

INSTRUCTIONS FOR PLEDGING BANKS AND CUSTODIANS CONCERNING THE FORMS UNDER THE PUBLIC FUNDS LAW

Banks (“Pledging Banks”) that are required to pledge collateral under Chapter 12C of the Iowa Code and the associated administrative regulations adopted by the Treasurer of State (the “Public Funds Law”) and financial institutions wishing to serve as “approved custodians” under the Public Funds Law (“Custodians”) should consider the following points relating to completion and submission of the forms adopted by the Treasurer to implement the Public Funds Law. These forms are available on the Treasurer’s website at www.treasurer.state.ia.us or by contacting the Treasurer’s Office at (515) 281-3870. Questions may be directed to the Treasurer’s Office at the same telephone number.

I. For Custodians:

- A. A Custodian must complete, sign, and submit an executed Master Custodial Agreement.
 - 1. Complete the Custodian’s notice information in Section 8 on page 10 and complete and sign the Signature Page (S-1).
 - 2. Two executed originals of the completed Agreement must be delivered to the Treasurer’s Office at the address in Section 8 on page 10 of the Agreement. A financial institution chartered outside the state of Iowa must also submit a legal opinion regarding the compatibility of Iowa Code chapter 554 with the uniform commercial code of the state in which the financial institution is principally located per 781-13.5(2) of the Iowa Administrative Code (rules).
 - 3. If the Treasurer approves the Custodian and the Agreement, the Treasurer will complete Schedule 1 to the Agreement, execute the Agreement and return one of the originals to the Custodian. Upon such approval, the Custodian may begin receiving pledged securities for purposes of the Public Funds Law.
- B. Each Pledging Bank using that Custodian will execute and deliver the appropriate documents (as set forth below).
- C. The Custodian and Pledging Bank should separately agree on the fees and charges of the Custodian for these services. The Treasurer is not responsible for any fees, expenses or other costs of either the Pledging Bank or the Custodian for these services or relating to the various agreements or the Public Funds Law. The Treasurer will not be involved in the agreement related to the fees and charges of the Custodian and does not wish to receive documentation relating to any such agreement. Any such documentation received by the Treasurer may be subject to public inspection under the Iowa public records laws.

II. For Pledging Banks Using Securities as Collateral:

- A. The Pledging Bank should select a Custodian and ensure that the Custodian is an “approved custodian” under the Public Funds Law and has entered into a Master Custodial Agreement with the Treasurer. The Pledging Bank and Custodian should make appropriate arrangements for payment of fees and charges (see point I(C)).

- B. The Pledging Bank must complete, sign, and submit an executed Pledge and Security Agreement (Securities).
 - 1. Complete the Pledging Bank's notice information in Section 16 on page 10 and complete and sign page 13.
 - 2. One executed original of the completed Agreement must be delivered to the Treasurer's Office at the address in Section 16 on page 10 of the Agreement. A copy may be provided to the Custodian.
- C. The Pledging Bank must complete and execute Schedule 2 to the Master Custodial Agreement. The original of Schedule 2 shall be provided to the Custodian. A copy of Schedule 2 shall be provided to the Treasurer.
- D. A copy of the resolutions authorizing the transactions described in Section 5(c) of the Pledge and Security Agreement must be delivered to the Treasurer.
- E. Once these steps are completed to the satisfaction of the Treasurer, the Treasurer will notify the Pledging Bank. The Pledging Bank may begin pledging securities under the Pledge and Security Agreement with the selected Custodian.

III. For Pledging Banks Using Letters of Credit or Insurance Policies as Collateral:

- A. The Pledging Bank should begin by contacting the Treasurer. Under the Public Funds Law, a Letter of Credit or Insurance Policy must be approved in advance, and Letters of Credit may only be issued by certain financial institutions. The form of Letter of Credit adopted by the Treasurer is for informational purposes and may be modified by the bank issuing the Letter of Credit, with the Treasurer's approval. Once satisfactory arrangements are made for the Letter of Credit or Insurance Policy, the Pledging Bank should proceed with the remaining steps in these instructions.
- B. The Pledging Bank must complete, sign, and submit an executed Pledge and Security Agreement (Letter of Credit or Insurance Policy).
 - 1. Complete the Pledging Bank's notice information in Section 14 on page 8 and complete and sign page 12.
 - 2. One executed original of the completed Agreement must be delivered to the Treasurer's Office at the address in Section 14 on page 8 of the Agreement. A copy may be provided to the Custodian.
- C. The Treasurer acts as the custodian for Letters of Credit and Insurance Policies. These instruments, when issued, must be delivered to the Treasurer at the address specified in Section 14 on page 8 of the Pledge and Security Agreement. The risk of loss is with the Pledging Bank until the instruments are actually received by the Treasurer, so a Pledging Bank should carefully select the delivery method and should consider whether it wishes to insure the shipment.

- D. A copy of the resolutions authorizing the transactions described in Section 5(c) of the Pledge and Security Agreement must be delivered to the Treasurer.
- E. Once these steps are completed to the satisfaction of the Treasurer, the Treasurer will notify the Pledging Bank. The Pledging Bank may begin accepting excess public funds secured by the Letter of Credit or Insurance Policy.