Pledging, Releasing and Substitution of Surety Bonds through the Kansas Bankers Surety Company

The following instructions are to be used *only* with surety bonds issued by the Kansas Bankers Surety Company used to secure state deposits. The State Treasurer can accept a surety bond from qualified insurance companies as a collateral instrument to secure State funds on deposit with financial institutions. The State Treasurer has approved surety bonds issued by Kansas Bankers Surety Company as acceptable collateral. Transactions may only be conducted by Duly Authorized Bank Officers as listed with the State Treasurer.

PLEDGING

PLEDGOR BANK:

1. Complete original Collateral Instrument Pledge Form (OST Form 95-009).
2. Attach a copy of the surety bond to the Pledge Form.
3. Forward Pledge Form and attached copy of surety bond to the State Treasurer.

KANSAS BANKERS SURETY COMPANY:

1. Forward the original surety bond to State Treasurer.
2. Provide State Treasurer a quarterly listing of other institutions covered by surety bonds.

STATE TREASURER:

1. Review documents, and if approved, execute Pledge Form and attach Surety Bond.
2. Retain original Collateral Instrument Pledge Form and Surety Bond. Forward one (1) copy of form to pledgor bank.

RELEASING

A pledgor bank will only be allowed to release collateral instruments when there are no longer any state funds on deposit or the amount of any remaining collateral instruments is equal to or greater than the amount deposited by the State Treasurer with the pledgor bank plus the interest due at maturity, in excess of the FDIC-insured limit.

PLEDGOR BANK:

1. Complete release portion of Collateral Instrument Pledge Form and forward to State Treasurer.

STATE TREASURER:

1. Review document, and if approved, execute release portion of the Pledge Form.
2. Return one (1) copy of release form to pledgor bank.

SUBSTITUTION

A substitution of collateral may be made, (1) when the current market value of the substitute collateral (plus any remaining pledged collateral) is equal to or greater than the maintenance percentage (110% of the amount deposited by the State Treasurer with the pledgor bank plus the interest due at maturity, in excess of the FDIC-insured limit), or (2) when the amount of the substitute collateral instrument(s), plus any remaining pledged collateral instruments, is equal to or greater than the amount deposited by the State Treasurer with the pledgor bank plus the interest due at maturity, in excess of the FDIC-insured limit. This process will require a release and new pledge/substitution.

PLEDGOR BANK:

1. Complete release part of the original Pledge Form for the collateral instrument or collateral securities to be released.
2. Complete an original Pledge Form for the collateral instrument being substituted, including the substitution portion listing the State Treasurer's original pledge number for the collateral being released.
3. Attach a copy of the Surety Bond to the Pledge Form for the collateral instrument being substituted.
4. Forward the original Pledge Form with the completed release(s), along with an original Pledge Form and the collateral instrument to be substituted, to the State Treasurer.

KANSAS BANKERS SURETY COMPANY:

1. Forward the original Surety Bond to the State Treasurer.
2. Provide State Treasurer a quarterly listing of other institutions covered by its surety bonds.

STATE TREASURER:

1. Review documents, and if approved, execute the release portion of the Pledge Form for the released collateral instrument or collateral securities and execute a new Pledge Form for the substituted collateral instrument.
2. Return one (1) copy of the release form and one (1) copy of the new Pledge Form to the pledgor bank.
3. For collateral securities held by a safekeeping bank other than the Federal Reserve Bank, return one (1) copy of the completed release form along with the custody receipt to the safekeeping bank.
4. For collateral securities pledged through the Federal Reserve Bank, return the "Request to Release Pledged Securities" form to the Federal Reserve Bank.
5. Retain substituted collateral instrument and new Pledge Form.