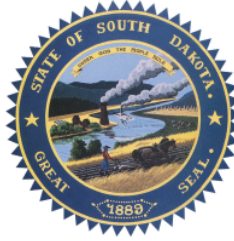


MEMORANDUM



SOUTH DAKOTA
DIVISION OF BANKING

217 ½ West Missouri Ave.
Pierre, SD 57501
(605) 773-3421 / FAX (866) 326-7504

NUMBER: 05-002
DATE: 12/10/2008
TO: CHIEF EXECUTIVE OFFICER
ALL STATE CHARTERED BANKS
FROM: ROGER NOVOTNY
DIRECTOR OF BANKING
RE: Public Deposit Guidance 2008

In light of recent changes to Federal Deposit Insurance Corporation (FDIC) insurance limits, and in response to inconsistencies revealed through the course of examinations, the South Dakota Division of Banking (Division) wishes to clarify certain issues regarding public deposits. These issues relate to the segregation of public funds by account type and the permissibility of certain securities pledged to public funds.

1. In accordance with SDCL 51A-10-9(2), a state chartered institution shall segregate as security, investment securities, or irrevocable standby letters of credit, or a surety bond, in accordance with § 4-6A-3, a sum equal to one hundred percent of the amount deposited in excess of the amount insured by the FDIC.
2. FDIC insurance coverage applies to all public funds deposited up to \$100,000 (currently \$250,000) per account type.
 - a. Public funds **transaction accounts** are defined as any account **bearing no interest**.
 - b. Public funds **time and savings accounts** are defined as any account **bearing interest**.
 - c. The S.D. Public Depository Liability Return Quarterly Report Form has been updated. Public deposits will now be segregated by interest bearing and non-interest bearing accounts, not by transaction and time and savings accounts.
3. Out-of-state public funds are aggregated and insured up to \$100,000 total (currently \$250,000), without designation of difference in account types.
4. This temporary adjustment to insurance limits is effective through December 31, 2009.

Permissible Investments: In accordance with SDCL 51A-10-9(2), only investment securities as defined in SDCL 51A-4-25 and 51A-4-26 are permissible as securities for pledging purposes. The Office of the State Treasurer and the Division are in concurrence regarding this issue. If your institution is pledging investment securities to public funds, only securities permissible under state law will be accepted. If you have questions regarding the permissibility of a specific investment please contact the Division.

FDIC Temporary Liquidity Guarantee Program (TLGP): For institutions that have chosen to take part in this program, the insurance limits and account types differ from those stated above. Please contact the Division, or the FDIC to determine how this affects public funds held by your institution.

Any questions regarding this *Guidance* may be directed to your institution's Contact Examiner at the Division at (605) 773-3421.