

Code of Alabama

Section 41-14A-3 Public deposits to be secured; exemptions.

(a) On and after January 1, 2001:

(1) All public deposits of all covered public entities and covered public officials shall be governed by this chapter and shall be secured as provided in this chapter.

(2) All public depositors shall, notwithstanding any other laws to the contrary, place their public deposits with one or more qualified public depositories in accordance with this chapter. Notwithstanding the foregoing, funds placed in interest-bearing deposits through a qualified public depository pursuant to subsection (c) shall be exempt from the other requirements of this chapter.

(3) All financial institutions shall file the reports required by this chapter or by rule, regulation, or order of the board of directors and all financial institutions accepting any public deposits shall be a qualified public depository and shall comply with all provisions of this chapter, including, without limitation, the collateral pledging requirements of Section 41-14A-5.

(b) Funds held solely for the purpose of paying registrars or paying agents are exempt from the requirements of this chapter.

(c) In addition to any other authorization for the investment or deposit of funds by a public depositor, a public depositor may deposit funds in banks and savings associations that are not qualified public depositories provided that all of the following are satisfied:

(1) The public depositor enters into one or more agreements with a qualified public depository designated by the public depositor pursuant to which the qualified public depository agrees to arrange for the placement of funds of the public depositor in interest bearing deposits of other banks or savings associations in amounts not exceeding applicable Federal Deposit Insurance Corporation deposit insurance limits.

(2) To prevent deposits from exceeding the insurance coverage provided by the Federal Deposit Insurance Corporation, the public depositor provides the qualified public depository with a notification that identifies all banks and savings associations that are holding deposits on behalf of the public depositor and on behalf of any department, agency, or other instrumentality whose deposits would be aggregated with those of the public depositor in determining the maximum available Federal Deposit Insurance Corporation insurance coverage.

(3) The qualified public depository arranges for the deposit of the funds in one or more federally insured banks or savings associations, wherever located, for the account of the public depositor, provided, that the qualified public depository shall not arrange for the deposit of the funds with any bank or savings association identified in the notification provided by the public depositor pursuant to subdivision (2).

(4) Each deposit is entered in the records of the qualified public depository and the other banks and savings associations that receive or are credited with the deposit in such manner that the full amount of principal and accrued interest of the deposit is insured by the Federal Deposit Insurance Corporation.

(5) The deposits are held by the qualified public depository for the public depositor under a custodial arrangement.

(6) At the time the funds are deposited through the qualified public depository, the qualified public depository receives or is credited with an amount of deposits from customers of other federally insured banks or savings associations equal to or greater than the amount of funds deposited by the public depositor in other banks and savings associations through the qualified public depository.¹

(7) The public depositor receives confirmation of the deposits and periodic statements that reflect the ownership of the deposits by the public depositor, the names of the banks and savings associations that hold the deposits, and the interest rate or rates on the deposits.

(8) a. The qualified public depository agrees to provide to the Department of Examiners of Public Accounts, upon request, information necessary to permit the department to verify the deposits of the public depositor that are held by the banks and savings associations named on the confirmation of deposits and periodic statements and were placed through the qualified public depository.

b. Notwithstanding any other provision of law, any qualified public depository may release records and other documentation and information to the department for the purposes of this subdivision.

(d) Subsection (c) shall not apply to funds or moneys of the state that are deposited or invested by the State Treasurer pursuant to Chapter 14.

(e) No funds placed pursuant to subsection (c) shall be protected by the SAFE Program or eligible to participate in the SAFE collateral pool or the Loss Payment Fund.

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¹ Highlight added editorially; participating banks should take note that the rule requires the bank to take reciprocal deposits in order to qualify under these provisions.