

INTERPRETIVE LETTER 91-1 (JANUARY 10, 1991)

State bank may not pledge its assets to secure the deposits of its customers, unless the deposits are public funds.

I am writing in response to your letter dated *, in which you asked for this Agency's interpretation of whether Section 5(7) of the Illinois Banking Act (the "Act") (Ill. Rev. Stat. 1989, ch. 17, par. 311 (7)) permits an Illinois state-chartered bank to pledge its assets to secure the deposits of its customers.

Section 5(7)(a) of the Act specifically addresses this issue and provides that a state bank may pledge its assets to secure "its other nondeposit obligations (emphasis added)." Therefore, an Illinois state-chartered bank may not pledge its assets to secure its deposit obligations to its customers unless, of course, those deposits are of the nature described in paragraphs (c), (d) and (e) of Section 5(7) [concerning public funds].