

**PDP3****List of Approved Eligible Collateral Instruments and Obligations** [Section 11-10.5-107(1), C.R.S.]

For purposes of the Public Deposit Protection Act and these rules, the following are approved as eligible collateral:

- A.
1. U.S. Treasury Bills; Treasury Notes; Treasury Bonds; and Treasury STRIPS (Separate Trading of Registered Interest and Principal) with maximum five-year maturities.
  2. Farm Credit Systemwide Debentures, Medium-Term Notes, and Discount Notes (FCSB), excluding multi-class structured notes.
  3. Federal Home Loan Bank Debentures (FHLB) and Discount Notes (FHDN), excluding multi-class structured notes.
  4. Federal National Mortgage Association Debentures (FNSM), Discount Notes (FNDN), and Mortgage-Backed Pass-Through Certificates, excluding multi-class structured notes.
  5. Federal Home Loan Mortgage Corporation Discount Notes (FMDN) and Mortgage-Backed Participation Certificates (FMPC), excluding multi-class structured notes.
  6. Government National Mortgage Association Pass-Through Securities (GNMA).
  7. Student Loan Marketing Association Bonds (SLBD) and Discount Notes (SLDN), excluding multi-class structured notes.
  8. African Development Bank (AFDB) Bonds and Discount Notes, U.S. Dollar Denominated.
  9. International Bank for Reconstruction and Development (WBBD) Bonds and Discount Notes, U.S. Dollar Denominated.
  10. Inter-American Development Bank (IADB) Bonds and Discount Notes, U.S. Dollar Denominated.
  11. Certificates for sale in the secondary market which represent undivided interests in pools composed of United States Department of Agriculture Rural Development and Small Business Administration loans, if either the United States Department of Agriculture Rural Development or Small Business Administration have unconditionally guaranteed payment of all amounts due to be paid to the owner of the certificate, and additionally, portions of loans guaranteed by either the United States Department of Agriculture Rural Development or Small Business Administration, provided that one of those agencies has unconditionally guaranteed payment of all amounts due under the guaranteed portion of the loan. In no event shall any eligible public depository's pledged collateral portfolio consist of more than 50 percent loans.
  12. Irrevocable and unconditional standby Letters of Credit issued by a Federal Home Loan Bank, provided that: (1) The Letter of Credit is in the standard format approved by the Division of Banking, (2) the Colorado Division of Banking is designated as the beneficiary of the Letter of Credit; and (3) securities issued by a Federal Home Loan Bank remain triple A rated by either Moody's or Standard & Poor's.
- B. For purposes of this Paragraph B, 'public unit' shall have the same meaning as that term is defined in Section 11-10.5-103(13), C.R.S. , and 'political subdivision' shall have the same meaning as that term is defined in Section 11-10.5-103(10), C.R.S.

1. Obligations of any public unit or any political subdivision in Colorado, including anticipation warrants, general obligations, and obligations the interest and principal of which are secured by deposit in escrow of an amount of obligations of the United States or any agency thereof sufficient to secure payment.
  2. Revenue bonds, except industrial development revenue bonds, issued by any public unit or any political subdivision in Colorado, as well as special improvement district bonds issued by any Colorado political subdivision.
  3. Obligations of any public unit or political subdivision of another state including anticipation warrants, general obligations, and obligations the interest and principal of which are secured by deposit in escrow of an amount of obligations of the United States or any agency thereof sufficient to secure payment, which obligations shall be readily convertible into cash, and which obligations are rated at least "A" quality by one or more nationally-recognized organizations that regularly rate such obligations.
  4. Revenue bonds of any public unit or political subdivision of another state, except private activity bonds or industrial development revenue bonds, which obligations shall be readily convertible into cash and which obligations are rated at least "AA" quality by one or more nationally-recognized organizations that regularly rate such obligations.
- C. Promissory notes secured by first lien mortgages or deeds of trust on 1-4 family residential real property (defined in Report of Condition instructions) situated in this state, if such notes are not in default in any respect and are wholly-owned by the eligible public depository. In no event shall any eligible public depository's pledged collateral portfolio consist of more than 50 percent of the above described promissory notes.
- D. Commercial paper rated at least "A1" or "P1" in quality at the time of pledging by Moody's and Standard & Poor's.
- E. Acceptances of banks and negotiable certificates of deposit of banks chartered in the United States if, at the time the security is purchased, the issuing bank or its parent holding company has obtained a long-term deposit or debt rating of at least "A" in quality by one or more nationally-recognized organizations that regularly rate such obligations, but any investment in acceptances of banks or negotiable certificates of deposit shall be limited to that issued by financial institutions organized and operating within the United States, and having a net worth in excess of two hundred fifty million dollars (\$250,000,000) at the time the security is purchased. The above-described bank acceptances and certificates of deposit may remain pledged as eligible collateral if pledged prior to January 31, 1994. No bank acceptances or certificates of deposit may be pledged as eligible collateral after January 31, 1994.
- F. Money market funds, the portfolios of which consist entirely of United States Government-issued or United States Government Agency-issued or Instrumentality-issued short-term securities with maximum maturities of thirteen (13) months and a dollar-weighted average maturity of not more than ninety (90) days, and which funds will agree to provide negotiable certificates of share ownership, or other documentation required by the Colorado Division of Banking to evidence the Division's security interest in the pledged money market fund shares.

G. Collateralized Mortgage Obligations and Real Estate Mortgage Investment Conduits issued by the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation that meet all of the following criteria:

1. The weighted average life is not more than ten years;
2. The weighted average life will not extend by more than four years or shorten by more than six years for a parallel interest rate shift of up and down 300 basis points; and,
3. The price will not change by more than seventeen percent from the asking price for a parallel interest rate shift of up and down 300 basis points.

Interest only and principal only securities may not be pledged.

H. Surety bonds, provided that:

1. The surety bonds are in the standard format approved by the Colorado Division of Banking;
2. The Colorado Division of Banking is designated as the beneficiary of the surety bond;
3. The claims-paying ability of the issuer of the surety bond is rated, and remains rated in the highest rating category of A.M. Best, Moody's or Standard & Poor's or the highest rating category of another nationally-recognized rating agency acceptable to the Colorado Division of Banking;
4. The issuer of the surety bond is licensed or qualified to do business in Colorado, and unaffiliated with the purchaser of the bond;
  - a. For the purposes of this Paragraph (H)(4), the definition of an affiliate is the same as the definition of affiliate found at Banking Board Rule CB101.37(A)(2)(a).
5. No issuer of the surety bonds may provide surety bonds for any one bank in an amount, net of reinsurance issued by companies authorized to sell insurance in Colorado, that exceeds ten percent of the surety bond issuer's capital and surplus as reported to the Colorado Division of Insurance;
6. The issuer and the eligible public depository are required to notify the Colorado Division of Banking in writing thirty (30) days prior to a bond's cancellation; and
7. The issuer is required to send quarterly reports to the Colorado Division of Banking listing those Colorado eligible public depositories that have purchased a surety bond, as well as the insured dollar amounts in effect.

I. Eligible collateral obligations or instruments shall not be in default in any respect.

J. If, in the Colorado Division of Banking's opinion, a previously-pledged instrument is not safe and sound, the instrument shall no longer be deemed eligible collateral.

Incorporation by reference: The FFIEC's Revised Supervisory Policy Statement on securities activities was issued by the FFIEC on December 3, 1991, and was published in the FEDERAL REGISTER on February 3, 1992, at 57 F.R. 4028. This rule does not include amendments to or editions of the referenced material later than January 31, 1994. The incorporated material may be examined at any Colorado state publications depository library. For more detailed information pertaining to these provisions, please contact the secretary to the Colorado State Banking Board at 1560 Broadway, Suite 1175, Denver, Colorado 80202, (303) 894-7575.

Amended Effective December 31, 2006.

Amendment to allow any Federal Home Loan Bank that complies with the defined criteria to issue a letter-of-credit for purposes of collateralizing public funds.

Amended Effective March 2, 2006.

Amendments necessary to improve collateral options and flexibility for all eligible depositories without weakening public deposit protections.

Amendment Effective June 30, 2000

Paragraph (H) to revise the criteria for public deposit surety issuers and their surety bonds: (1) clarifying the issuer's rating requirement; (2) preventing a company from issuing a public deposit bond to a bank that is affiliated with the bond issuer; and (3) simplifying the calculation of a surety issuer's per-bank bond limit.

Amendment Effective October 30, 1997

Paragraph (A)(11) to eliminate the outdated requirement that the SBA and FHA loans be "certified for sale in the secondary market;" to add language that restricts an eligible public depository's pledged collateral portfolio to no more than 50 percent loans; and to change all Farmers Home Administration references to "United States Department of Agriculture Rural Development."

Amended Effective December 30, 1996

Paragraphs (A), (A)(12) and final paragraph.

Amended Effective August 30, 1996

Paragraph (A)(2)(3)(4)(5) and (7)