

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1123

Introduced by Lindstrom, 18.

Read first time January 22, 2020

Committee: Banking, Commerce and Insurance

- 1 A BILL FOR AN ACT relating to the Public Funds Deposit Security Act; to
- 2 amend section 77-2387, Revised Statutes Supplement, 2019; to
- 3 redefine the term security to include certain student loans; to
- 4 harmonize provisions; and to repeal the original section.
- 5 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 77-2387, Revised Statutes Supplement, 2019, is
2 amended to read:

3 77-2387 For purposes of the Public Funds Deposit Security Act,
4 unless the context otherwise requires:

5 (1) Affiliate means any entity that controls, is controlled by, or
6 is under common control with another entity;

7 (2) Bank means any state-chartered or federally chartered bank which
8 has a main chartered office in this state, any branch thereof in this
9 state, or any branch in this state of a state-chartered or federally
10 chartered bank which maintained a main chartered office in this state
11 prior to becoming a branch of such state-chartered or federally chartered
12 bank;

13 (3) Capital stock financial institution means a capital stock state
14 building and loan association, a capital stock federal savings and loan
15 association, a capital stock federal savings bank, and a capital stock
16 state savings bank, which has a main chartered office in this state, any
17 branch thereof in this state, or any branch in this state of a capital
18 stock financial institution which maintained a main chartered office in
19 this state prior to becoming a branch of such capital stock financial
20 institution;

21 (4) Control means to own directly or indirectly or to control in any
22 manner twenty-five percent of the voting shares of any bank, capital
23 stock financial institution, or holding company or to control in any
24 manner the election of the majority of directors of any bank, capital
25 stock financial institution, or holding company;

26 (5) Custodial official means an officer or an employee of the State
27 of Nebraska or any political subdivision who, by law, is made custodian
28 of or has control over public money or public funds subject to the act or
29 the security for the deposit of public money or public funds subject to
30 the act;

31 (6) Deposit guaranty bond means a bond underwritten by an insurance

1 company authorized to do business in this state which provides coverage
2 for deposits of a governing authority which are in excess of the amounts
3 insured or guaranteed by the Federal Deposit Insurance Corporation;

4 (7) Director means the Director of Banking and Finance;

5 (8) Event of default means the issuance of an order by a supervisory
6 authority or a receiver which restrains a bank, capital stock financial
7 institution, or qualifying mutual financial institution from paying its
8 deposit liabilities;

9 (9) Governing authority means the official, or the governing board,
10 council, or other body or group of officials, authorized to designate a
11 bank, capital stock financial institution, or qualifying mutual financial
12 institution as a depository of public money or public funds subject to
13 the act;

14 (10) Governmental unit means the State of Nebraska or any political
15 subdivision thereof;

16 (11) Political subdivision means any county, city, village,
17 township, district, authority, or other public corporation or entity,
18 whether organized and existing under direct provisions of the
19 Constitution of Nebraska or laws of the State of Nebraska or by virtue of
20 a charter, corporate articles, or other legal instruments executed under
21 authority of the constitution or laws, including any entity created
22 pursuant to the Interlocal Cooperation Act or the Joint Public Agency
23 Act;

24 (12) Qualifying mutual financial institution shall have the same
25 meaning as in section 77-2365.01;

26 (13) Repurchase agreement means an agreement to purchase securities
27 by the governing authority by which the counterparty bank, capital stock
28 financial institution, or qualifying mutual financial institution will
29 repurchase the securities on or before a specified date and for a
30 specified amount and the counterparty bank, capital stock financial
31 institution, or qualifying mutual financial institution will deliver the

1 underlying securities to the governing authority by book entry, physical
2 delivery, or third-party custodial agreement. The transfer of underlying
3 securities to the counterparty bank's, capital stock financial
4 institution's, or qualifying mutual financial institution's customer book
5 entry account may be used for book entry delivery if the governing
6 authority so chooses; and

7 (14) Securities means:

8 (a) Bonds or obligations fully and unconditionally guaranteed both
9 as to principal and interest by the United States Government;

10 (b) United States Government notes, certificates of indebtedness, or
11 treasury bills of any issue;

12 (c) United States Government bonds;

13 (d) United States Government guaranteed bonds or notes;

14 (e) Bonds or notes of United States Government agencies;

15 (f) Bonds of any state or political subdivision which are fully
16 defeased as to principal and interest by any combination of bonds or
17 notes authorized in subdivision (c), (d), or (e) of this subdivision;

18 (g) Bonds or obligations, including mortgage-backed securities and
19 collateralized mortgage obligations, issued by or backed by collateral
20 one hundred percent guaranteed by the Federal Home Loan Mortgage
21 Corporation, the Federal Farm Credit System, a Federal Home Loan Bank, or
22 the Federal National Mortgage Association;

23 (h) Student loans backed or partially guaranteed by the United
24 States Department of Education;

25 (i) {h} Repurchase agreements the subject securities of which are
26 any of the securities described in subdivisions (a) through (g) of this
27 subdivision;

28 (j) {i} Securities issued under the authority of the Federal Farm
29 Loan Act;

30 (k) {j} Loan participations which carry the guarantee of the
31 Commodity Credit Corporation, an instrumentality of the United States

1 Department of Agriculture;

2 (l) ~~(k)~~ Guaranty agreements of the Small Business Administration of
3 the United States Government;

4 (m) ~~(l)~~ Bonds or obligations of any county, city, village,
5 metropolitan utilities district, public power and irrigation district,
6 sewer district, fire protection district, rural water district, or school
7 district in this state which have been issued as required by law;

8 (n) ~~(m)~~ Bonds of the State of Nebraska or of any other state which
9 are purchased by the Board of Educational Lands and Funds of this state
10 for investment in the permanent school fund or which are purchased by the
11 state investment officer of this state for investment in the permanent
12 school fund;

13 (o) ~~(n)~~ Bonds or obligations of another state, or a political
14 subdivision of another state, which are rated within the two highest
15 classifications by at least one of the standard rating services;

16 (p) ~~(o)~~ Warrants of the State of Nebraska;

17 (q) ~~(p)~~ Warrants of any county, city, village, local hospital
18 district, or school district in this state;

19 (r) ~~(q)~~ Irrevocable, nontransferable, unconditional standby letters
20 of credit issued by a Federal Home Loan Bank; and

21 (s) ~~(r)~~ Certificates of deposit fully insured or guaranteed by the
22 Federal Deposit Insurance Corporation that are issued to a bank, capital
23 stock financial institution, or qualifying mutual financial institution
24 furnishing securities pursuant to the Public Funds Deposit Security Act.

25 Sec. 2. Original section 77-2387, Revised Statutes Supplement,
26 2019, is repealed.