

The Virgin Islands Consortium

Mapp Introduces Bill Intended To Increase Interest Rates On Government Deposits

VIC News / **Published On August 16, 2015 12:18 PM /**

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ST. THOMAS -- Legislation Governor Kenneth Mapp says will increase the amount of interest the government yields on its deposits has been forwarded to the 31st Legislature, according to a press release Government House issued on Friday.

If passed, the bill would authorize banking and depository institutions to utilize irrevocable letters of credit issued by the Federal Home Loan Bank of New York to collateralize and secure local government deposits held by such banking and depository institutions, according to the release.

Currently the law provides for a narrow selection of securities that a bank or depository may pledge as satisfactory collateral to secure our government funds, said Governor Mapp. The securities issued and secured by the Federal Housing Authority are scarce, inflexible, inherently expensive, operationally inefficient, and problematic from a risk management perspective, according to the governor.

In addition, requiring only these types of securities inhibit the amount of interest earnings the government can receive on its deposits.

“Recently, I met with representatives from the Federal Home Loan Bank of New York, a quasi-federal agency to discuss the benefits of us using an irrevocable municipal letter of credit, issued by the Federal Home Loan Bank that carries a AAA+ rating. The results of my discussion were excellent. Today, I am asking the Legislature to take swift action in considering and passing this bill. When this bill is adopted, it would position the Commissioner of Finance to demand higher interest earning on the deposits of the Government of the Virgin Islands and a more efficient way for us to secure our money,” said the territory's leader.

“As usual, members of my administration are available to provide testimony and additional information to the Legislature. I encourage the body to act swiftly and decisively on the proposal,” he concluded.