

## CDARS®: The Smart, Easy Way to Manage Public Funds in Maryland

Now, through the CDARS® service, you can earn CD-level interest that may compare favorably to Treasuries *and* access multi-million-dollar FDIC coverage on CD investments made through a single bank relationship. This means that you can enjoy peace of mind knowing your funds are secure while avoiding the hassles associated with tracking collateral on an ongoing basis or working directly with multiple banks – and you can strengthen the community in the process.



### One Bank

Access multi-million-dollar FDIC insurance by working directly with just one bank – any local bank that offers CDARS – and avoid the burden of tracking changing collateral values on an ongoing basis.

### One Rate

Negotiate one rate for each CD maturity and enjoy the option of reinvesting them through a simple process.

### One Statement

Receive one easy-to-read statement summarizing all your CDARS holdings.

### How does CDARS work?

Banks that offer CDARS are members of a special network – the CDARS Network. When you place a large deposit with a Network member, that institution uses CDARS to place those funds into CDs issued by banks that are members of the Network. This occurs in increments below the standard FDIC insurance maximum to ensure that both principal and interest are eligible for FDIC protection. Other Network members do the same thing with their customers' funds. With help from a sophisticated matching system, banks exchange funds with other members of the Network. These exchanges, which occur on a dollar-for-dollar basis, bring the full amount of each original deposit back to each originating bank. As a result, member banks can make the full amount of each public fund's deposit available for lending in the local community and each public unit can access FDIC coverage through many banks while working directly with just one.\*

### What else should I know?

The CDARS benefits of *One Bank, One Rate, and One Statement*<sup>SM</sup> help to reduce your administrative burden, especially during tax and financial reporting seasons. Also, your organization's confidential information remains protected.

### Want to learn more?

Please contact one of your representatives:

Erich Buckenmaier, Regional Director, 866-776-6426, ext. 3354 or [ebuckenmaier@promnetwork.com](mailto:ebuckenmaier@promnetwork.com)

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Michael O'Brien, Business Development Advisor, 866-776-6426, ext 3431 or [mobrien@promnetwork.com](mailto:mobrien@promnetwork.com)

*Last fall, I had the opportunity as Finance Director for the City of St. Clairsville to invest in CDARS. I took it because I wanted to get a good, safe investment for the city and to make my life easier – and as OAPT President [Ohio Association of Public Treasurers], I also wanted to role model how CDARS can benefit other members in the same ways.*

*Jill Lucidi, Finance Director  
City of St. Clairsville, OH*

\*Because deposited funds are exchanged on a dollar-for-dollar basis with other banks in the Network, a member bank can use the full amount of a deposit placed through CDARS for local lending, satisfying some depositors' local investment goals or mandates. Alternatively, with a depositor's consent, a member bank may choose to receive fee income instead of deposits from other banks. Under these circumstances, deposited funds would not be available for local lending.

Limits apply. If a depositor is subject to restrictions with respect to the placement of funds in depository institutions, it is the responsibility of the depositor to determine whether the placement of the depositor's funds through CDARS or a particular CDARS transaction satisfies those restrictions. Public fund deposits must be placed through a CDARS® Reciprocal<sup>SM</sup> transaction to ensure that the total dollar amount is maintained by the financial institution that offers CDARS. Funds may be submitted for placement only after a depositor has signed a CDARS Deposit Placement Agreement with a member bank. CDARS is a registered service mark and Reciprocal is a service mark of Promontory Interfinancial Network, LLC.

# Using CDARS® for Public Funds In the State of Maryland

UNOFFICIAL COPY OF LAW – SB774 (HB1319)

AN ACT concerning

## Local Governments Deposits of Unexpended or Surplus Money

FOR the purpose of authorizing certain local governments to deposit unexpended or surplus money into certain depository institutions under certain circumstances; providing that certain deposits are not required to be collateralized under certain circumstances; defining certain terms; and generally relating to local governments and deposits of unexpended or surplus money.

BY repealing and reenacting, with amendments,

Article 95, Treasurer Section 22

Annotated Code of Maryland (2003 Replacement Volume and 2004 Supplement)

BY adding to

Article 95, Treasurer Section 22-O

Annotated Code of Maryland (2003 Replacement Volume and 2004 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

(a) Except as provided in subsection (b) of this section OR §22-O OF THIS ARTICLE, and subject to §22F of this article, and notwithstanding any provision of a local law or ordinance, the governing body of each county and municipal corporation, each county board of education, and the governing body of each road, drainage, improvement, construction or soil conservation district or commission in the State, the Upper Potomac River Commission, and any other political subdivision or body politic of the State, or their authorized acknowledged agent, are directed, authorized, and empowered to invest, redeem, sell, exchange and reinvest all unexpended or surplus money in any fund or account of which they have custody or control in obligations or repurchase agreements in accordance with §6-222 of the State Finance and Procurement Article, or deposit unexpended or surplus money in any federally insured bank in the State of Maryland or in any federally insured savings and loan association in the State of Maryland in interest-bearing time depositor savings accounts, or in the local government investment pool created in this article. [Deposits]

(b) EXCEPT AS PROVIDED IN §22-O OF THIS ARTICLE, DEPOSITS in banks or in savings and loan associations shall only be made if the bank or savings and loan association has given as security for these deposits any of the types of collateral set forth in §6-202 of the State Finance and Procurement Article. The interest or income from any such investment or deposits shall become a part of the fund from which the investment or deposit was made and may itself be so invested or deposited. If the fund so invested or deposited constitutes the proceeds of the issue of bonds or other obligations, the principal of or interest on which the issuer is obligated to repay to the holders thereof, the interest or income from the investments may be used to pay the principal or interest by the issuer.

Investments or deposits made pursuant to this section may be withdrawn or altered from time to time by the investing or depositing officer or governing body either to meet the requirements for which such funds are held or for reinvestment pursuant to this subsection. (b) The trustees or other officers in charge of any pension or retirement system or fund of any political subdivision of the State or any agency or department of the political subdivision may invest, redeem, sell, exchange, and reinvest money under their custody or control as provided by law by the governing body of the political subdivision and shall comply with fiduciary standards that at least meet the standards set forth in Title 21, Subtitle 2 of the State Personnel and Pensions Article in connection with funds under their custody or control. 3722-O.38

- (A) (1) In this section, the following words have the meanings indicated.
- (2) “DEPOSITOR” means a local government or its authorized acknowledged agent making a deposit of unexpended or surplus money as provided in this section.
- (3) “LOCAL GOVERNMENT” means: (I) The governing body of a county or municipal corporation; (II) A county board of education; (III) The governing body of a road, drainage, improvement, construction or soil conservation district or commission in the state; (IV) The Upper Potomac River Commission; or (V) Any other political subdivision or body politic of the state.
- (4) “STATE FINANCIAL INSTITUTION” means any of the following institutions that have a branch in the state that takes deposits: (I) Bank, trust company, or savings bank incorporated under the laws of the state; (II) Bank incorporated under federal law; (III) Bank incorporated under the laws of another state; or (IV) Savings and loan association incorporated under the laws of the state or of the United States.
- (B) Notwithstanding the provisions of §22 of this article, a local government may deposit unexpended or surplus money in any federally insured bank or savings and loan association without the security required in §22 (A) of this article if:
- (1) The unexpended or surplus money is initially placed for deposit with a state financial institution selected by the depositor.
- (2) The state financial institution selected by the depositor arranges for the further deposit of the money into one or more certificates of deposit of not more than \$100,000 each in one or more federally insured banks or savings and loan associations for the account of the depositor;
- (3) At the same time the money is deposited and the certificates of deposit are issued for the benefit of the depositor by their banks or savings and loan associations, the state financial institution selected by the depositor receives an amount of deposits from customers of other banks or savings and loan associations equal to the amount of money initially deposited by the depositor;
- (4) Each certificate of deposit issued for the depositor’s account is insured by the Federal Deposit Insurance Corporation for 100% of the principal and accrued interest of the certificate of deposit; and
- (5) The state financial institution selected by the depositor acts as custodian for the depositor with respect to the certificates of deposit issued for the depositor’s account.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June 1, 2005.

CDARS satisfies the FDIC’s requirements for agency pass-through deposit insurance coverage.

Limits apply. If a depositor is subject to restrictions with respect to the placement of funds in depository institutions, it is the responsibility of the depositor to determine whether the placement of the depositor’s funds through CDARS or a particular CDARS transaction satisfies those restrictions. Public fund deposits must be placed through a CDARS® Reciprocal<sup>SM</sup> transaction to ensure that the total dollar amount is maintained by the financial institution that offers CDARS. Funds may be submitted for placement only after a depositor has signed a CDARS Deposit Placement Agreement with a member bank. CDARS is a registered service mark and Reciprocal is a service mark of Promontory Interfinancial Network, LLC. 7/10