

**SENATE BILL NO. 225**  
**TESTIMONY OUTLINE FOR SENATE HEARING**  
**THURSDAY, JANUARY 27, 2005**

- Senate bill 225 proposes to amend Section 7.6-206, MCA to allow local jurisdictions to invest available funds in certificates of deposit in amounts above \$100,000 while retaining the safety of FDIC insurance for the full deposit up to \$10 million.
- The amendments contained in SB 225 will allow participation in the “Certificate of Deposit Account Registry Service (CDARS).
- CDARS offers the safety of FDIC insurance with one negotiated interest rate, one regular statement and one banking relationship, eliminating the need to collateralize deposits over \$100,000. The CDARS program is available to private depositors in participating banks today.
- CDARS is a deposit placement service. A bank must be a member of the Promontory Interfinancial Network, LLC, a network of more than 600 banks nationwide. When a customer places a large deposit with a network member, the bank arranges for the placement of the funds into Certificates of Deposit issued by other network banks – in increments of less than \$100,000 to insure full FDIC protection.
- With the help of a sophisticated matching system. Network members exchange deposits dollar for dollar, which brings the full amount of the original deposit back to the local bank. The local bank has the use of every dollar for local loans.
- When CDARS was launched in 2003 a dozen state laws authorized public fund managers to use this program. Recently legislation has been enacted in five other states and several other states have opinions issued to allow CDARS participation.
- An informal opinion sought from the Montana Commissioner of Banking indicated that our state statute would not allow local jurisdictions to participate in CDARS.
- The Montana Independent Bankers and the Montana Bankers Association jointly approved the proposed legislation and requested a bill draft request.