



Date: March 12, 2013

To: Senate Financial Institutions & Insurance Committee
Chairman – Senator Rob Olson

From: Doug Wareham, Senior Vice President-Government Relations

Re: Support for H.B. 2096 – (Reciprocal Deposit Programs – Demand Deposits)

Chairman Olson and members of the Senate Financial Institutions & Insurance Committee, I am Doug Wareham appearing on behalf of the Kansas Bankers Association (KBA). Our organization's membership includes 99% (286 of 289) of the commercially chartered banks in Kansas that provide financial services to Kansans in more than 400 cities and towns across Kansas. Thank you for the opportunity to appear in support of H.B. 2096 regarding the vitally important role Reciprocal Deposit Programs play in protecting local and state government deposits invested in qualified Kansas financial institutions.

Under existing Kansas law (K.S.A. 1675(b)(2)) the governing body of a local government unit is authorized to invest public moneys in, among other instruments, savings deposits, time deposits, open accounts, certificates of deposit or time certificates of deposit with maturities of not more than two years, in depository institutions that have an office in Kansas. A 2009 amendment to K.S.A. 1675 added a new subsection (f) to authorize deposit of public moneys pursuant to subsection (b)(2) through a selected depository institution which is part of a reciprocal deposit program in which the depository institution receives reciprocal deposits from other depositors, and for which each deposit is FDIC insured.

Pursuant to this authority, in the past nine years Kansas local governments have invested multi-billion dollars of public funds through a deposit placement program known as Certificate of Deposit Account Registry Service, or CDARS, under which the government funds are invested in FDIC insured certificates of deposits issued by FDIC member banks throughout the country.

The investment authority in K.S.A. 12-1675 has also enabled local governments in Kansas to invest funds through another deposit placement service, known as Insured Cash Sweep, or ICS, under which public funds are invested in FDIC insured money market deposit accounts in FDIC member banks in the United States. This ICS savings option makes it possible for a government depositor's funds to be swept from a transaction account at a local Kansas institution into money market deposit accounts at multiple banks throughout the country in amounts that are less than the standard FDIC insurance maximum. Depositors placing funds for deposit through the ICS savings option may withdraw their funds up to six times a month.

House Bill 2096 would amend K.S.A. 12-1675(b)(2) authorizing the use of the ICS demand option, which would enable local governments to place public funds into demand deposit accounts at multiple banks throughout the country in amounts that are less than the standard FDIC insurance maximum. The existing authority under 12-1675, which is limited to investment of funds in savings deposits and certificates of deposit, in effect authorizes the use of the ICS savings option by government treasurers, but does not authorize placement of funds in demand deposit accounts. By adding the term "demand deposits", H.B. 2096 would simply make available through ICS demand a process for placement of funds into fully insured demand deposit accounts that allow for unlimited withdrawals.

Once again, thank you for the opportunity to provide information in support of H.B. 2096 and I would be happy to stand for questions now or at the appropriate time.