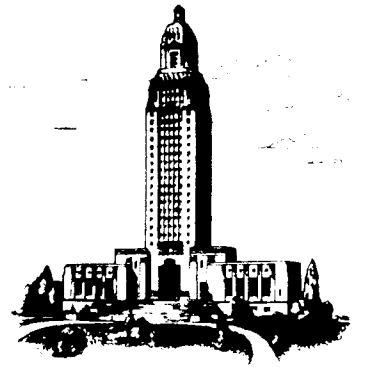




STATE OF LOUISIANA  
OFFICE OF FINANCIAL INSTITUTIONS  
BATON ROUGE, LOUISIANA



July 3, 2003

Lisa M. Smith, Vice President  
Bankers Financial Services Corp.  
Post Office Box 6240  
Johnston, IA 50131-6240

RE: **Indexed Certificate of Deposit Program**

Dear Ms. Smith:

We received your June 11, 2003, correspondence requesting guidance with respect to the permissibility of Louisiana state-chartered financial institutions participating in the subject program that was developed by your company. In an effort to assist you in this regard, we offer the following responses to your questions:

- Are state-chartered financial institutions allowed to sell equity-linked certificates of deposits in the State of Louisiana? *In addition to general corporate powers, Louisiana state-chartered financial institutions are granted broad powers, including those incidental to the exercise of such powers. While the Louisiana Banking Law (LBL) is silent with respect to equity-linked certificates of deposits, LSA-R.S. 6:242(A)(1) states that a state bank may "receive any pay out deposits, with or without interest..."*
- Are OTC options contracts, as a non-speculative risk management tool, a permissible investment under the laws and regulations of the Louisiana Office of Financial Institutions? *While the LBL is silent with respect to the purchase of OTC options contracts as a non-speculative risk management tool, such transactions are incidental to the broad powers granted under LSA-R.S. 6:242.*
- Does the Louisiana Office 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, not at this time.*

Lisa M. Smith, Vice President  
Bankers Financial Services Corp.  
Johnston, IA  
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While Louisiana state-chartered financial institutions would be allowed to participate in subject program, we share similar safety and soundness concerns as expressed by the various state and federal regulatory agencies due to their complex nature. As a result, any Louisiana state-chartered financial institution wishing to participate in such a program must provide prior written notice to the commissioner. At a minimum, management must demonstrate its ability to identify, measure, and monitor the risks associated with such a program through an effective risk management system. Examiners would also review the program at future examinations to ensure compliance with all state and federal laws, rules, and regulations.

We trust this letter provides a satisfactory response to your questions. Please note, however, that this office does not recommend or otherwise endorse any investment product or program for Louisiana state-chartered financial institutions or their customers.

If you have any questions, please contact me directly at (225) 925-4675.

Sincerely,

A handwritten signature in black ink, appearing to read "Sidney E. Seymour". The signature is fluid and cursive, with a long horizontal flourish extending to the left.

Sidney E. Seymour, CEM  
Chief Examiner

PLR/KLM:bwp

Enclosure

c: FDIC- Memphis  
FRB - Atlanta  
OTS - Dallas