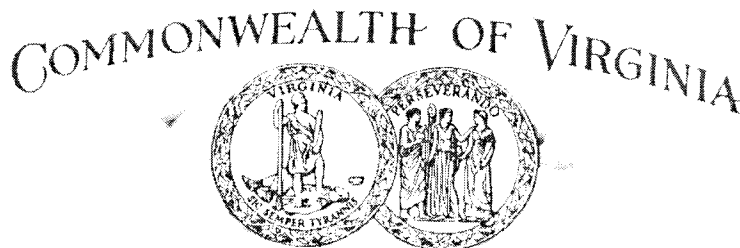


E. J. FACE, JR.  
COMMISSIONER OF  
FINANCIAL INSTITUTIONS



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**STATE CORPORATION COMMISSION  
BUREAU OF FINANCIAL INSTITUTIONS**

June 11, 2003

Lisa M. Smith  
Vice President  
Bankers Financial Services Corp.  
P. O. Box 6240  
Johnston, IA 50131

**RE: Indexed Certificate of Deposit Program**

Dear Ms. Smith:

Your May 26, 2003 letter to Commissioner Hullahen Williams Moore has been referred to me for reply. I have carefully reviewed your letter and accompanying documents relating to your company's "Dow Jones Industrial Average Indexed Certificate of Deposit Program", which you intend to offer to Virginia community banks and savings and loan institutions.

Generally, this Bureau refrains from responding directly to third-party vendor inquiries so as not to create any perception that this Bureau or Commission has granted "approval" of any particular vendor, product or service. Nonetheless, I will attempt to provide you with some helpful observations regarding the questions you pose in your letter. I should first note that neither my staff nor I recall having been approached by any Virginia state-chartered depository institution about using this particular product.

The Bureau of Financial Institutions is not aware of any provision in the Virginia Code, or any promulgated regulations thereunder, that would preclude a Virginia's state-chartered bank or savings and loan from issuing this type of certificate of deposit. In addition, this Bureau presently has issued no policy or guidance concerning this type of product.

However, it seems several Virginia Code statutes require further study with respect to your product. First, the Bureau has historically read Virginia Code §6.1-60.1 to preclude equity investments and thus equity-related options and derivatives. Therefore, the option investment in your program may or may not be prohibited. Further, Virginia §6.1-80(3) allows "qualified financial contracts", but to date, not one of our supervised depository institutions had inquired whether options for hedging and asset/liability management would "qualify". Finally, Virginia Code §6.1-78 precludes

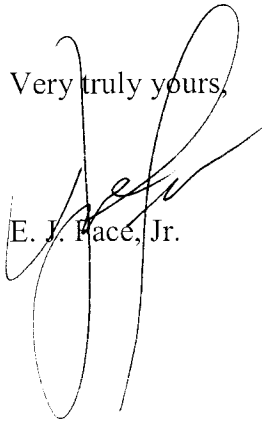
Lisa M. Smith  
June 11, 2003  
Page Two

giving preferences to depositors by pledging assets of a state bank. Again, not one of our supervised institutions has inquired to date whether an "option" would be considered an asset pledged for this deposit product. As a result, this Bureau has yet to form a response on these questions.

Should one of our supervised depository institutions formally request in writing this Bureau's opinion on this product or any similar product or program, after having provided the Bureau with its own analysis on the issues, this Bureau would promptly respond to such institution's request with more definitive information. Please encourage any Virginia state-chartered depository institution to contact me directly should it be interested in offering or using your product.

I hope this is helpful. Please call me if I can be of further assistance.

Very truly yours,



E. J. Face, Jr.

EJF, JR/mlk

cc: The Honorable Hullahen Williams Moore, Chairman, SCC  
John M. Crockett, Deputy Commissioner