

**INTERPRETIVE LETTER 89-4 (MARCH 1, 1989)**

**State bank that pledges securities to secure deposits of public funds may hold such securities for safekeeping in an out-of-state bank or in an affiliated trust company.**

This is in response to your letter regarding the ability of a state-chartered bank in Illinois pledging securities to secure public funds pursuant to Section 5(7) of the Illinois Banking Act (Ill. Rev. Stat. 1987, ch. 17, par. 311(7)). As I understand the facts involved, the \* banks currently have a safekeeping arrangement with \*. The specific question raised is whether there would be any violation of state banking laws if the \* banks enter into a similar safekeeping arrangement with the \* out-of-state bank or with any other affiliates such as \* Trust Company. Upon review of this issue, it is the position of this Agency that the \* banks which pledge securities to secure public funds may have the securities held in a bank outside of Illinois or in an affiliated trust company in a safekeeping arrangement.