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FLOOR DEBATE

January 24, 2001 LB 362

amount of federal securities necessary to pledge the collateral for the deposits at the bank. In fact, the political subdivision can notify the bank, and the bank can notify the Federal Reserve, or the political subdivision can simply go directly to the Federal Reserve to tell them how much has to be in this special agent deposit account so that there will be enough there. Currently, banks are executing with political subdivisions a repurchase agreement that promises political subdivisions that they will keep at least 102 percent of deposits on file with the Federal Reserve so that the political subdivision has this repurchase agreement, they give their notice to the bank, the bank does their work with the Federal Reserve, and the political subdivision's satisfaction is knowing that this repurchase agreement, a contract, has the bank's promise that they're doing this. The Banking Department says that the repurchase agreement, on its face, is acceptable evidence that the bank is doing what it should, which is to pledge 102 percent against deposits. The state Auditor has said, yes, it would be okay, except there is no reference in state law to a repurchase agreement. And before we sign off on the use of the repurchase agreement we want state law to acknowledge the existence of these repurchase agreements, and that's what LB 362 does, it acknowledges the existence of the repurchase agreement and that this contract between banks and political subdivisions, which have the bank's promise to pledge against only eligible bonds that are held by the Federal Reserve that that security, that repurchase agreement, rather, satisfies the obligations of the overseers and the regulators that this function, this task is being carried out. I would ask for the adoption of LB 362 and its advancement. Thank you.

PRESIDENT MAURSTAD: Thank you, Senator Landis. Discussion on the advancement of LB 362? Senator Landis, would you like to close?

SENATOR LANDIS: Just to say that the piece of paper that's on your desk is meant to identify the parties to this transaction and that what's being acknowledged is this repurchase agreement between the political subdivision and the bank, and that makes it a little clearer visually as to what this relat...this series of relationships is. I ask for advancement of LB 362.