednesday, February 11- Thursday February 12 – PDPC reimbursed public depositors remaining portion of lost deposits in exchange for assignment of Receivership Certificates issued by the FDIC. Public deposits restored within 30 days of failure.

The closure of Bank of Clark County highlighted the necessity for updating Washington’s system for protecting public deposits. With that in mind, the State Treasurer implemented an action plan to modernize the safeguards and requirements of financial institutions that are allowed to accept public deposits.

Considerations:

- Top Priority – Continued safety and security of public tax dollars.
- State & local governments access to their accounts to conduct the public’s business.
- Healthy banks and thrifts form an important underpinning of the state’s economy.
- State & local governments are struggling to make every dollar stretch (budgetary pressure).

- Financial institutions face growing challenges in an increasingly difficult economic environment.

February 18, 2009 – PDPC adopted Resolution 2009-1 requiring public depositaries to collateralize their uninsured public deposits at 100 percent by June 30. Goal was to better protect public deposits without threatening the viability of our financial institutions with additional assessments if failure occurs.

Concerns (as result of 100 percent collateral requirement):

- Banks may choose to limit level of public deposits to rebalance liquidity and collateral.
- Banks may decide public deposits are not financially viable.
- Banks may only accept “insured” deposits to limit required collateral levels.

February 20, 2009 – The State Treasurer requested additional information from banks and thrifts including:

- Enhanced monthly reporting – All Banks (Deposits, Securities Pledge, Net Worth, Loans/ Assets).
- Established semi-monthly reporting – Most challenged financial institutions.

March 6, 2009 – SHB 2061 signed into law (Statutory Changes to Chapter 39.58 RCW). The new law:

- Merged thrift and bank pools into a single, stronger pool.
- Improved the ability to protect confidential information provided to OST by bank regulators related to the health of financial institutions.
- Redefined maximum liability in terms of uninsured deposits rather than total deposits.
- Provided flexibility to make rule changes to create more safe investment options for local governments, the reciprocal CD program for example.

April 7, 2009 – PDPC adopted Resolution 2009-2 requesting OST to initiate rulemaking needed to amend the Washington Administrative Code (WAC) to:

- Bring program rules into alignment with the new statute.
- Allow implementation of reciprocal deposit programs to provide additional fully insured interest earning opportunities to public depositors.
- Establish a temporary mechanism with which to assess liability through the risk pool in the unlikely event another bank failure causes an assessment before all uninsured deposits are collateralized (i.e., Total public deposits vs. Uninsured public deposits).

April 30, 2009 – OST adopted new rules (WAC 389-12) that took effect immediately as emergency rules allowing Reciprocal Deposit Programs (such as CDARS) to provide governments options to invest larger sums in CDs – but in a way that is fully insured by the FDIC.

May 8, 2009 – Westsound Bank (Bremerton, Washington) closed.

- DFI - State Bank Regulator - closed bank and designated FDIC as Receiver.
- FDIC - Entered into a purchase and assumption agreement with Kitsap Bank (Port Orchard, Washington) to assume all deposits of Westsound Bank.
- PDPC - No action necessary since all public deposits were fully secured by insurance and collateral.

June / July 2009

- OST and PDPC worked with Financial Institutions to move toward the 100 percent collateral of uninsured deposits.

July 23, 2009 - Adopted Permanent Rules (WAC 389-12) - Following a 4 month process.

- Filed Pre-proposal (Intent) on April 17 (Published in WSR on May 6).
- Filed Proposed Rules on June 11 (Published in WSR on July 1).
- Solicited comments from public depositories on June 12.
- Held Public Hearing on July 22 @ 1:00 p.m.
 - 3 Banks represented (Union / Cashmere Valley / Heritage).
- Filed Permanent Rules on July 23 (Published in WSR on August 19).
- Effective 31 days after filing (August 23).

Note: Emergency Rules effective through August 28

Benefits of Reciprocal Programs:

- Reduce / Eliminate the need for deposit collateralization
- Capitalize on available FDIC Insurance
- Create yield opportunities for local governments

Other steps taken in administration's first 100 days:

- Held regular meetings with DFI to discuss the eighty state-chartered banks.
- Retained consultants to act as liaisons for banks & local governments.
- Engaged in regular communications with County Treasurers to discuss banking issues in their communities.
- Encouraged regulators to consider systemic risk of bank failures on Washington's pooled system (i.e., "least cost model").
- Encouraged regulators to extend increased insurance coverage beyond 12/31/09.
- Monitored bank ratings issued by rating services

August / September 2009 - Revised reporting requirements for financial institutions.

- Monthly - Focus on Liquidity Measures (i.e., Brokered Deposits, FHLB Advances, etc.)
- Quarterly - Focus on Capital Measures (i.e., Non-Performing Assets, Capital Ratios, etc.)

October 9, 2009 - FDIC distributed dividends to BCC depositors for claims on lost deposits.

- FDIC sold loans in auctions to private investors and other institutions.

- 40+ BCC customers were refunded \$4.79 million of \$20.77 million in uninsured deposits.
- PDPC received approximately \$3.5 million of \$15.1 million (23 percent) in lost deposits.
- Monies were rebated to banks based on previous assessments on October 20.

September 11, 2009 – Venture Bank (Lacey, Washington) closed.

- DFI – State Bank Regulator – closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with First-Citizens Bank and Trust Company (Raleigh, North Carolina) to assume all deposits of Venture Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

November 6, 2009 – United Commercial Bank (San Francisco, California) closed.

- DFI – State Bank Regulator – no action (Bank located in CA)
- FDIC – Entered into a purchase and assumption agreement with East West Bank (Pasadena, Washington) to assume all deposits of United Commercial Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

December 2009 – Developed an online reporting application for public depositaries to electronically report monthly & quarterly public deposit balances, pledged collateral, as well as other financial information to the PDPC.

January 8, 2010 – Horizon Bank (Bellingham, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Washington Federal Savings and Loan Association (Seattle, Washington) to assume all deposits of Horizon Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

January 13, 2010 – Developed an Exit Strategy for FDIC TAG Program

- To prepare for the potential expiration of the FDIC TAG Program, the PDPC adopted Resolution 2010-1 requiring all public depositaries to take measured and orderly steps through June 30, 2010 to shift their public depositors' funds from accounts insured through the FDIC TAG Program to other insured or collateralized accounts. For the purpose of the resolution, "measured and orderly steps" meant that each public depositary shall reduce its reliance on the FDIC's TAG Program as security for public deposits to: (1) less than fifty percent of public funds by March 31, 2010, (2) less than twenty-five percent by April 30, 2010, and (3) to zero percent by May 31, 2010.

January 22, 2010 – Evergreen Bank (Seattle, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Umpqua Bank (Roseburg, Oregon) to assume all of the deposits of Evergreen Bank.

- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

January 22, 2010 – Columbia River Bank (The Dalles, Oregon) closed.

- DFI – State Bank Regulator – No action (Bank located in Oregon).
- FDIC – Entered into a purchase and assumption agreement with Columbia State Bank (Tacoma, Washington) to assume all of the deposits of Columbia River Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

January 29, 2010 – American Marine Bank (Bainbridge Island, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Columbia State Bank (Tacoma, Washington) to assume all of the deposits of American Marine Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

February 26, 2010 – Rainier Pacific Bank (Tacoma, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Umpqua Bank (Roseburg, Oregon) to assume all of the deposits of Rainier Pacific Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

March 12, 2010 – Governor Signs Substitute Senate Bill (SSB) 6298.

- SSB 6298 enacted allowing state-chartered credit unions to become public depositories for the purpose of receiving public deposits in an amount not to exceed the lesser of the federal deposit insurance or \$100,000. The maximum amount of deposit applies to all funds attributable to any one depositor of public funds in any one credit union. Credit unions are subject to the same reporting requirements as other financial institutions participating as public depositories. The law is effective July 1, 2011.

April 16, 2010 – City Bank (Lynnwood, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Whidbey Island Bank (Coupeville, Washington) to assume all of the deposits of City Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

April 30, 2010 – Frontier Bank (Everett, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Union Bank, National Association (San Francisco, California) to assume all of the deposits of Frontier Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

May 25, 2010 – Extended Exit Strategy for FDIC TAG Program

- In response to the FDIC's extension of the TAG Program, the PDPC adopted Resolution 2010-3 requiring all public depositaries to take measured and orderly steps through December 31, 2010 to shift their public depositors' funds from accounts insured through the FDIC TAG Program to other insured or collateralized accounts, or take steps to collateralize such deposits. Public depositaries currently participating in the TAG Program that opted out of the TAG extension period shall reduce their reliance on the FDIC's TAG Program pursuant to Resolution 2010-1 adopted January 13, 2010. For the purpose of the resolution, "measured and orderly steps" meant that each public depositary participating in the TAG extension shall maintain its achieved reliance on the TAG Program at less than fifty percent of public deposits, and further reduce its reliance on the TAG Program as security for public deposits to: (1) less than twenty-five percent by October 31, 2010, and (3) to zero percent by November 30, 2010.

June 11, 2010 – Washington First International Bank (Seattle, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with East West Bank (Pasadena, California) to assume all of the deposits of Washington First International Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

July 30, 2010 – Cowlitz Bank (Longview, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Heritage Bank (Olympia, Washington) to assume all of the deposits of Cowlitz Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

September 9, 2010 – Extended Exit Strategy for FDIC TAG Program

- In response to the Congress passing the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the State Treasurer extended the requirements of PDPC Resolution 2010-3 requiring all public depositaries to take measured and orderly steps to shift their public depositors' funds from accounts insured through the FDIC TAG Program to other insured or collateralized accounts, or take steps to collateralize such deposits through December 31, 2012 to match the changes made by the federal government.

September 24, 2010 – North County Bank (Arlington, Washington) closed.

- DFI – State Bank Regulator – Closed bank and designated FDIC as Receiver.
- FDIC – Entered into a purchase and assumption agreement with Whidbey Island Bank (Coupeville, Washington) to assume all of the deposits of North County Bank.
- PDPC – No action necessary since all public deposits were fully secured by insurance and collateral.

October 1, 2010 – Shoreline Bank (Shoreline, Washington) closed.

- DFI - State Bank Regulator - Closed bank and designated FDIC as Receiver.
- FDIC - Entered into a purchase and assumption agreement with GBC International Bank (Los Angeles, California) to assume all of the deposits of Shoreline Bank.
- PDPC - No action necessary since all public deposits were fully secured by insurance and collateral.

November 5, 2010 - Pierce Commercial Bank (Tacoma, Washington) closed.

- DFI - State Bank Regulator - Closed bank and designated FDIC as Receiver.
- FDIC - Entered into a purchase and assumption agreement with Heritage Bank (Olympia, Washington) to assume all of the deposits of Pierce Commercial Bank.
- PDPC - No action necessary since all public deposits were fully secured by insurance and collateral.

Other developments:

By June 30, 2011:

- Implement PDPC Program allowing state-chartered credit unions to accept public deposits.

Note: We are seeing a number of financial institutions come back into the public funds market place, in large part due to their renewed confidence in the public deposit system. They are once again accepting public funds, and are taking steps to offer more competitive rates. We are working with financial institutions to help them take these steps as quickly as possible.

PDPC Resolutions:

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION OLYMPIA, WASHINGTON

RESOLUTION NO. 2010-1

WHEREAS, while significant progress has been made by financial institutions, public depositors and state regulators to safeguard public funds during difficult economic times, there are still substantial challenges ahead for both financial institutions and public depositors; and

WHEREAS, the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee (TAG) Program that provides full insurance coverage for qualifying non-interest bearing accounts is scheduled to end June 30, 2010; and

WHEREAS, all public depositories are required to fully collateralize uninsured public deposits pursuant to Resolution 2009-1 adopted February 18, 2009;

NOW, THEREFORE, BE IT RESOLVED that all public depositories are required to take measured and orderly steps from now through June 30, 2010 to shift their public depositors' funds from accounts insured through the FDIC TAG Program to other insured or collateralized accounts.

BE IT FURTHER RESOLVED, for the purpose of this resolution, "measured and orderly steps" means that each public depository shall reduce its reliance on the FDIC's TAG Program as security for public deposits to: (1) less than fifty percent of public funds by March 31, 2010, (2) less than twenty-five percent by April 30, 2010, and (3) to zero percent by May 31, 2010.

BE IT FURTHER RESOLVED that the Commission appreciates the decisive actions taken by financial institutions, public depositors, and state and federal regulators in safeguarding public funds by strengthening and improving protections afforded to public deposits in Washington State. The Commission calls upon financial institutions to communicate these matters fully within their organizations so that public depositors will have full and accurate information about the insured and/or collateralized status of their accounts.

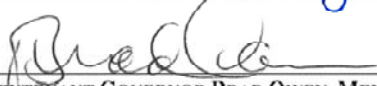
AND BE IT FURTHER RESOLVED that this Resolution shall become effective January 13, 2010.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this thirteenth day of January, 2010.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION


STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN


GOVERNOR CHRISTINE O. GREGOIRE, MEMBER


LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:

NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON

RESOLUTION NO. 2010-2

WHEREAS, East West Bank, headquartered in Pasadena, California, acquired United Commercial Bank located in San Francisco, California, and is in the process of making application to the Washington Public Deposit Protection Commission (Commission) for their Washington branches to become public depositories under their California State Commercial Bank Charter; and

WHEREAS, East West Bank is in the process of completing a Depository Pledge Agreement with the Federal Home Loan Bank of Seattle and the Public Deposit Protection Commission; and

WHEREAS, East West Bank agrees to pledge eligible securities as collateral for public deposits as required by Chapter 39.58 RCW and Chapter 389-12 WAC.

NOW THEREFORE BE IT RESOLVED by the Washington Public Deposit Protection Commission:

IN ACCORDANCE WITH THE PROVISIONS of Chapter 39.58 RCW and Chapter 389-12 WAC, and subject to completion of the Application Process and the Depository Pledge Agreement requirements, this Commission does hereby grant approval to the Washington branches of East West Bank located in Pasadena, California.

BE IT FURTHER RESOLVED that upon completion of the Application Process and the Depository Pledge Agreement requirements, the State Treasurer, as Chairman of this Commission, shall notify East West Bank of the date of its approval as a public depository, eligible to receive and hold public funds on deposit in their Washington branches, subject to the laws of the State of Washington and of any requirements necessary to retain this approval.

BE IT FURTHER RESOLVED that once East West Bank has been notified of its approval as a public depository, it is charged with notice of any and all requirements necessary to retain this approval whether said requirements are created by statute, rule, or resolution.

AND BE IT FURTHER RESOLVED that this Resolution shall become effective January 13, 2010.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this thirteenth day of January, 2010.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION


STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN


GOVERNOR CHRISTINE O. GREGOIRE, MEMBER


LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:


NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON

RESOLUTION NO. 2010-3

WHEREAS, substantial progress has been made by financial institutions, public depositors and state and federal regulators to safeguard public funds during difficult economic times, challenges remain for both financial institutions and public depositors; and

WHEREAS, the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee (TAG) Program that provides full insurance coverage for qualifying non-interest bearing accounts has been extended through December 31, 2010; and

WHEREAS, all public depositaries are required to fully collateralize uninsured public deposits pursuant to Resolution 2009-1 adopted February 18, 2009;

NOW, THEREFORE, BE IT RESOLVED that all public depositaries are required to take measured and orderly steps from now through December 31, 2010 to shift their public depositors' funds from accounts insured through the FDIC TAG Program to other insured or collateralized accounts, or take steps to collateralize such deposits.

BE IT FURTHER RESOLVED, public depositaries currently participating in the TAG Program that opted out of the TAG extension period shall reduce their reliance on the FDIC's TAG Program pursuant to Resolution 2010-1 adopted January 13, 2010.

BE IT FURTHER RESOLVED, for the purpose of this resolution, "measured and orderly steps" means that each public depositary participating in the TAG extension shall maintain its achieved reliance on the TAG Program at less than fifty percent of public deposits, and further reduce its reliance on the TAG Program as security for public deposits to: (1) less than twenty-five percent by October 31, 2010, and (3) to zero percent by November 30, 2010.

BE IT FURTHER RESOLVED, the State Treasurer may amend the "measured and orderly steps" if the FDIC extends the TAG Program beyond December 31, 2010, or may adjust the "measured and orderly steps" for individual public depositaries to reflect individual circumstances should they arise.

BE IT FURTHER RESOLVED that the Commission appreciates the decisive actions taken by financial institutions, public depositors, and state and federal regulators to safeguard public funds. The Commission calls upon financial institutions to communicate these matters fully within their organizations so that public depositors will have full and accurate information about the insured and/or collateralized status of their accounts.

AND BE IT FURTHER RESOLVED that this Resolution shall become effective May 25, 2010.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this twenty-fifth day of May, 2010.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION


STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN


GOVERNOR CHRISTINE O. GREGOIRE, MEMBER


LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:


NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION

WASHINGTON PUBLIC DEPOSIT PROTECTION COMMISSION
OLYMPIA, WASHINGTON

RESOLUTION NO. 2010-4

WHEREAS, the Chairman of the Washington Public Deposit Protection Commission (the "Commission"), State Treasurer James L. McIntire, requests that the Commission members delegate to the Chairman the authority to approve eligible financial institutions to become public depositories pursuant to Washington Administrative Code (WAC) 389-12-030 and to terminate a financial institutions status as a public depository pursuant to WAC 389-12-035; and

WHEREAS, Revised Code of Washington (RCW) 39.58.220 provides that the Commission may by resolution delegate its authority to the State Treasurer;

NOW THEREFORE, BE IT RESOLVED that the Commission delegates its authority to approve new financial institutions as public depositories and terminate withdrawing public depositories to the State Treasurer pursuant to WAC 389-12-030 and 389-12-035.

BE IT FURTHER RESOLVED that the State Treasurer, as Chairman, shall notify the Commission members at the next meeting following any actions authorized in this Resolution.

AND BE IT FURTHER RESOLVED that this Resolution shall become effective May 25, 2010.

ADOPTED at an open meeting of the Washington Public Deposit Protection Commission at Olympia, Washington, after notice thereof duly and regularly given as required by law, this twenty-fifth day of May, 2010.

STATE OF WASHINGTON
PUBLIC DEPOSIT PROTECTION COMMISSION


STATE TREASURER JAMES L. MCINTIRE, CHAIRMAN


GOVERNOR CHRISTINE G. GREGOIRE, MEMBER


LIEUTENANT GOVERNOR BRAD OWEN, MEMBER

ATTEST:


NANCY ADAMS, ADMINISTRATOR
PUBLIC DEPOSIT PROTECTION COMMISSION

FINAL BILL REPORT

SSB 6298

C 36 L 10

Synopsis as Enacted

Brief Description: Authorizing limited deposits of public funds with credit unions.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senators Berkey, Rockefeller and Kline).

Senate Committee on Financial Institutions, Housing & Insurance

House Committee on Financial Institutions & Insurance

Background:

Credit unions are nonprofit corporations that promote thrift among their members and create a source of credit for their members at fair and reasonable rates of interest. Seven or more natural persons who reside in Washington may apply to the Director of the Department of Financial Institutions for permission to organize as a credit union. Upon the Director's endorsement that the proposed articles of incorporation and bylaws are consistent with legal requirements and the Director's determination that the proposed credit union is feasible, the formation of the credit union may proceed. One of the requirements of the bylaws is a statement of the credit union's field of membership.

A credit union's field of membership is the limitation of membership to those having a common bond of occupation or association, or to groups within a well-defined neighborhood, community or rural district.

The powers of a credit union are specified in statute. These powers include receiving deposits, making loans, and paying dividends and interest, among others.

National Credit Union Share Insurance Fund insures deposits in credit unions up to \$250,000 through December 31, 2013.

Public funds are those monies belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees, and includes monies held in trust.

Summary: Credit unions are public depositaries for the only purpose of receiving public deposits that may total no more than the lesser of the federal deposit insurance or \$100,000. The maximum amount of deposit applies to all funds attributable to any one depositor of

public funds in any one credit union. Credit unions are subject to the same reporting requirements as are public depositaries.

Votes on Final Passage:

Senate 38 9

House 76 20

Effective: July 1, 2011

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.