

## Tennessee Code

### **Section 9-1-118. Depositing, investing or placing for deposit funds held by state and government entities.**

**(a)** In addition to other investments authorized by law, and notwithstanding any other provisions of law, the state and other government entities, including counties, municipalities, districts, and other public or quasi-public corporations and public officials, boards, agencies, or other public or quasi-public entities, are expressly authorized and empowered to deposit, invest or place for deposit funds held by them, including sinking funds and pension and retirement funds, in accordance with the following conditions:

**(1)** The funds are initially deposited, invested, or placed for deposit through a bank or savings and loan association with a branch in Tennessee authorized to accept deposits that is selected by the government entity;

**(2)** To prevent deposits from exceeding the insurance coverage provided by the federal deposit insurance corporation (FDIC), the government entity making the deposit shall provide the selected depository with written notification of the names of all banks and savings and loan associations that are holding funds, other than funds deposited or placed in accordance with this section on behalf of the governmental entity, and on behalf of any department, agency, or other instrumentality having the same federal employer identification number (FEIN) as the governmental entity;

**(3)** The selected depository arranges for the deposit of the moneys, in one (1) or more federally insured banks or savings and loan associations, wherever located, for the account of the government entity; provided, that the selected depository shall not arrange for the deposit of the moneys with any bank or savings and loan association listed in the notification provided by the government entity, pursuant to subdivision (a)(2);

**(4)** The full amount of principal and any accrued interest of each such deposit is insured by the FDIC;

**(5)** The selected depository is authorized to and acts as custodian for the government entity with respect to such deposit issued for its account, or if uncertified deposits, books and records evidencing the deposit; and

**(6)** At the same time that the government entity funds are deposited, the selected depository receives an amount of federally insured deposits from customers of other financial institutions, wherever located, equal to or greater than the amount of the funds initially invested by the government entity through the selected depository.<sup>1</sup>

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<sup>1</sup> 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.

- (b)** To the extent insured by applicable federal deposit insurance, funds invested, deposited or placed for deposit in accordance with the conditions prescribed in this section shall not be subject to any additional security or collateral that may be applicable to the deposit or investment of public funds.
- (c)** Any funds invested, deposited or placed for deposit that are not covered by federal deposit insurance shall be collateralized in the same manner as state deposits, as provided in chapter 4 of this title, or in the collateral pool as provided in chapter 4, part 5 of this title.
- (d)** The selected depository shall not utilize any organization to perform or otherwise provide the services under this section, unless the state treasurer has approved the organization's request to perform such services. Such approval by the state treasurer shall be submitted to the commissioners of financial institutions and finance and administration for their concurrence.
- (e)** This investment is subject to the approval of the state funding board for investments made by the state treasurer. This investment is subject to the approval of the respective boards of the University of Tennessee and the board of regents for their systems. For political subdivision officials responsible for investing funds of local governments, this investment is subject to the approval of the appropriate committee, that being the investment committee or the finance committee.
- (f)** Each authorizing body shall establish policies and procedures for the investments as approved by this section. Such policies and procedures shall include the establishment of appropriate controls to ensure that full FDIC insurance coverage is obtained. Controls may include, but not be limited to, using a single official FEIN or taxpayer identification number (TIN) for deposits made by a public unit as determined by the FDIC.

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