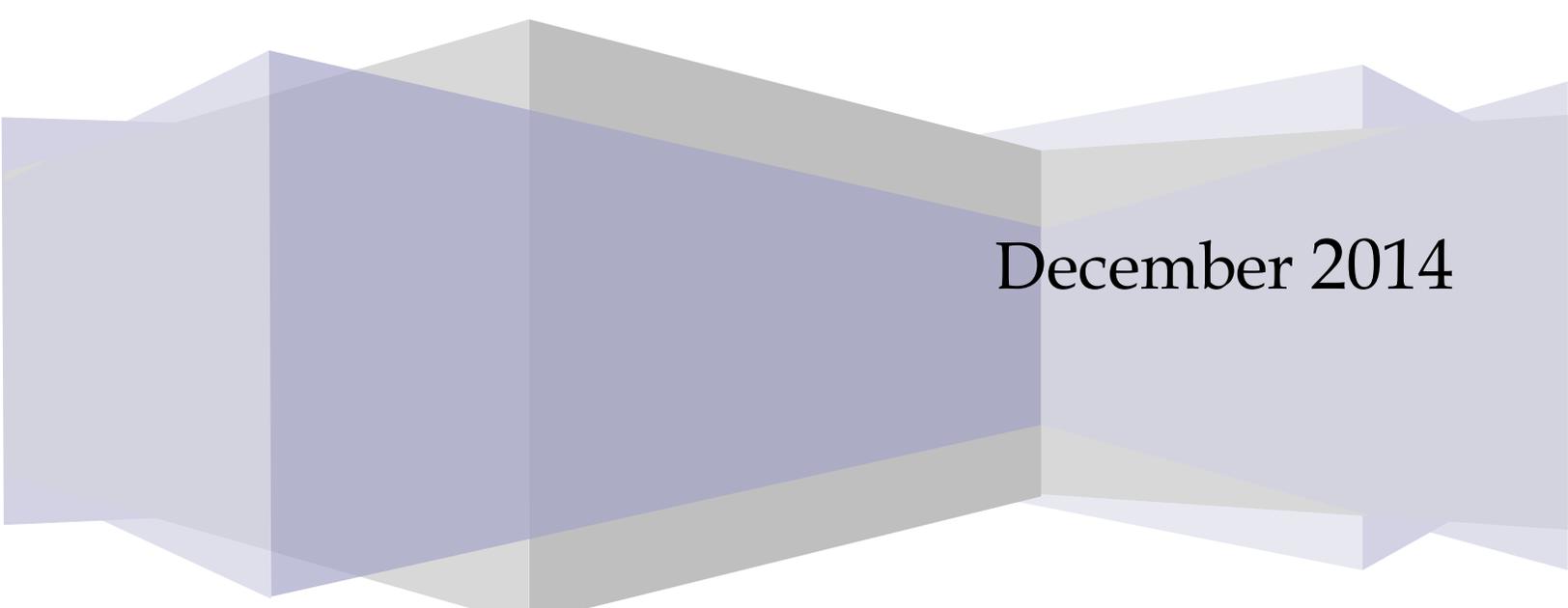


Office of the Washington State Treasurer

2014 Report to the Washington State Legislature on Actions Taken by the Public Deposit Protection Commission

*An update on recent events, responses and issues related to modernizing
and improving the protection of public deposits in Washington State*

December 2014



Executive Summary:

Washington's public depositories continue to provide secure banking services for state and local government entities. No financial institutions serving government depositors were closed in 2014. By comparison, 12 banks were closed at the height of the banking crisis in 2010.

Two public depository banks were acquired by other institutions that were Public Deposit Protection Commission (PDPC) participants.

At the end of October 2014, 67 PDPC banks and 13 PDPC credit unions held approximately \$6 billion in public deposits. With 100 percent collateral standing behind all uninsured public deposits, these public funds remain safe and secure.

Reforms enacted by the 2009 Legislature, signed into law by the Governor, overseen by the Public Deposit Protection Commission, and implemented by the State Treasurer were highly effective at protecting all public deposits in Washington State. These safeguards continue to protect all public deposits. Washington law requires the State Treasurer to report annually to the Legislature on actions taken by the Public Deposit Protection Commission (PDPC) and the Treasurer regarding public deposit protection. Reports issued in [2009](#), [2010](#), [2011](#), [2012](#) and [2013](#) provide an accounting of the issues and actions taken by the PDPC and the Treasurer to protect public deposits. This 2014 report is an update on events and actions taken since December, 2013 when the last report was published.

Summary of Bank Closures:

State and federal regulators did not close any Public Depository Banks in 2014.

Summary of Bank Mergers and Acquisitions:

Two of Washington's Public Depository Banks were acquired by other banks in 2014. All of the acquiring banks were already PDPC participants.

The dates of acquisition as well as the individual financial institutions involved are as follows:

4/18/2014: Umpqua Bank (Roseburg, OR) completed its acquisition of Sterling Savings Bank (Spokane).

5/1/2014: Heritage Bank (Olympia) completed its acquisition of Whidbey Island Bank (Oak Harbor).

Credit Unions

Effective July 1, 2011, the Legislature allowed state-chartered credit unions to take public deposits. Then, in 2012 the Legislature also allowed qualifying federally-chartered credit unions to accept public deposits and increased the deposit limits for all PDPC credit unions from \$100,000 to \$250,000 to match maximum deposit insurance limits provided by the National Credit Union Administration (NCUA).

To date, 13 credit unions have been approved to accept public deposits. As of 10/31/2014 eleven of those credit unions held \$1,572,062 in public deposits, all of which are NCUA insured.

Insured Deposits

As of October 31, 2014, insured deposits represented 6 percent of total deposits. Public depositories have pledged additional collateral to fully protect all public deposits.

Background

On January 16, 2009, the Bank of Clark County failed and more than \$15 million in public funds was temporarily lost due to lack of insurance or sufficient collateral. This temporary loss of public deposits triggered a first-ever assessment on other public depositories to recover the public funds. Though the 40-year-old Public Deposit Protection Act served its purpose by allowing the recovery of the public tax-dollars that would have been lost, this caused grave concern among private financial institutions participating in the collateral pool that stands behind all public deposits. This unfortunate event drove home the need for reforms that gave the Public Deposit Protection Commission and the State Treasurer the ability to act quickly to impose collateral requirements on financial institutions holding public deposits. Inaction would have jeopardized \$8 billion in public deposits and the state's financial institutions.

Swift and prudent action by the Legislature, Governor, the State Treasurer and regulators eliminated the systemic risk to public deposits and the financial system. By June 30, 2009, all public deposits that previously could have been lost were either fully insured or fully collateralized. By working together, we created better protections for public deposits while also reducing risks and liabilities for financial institutions.

Recovering lost funds:

The FDIC continues to distribute dividends from the sale of assets related to the Bank of Clark County. These funds are returned to the PDPC banks that were assessed to cover the public depositor losses in 2009. In 2014, the FDIC distributed \$606,078.82 bringing the total amount recovered and refunded to \$7,278,586.11 (48 percent of the original \$15.144 million assessment).

Looking Ahead:

The Office of the State Treasurer continues to work with state and federal regulators to keep up with changing conditions in public depositaries as the national and state economies continue to regain their footing.

PDPC Resolutions:

No PDPC Resolutions were adopted in 2014.