

781—13.7(12C) Withdrawals, substitutions, and additions of pledged collateral.

13.7(1) A pledging bank shall pledge and maintain eligible collateral with the treasurer's approved custodian, the market value of which at all times equals or exceeds the amount by which the public funds deposits in the pledging bank exceed the total capital of the pledging bank.

13.7(2) A pledging bank shall complete, sign, and submit to the approved custodian a Certificate and Approval for Withdrawal, Substitution or Addition of Collateral form for all withdrawals, substitutions or additions of eligible pledged collateral. Any withdrawals, substitutions or additions of eligible pledged collateral are conditional upon the pledging bank's correct calculation that its total collateral market value amount, after the current withdrawals, substitutions, or additions, is equal to or exceeds its current total excess public funds.

13.7(3) The approved custodian will issue its joint receipt of custody to the treasurer and to the pledging bank evidencing the substitution for or the addition of pledged collateral under the Master Custodial Agreement for the Deposit of Public Funds in Banks.

13.7(4) If a pledged security matures, then the principal amount of the cash shall be held in trust by the approved custodian for the treasurer until the pledging bank completes, signs, and submits a Certificate and Approval for Withdrawal, Substitution or Addition of Collateral form to the approved custodian to release the cash. Any withdrawal of cash is conditional upon the pledging bank's correct calculation that its total collateral market value amount, after the current withdrawal of cash, is equal to or exceeds its current total excess public funds.

13.7(5) Any request by a pledging bank to an approved custodian for the withdrawal or substitution of pledged collateral is conditional upon the approved custodian's receiving proper delivery instructions from the pledging bank for the pledged collateral being released. Furthermore, the release of pledged collateral in a transaction in which substituted collateral is to be pledged in lieu of pledged collateral which is being withdrawn is conditional upon the approved custodian's receiving the substituted collateral before releasing the pledged collateral.

13.7(6) Under no circumstance shall the treasurer be liable for any loss incurred to a pledging bank for failing to release pledged collateral. The treasurer is not liable for any loss incurred by a pledging bank as a result of the pledging bank's failure to substitute new collateral for any pledged collateral which matures.