

FILE

Subject

Banking
Deposit Public Money

Copy to



STATE OF KANSAS

Office of the Attorney General

State Capitol Bldg. (913) 296-2215 Topeka, Kansas 66612

VERN MILLER
Attorney General

August 26, 1974

Opinion No. 74- 294

Honorable Tom R. Van Sickle
State Treasurer
Capitol Building
Topeka, Kansas 66612

Attn: Don DeShazer

Dear Mr. Van Sickle:

We have your letter of August 13, concerning the Federal Financing Bank, created by the Federal Financing Bank Act of 1973, approved December 29, 1973, (P.L. 93-224, 87 Stat. 937) as an instrumentality of the United States subject to the general direction and supervision of the Secretary of the Treasury. The purpose of the Bank is to consolidate the market financing of other federal agencies. The Bank is authorized under the Act to purchase any obligations issued, sold, or guaranteed by any federal agency, and to finance such purchases by issuing its own obligations in the market or to the Secretary of the Treasury.

Obligations issued in the market by the Bank are obligations of the United States, issued with the approval of the Secretary of the Treasury, and are known as Federal Financing Bank bills. Characteristics of these bills are described at 12 C.F.R. § 810.0 *et seq.* You enclose a copy of a former opinion of William B. Saxbe, Attorney General of the United States, dated July 8, 1974, addressed to William E. Simon, Secretary of the Treasury, concluding that if issued within the monetary limits of the Act and in accordance with its other provisions, the obligations of the Bank will be general obligations of the United States backed by its full faith and credit.

You inquire whether such securities constitute "securities" within the meaning of K.S.A. 75-4201(q), and whether they may be accepted as pledged securities under K.S.A. 75-4218. K.S.A. 75-4201(q) (1) defines "securities" as

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"Direct obligations of, or obligations that are insured as to principal and interest by, the United States government or any agency thereof."

It is our opinion that Federal Financing Bank bills do constitute "securities" within the meaning of K.S.A. 75-4201(g) and may be accepted as pledged securities under K.S.A. 75-4218.

You further inquire whether the Board of Treasury Examiners is authorized to invest state monies in Federal Financing Bank bills as prescribed in K.S.A. 75-4209(c), which states thus:


"In the event the board is unable to deposit all state and special moneys which are available for inactive accounts, the board shall purchase United States treasury bills with maturities as the board shall determine, but not exceeding three (3) months, with any such undeposited moneys."

The term "United States treasury bill" is not defined for the purposes of article 42, ch. 75, K.S.A. In the Federal Financing Bank bill offering, dated July 11, 1974, it is stated thus:

"The bills, which will have the characteristics of Treasury bills and will be sold in the same way, will be auctioned on July 23 for delivery on July 30."

Although Federal Financing Bank bills do have the same characteristics of Treasury bills, they are not one and the same, and we cannot but conclude that their purchase is not authorized by K.S.A. 75-4209(c).

Yours very truly,



VERN MILLER
Attorney General

VM:JRM:jsm