

NINTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

H. B. NO. 9-140, H.D.1

SECOND REGULAR SESSION, 1994

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AN ACT

To amend 1 CMC, Division 7, Chapter 8 to continue to provide protection against unwarranted risks by requiring all deposits of public funds made by the CNMI Government to be fully secured and to provide for an increase in the rates of return which will be earned by these deposits of public funds into Commonwealth Banks.

**BE IT ENACTED BY THE NINTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE:**

Section 1. Short Title. This Act may be referred to as the "Government Deposit Safety Act of 1994".

Section 2. Findings. The Legislature finds a corporeal need to address the earning power of public funds which are deposited in Commonwealth banks without curtailing the protection against unwarranted risk that is provided by full collateralization of such deposits.

This body recognizes that while the deposits of public funds into Commonwealth banks are now sufficiently protected under the Government Safety Deposit Act of 1981 that the CNMI Government is limited in its choices of where to deposit public funds thus obligating the CNMI Government to make its deposits with banks which have consistently and historically provided the depositor with lower interest rates.

The intent of this Act is to allow the Secretary of Finance the option of depositing public funds in banks which are not able to meet the requirements in 1 CMC Section 7803, provided that such banks fully secure or "collateralize" government deposits against bank assets. This act shall only apply to locally generated funds and is not intended to supersede U.S. federal law or regulations that may require federal funds to be deposited in federally-insured banks.

Section 3. Amendment. 1 CMC Division 7, Section 7803 is amended to read as follows:

"§ 7803. Deposit Safety Requirements.

All funds in the commonwealth treasury may be deposited by the Secretary of Finance to the credit of the CNMI government in any bank which the Secretary may select pursuant to this Chapter and any sums so deposited shall be deemed to be in the commonwealth treasury; provided that the bank in which the money is deposited shall furnish and pledge security with bank assets valued at all times at 110% of these funds. Bank assets shall be in the form of United States Treasury bonds and United States Government Agency securities

having readily ascertainable market value. United States Government Agency securities are to be securities bearing the full faith and credit of the United States Government. Security shall not be required for that portion of any deposit that is insured under any law of the United States."

Section 4. Amendment. 1 CMC Division 7 is amended by adding a new section 7807 to read as follows:

"§ 7807. Provisions of Depository Contracts. Any acceptance by a depository of government funds shall constitute an acceptance of the provisions of Section 7803 and those provisions shall be deemed a part of and incorporated into the contract of deposit without necessity for specific mention thereof. The Secretary shall file with the Public Auditor a copy of formal written contracts of deposit which may be entered into."

Section 5. Amendment. Former Section 7807 under 1 CMC Division 7 renumbered as Section 7808 is amended as follows:

"§ 7808. Penalties.

(a) Any person, except a bank, who knowingly violates Section 7803 of this chapter shall be imprisoned for not more than 5 years and fined not less than \$2,000 or both.

(b) Any bank who knowingly violates Section 7803 of this chapter shall be fined not less than \$5,000 for each day of non-compliance with the applicable provisions."

Section 6. Severability. If any provision of this Act or the application of any such provision to any person or circumstance should be held invalid by a court of competent jurisdiction, the remainder of this Act or the application of its provisions to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

Section 7. Savings Clause. This Act and any repealer contained herein shall not be construed as affecting any existing right acquired under contract or acquired under statutes repealed or under any rule, regulation or order adopted under the statutes. Repealers contained in this Act shall not affect any proceeding instituted under or pursuant to prior law. The enactment of this Act shall not have the effect of terminating, or in any way modifying, any liability civil or criminal, which shall already be in existence at the date this Act becomes effective.

Section 8. Effective Date. This Act shall take effect upon its approval by the Governor or upon its becoming law without such approval.

**CERTIFIED BY:**

**ATTESTED BY:**

/s/ Diego T. Benavente  
DIEGO T. BENAVENTE  
Speaker

/s/ Evelyn C. Fleming  
EVELYN C. FLEMING  
House Clerk

House of Representatives

Approved this 28th day of December, 1994

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/s/ Froilan C. Tenorio  
FROILAN C. TENORIO  
Governor  
Commonwealth of the Northern Mariana Islands