

**INTERPRETIVE LETTER 91-11 (MAY 23, 1991)**

**Certificate of deposit in lending bank that is pledged as collateral for a loan may be used as a segregated deposit account for purposes of the lending limit exemptions.**

I am writing in response to your letter dated \* in which you requested this Agency's interpretation of Section 35 of the Illinois Banking Act (Ill. Rev. Stat. 1989, ch. 17, par. 343) (the "Act") with respect to a transaction one of your clients is contemplating.

Specifically, one of your clients (the "Bank") would like to make a loan in an amount which would exceed the Bank's lending limit to one borrower. The loan would be secured by the borrower's certificate of deposit in the Bank in an amount not less than the principal amount of the loan. You have asked whether this loan would come under Section 35(7) of the Act, which provides an exception to the lending limitations for "loans or extensions of credit secured by a segregated deposit account in the lending bank."

A certificate of deposit in the lending bank would qualify as a "segregated deposit account in the lending bank" provided the certificate of deposit is pledged as collateral for the loan and provided the terms of the collateral agreement would not allow the certificate of deposit to be used for other purposes during the period of time that the loan exceeds the Bank's lending limit.