



STATE OF MAINE  
 DEPARTMENT OF PROFESSIONAL  
 AND FINANCIAL REGULATION  
 BUREAU OF FINANCIAL INSTITUTIONS  
 36 STATE HOUSE STATION  
 AUGUSTA, MAINE  
 04333-0036

JOHN ELIAS BALDASSI  
 DIRECTOR

HOWARD R. GRAY JR.  
 SUPERINTENDENT

June 5, 2003

Lisa M. Smith, Vice President  
 Bankers Financial Services Corp.  
 8800 N.W. 62<sup>nd</sup> Avenue  
 P.O. Box 6240  
 Johnston, IA 50131-6240

**Re: Dow Jones Industrial Average Indexed Certificates of Deposit (“ICD”)**

Dear Ms. Smith:

The Bureau of Financial Institutions has reviewed your letter of May 28, 2003, and the attachment thereto, regarding your firm’s ICD program. In your letter, you specifically ask the following questions, the answers to which are in *italics*:

1. Are state-chartered financial institutions allowed to sell equity-linked certificates of deposit in the State of Maine?

*Yes. Unless otherwise prohibited by state law, Title 9-B M.R.S.A. Section 421-A authorizes a financial institution to offer all types of deposits. There are no other provisions of Maine law that would prohibit equity-linked certificates. The disclosure requirements of Bureau of Financial Institutions Regulation 18, which references Federal Reserve Regulation DD, however, do apply. Also, if the equity-linked certificates of deposit were determined not to be a deposit eligible for insurance pursuant to the Federal Deposit Insurance Act, and regulations promulgated there under, the Bureau would construe the ICD a nondeposit investment product, subject to the requirements of Bureau of Financial Institutions Regulation 29.*

2. Are OTC options and contracts, as a non-speculative risk management tool, a permissible investment under the laws and regulations of the Bureau of Financial Institutions?

*Yes. Title 9-B M.R.S.A. 419 provides broad investment authority to financial institutions. Financial institutions, however, would be expected to establish appropriate policies and processes to manage and monitor the risks associated with such derivative contracts.*



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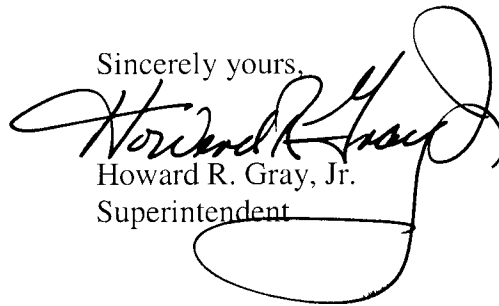
3. Does the Maine Bureau of Financial Institutions currently have any policy statement and/or requirements regarding an indexed certificate of deposit program for community banks and financial institutions?

*No. The Bureau of Financial Institutions, however, would expect that ICD's be accounted for in accordance with FAS #133 and FFIEC Call Report Instructions.*

I hope this information helps you. However, this letter should not be construed as an endorsement of this, or any other, equity-linked certificate of deposit program.

If you have any other questions, please direct these to Chief Examiner Donald W. Groves at 207-624-8577.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Howard R. Gray, Jr.", with a large, stylized flourish extending from the end of the signature.

Howard R. Gray, Jr.  
Superintendent