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State Depository Board and Office of the State Treasurer Bank Policy

I. Definitions

- A. "Board" means State Depository Board.
- B. "DBF" means the Department of Banking and Finance.
- C. "OST" means the Office of the State Treasurer of Georgia.
- D. "OST Bank Program" means the program formally called the "Bank Fee Program" described in Subsection A of Section V of this policy.
- E. "Primary banks" means the banks identified in the Report of FY19 Primary Bank Selections reported to the board on December 17, 2018, or any combination of banks as determined by the State Treasurer."
- F. "Qualified state depository" means a state depository which meets the qualifications of Section III of this policy.
- G. "State entity" means any department, board, bureau, or other agency of the State of Georgia.
- H. "SDP" means State of Georgia Secure Deposit Program.

II. Acquisition of Banking Services

- A. State entities are authorized to contract with qualified state depositories for banking services and negotiate terms and conditions. Qualification of a depository is required, but not sufficient, for approval to obtain an account or service with a state depository; state entities must comply with each of the applicable provisions of this policy.
- B. State entities which have a foreign office are authorized to contract with foreign banks for services related to the deposit of funds for current operating expenses and negotiate terms and conditions; provided that, the balance of deposits in such foreign banks shall not exceed FDIC-equivalent deposit insurance applicable to the state entity's deposits therein. FDIC-equivalent deposit insurance equal to or greater than the balance of deposits is required, but not sufficient, for approval to obtain an account or service with a foreign bank; state entities must comply with each of the applicable provisions of this policy.
- C. Except as provided in Subsection D of this section, state entities shall request and receive approval from the State Treasurer or board prior to obtaining any new depository account or depository service.

- D. State entities may obtain depository accounts or depository services that meet the following criteria without requesting and receiving approval from the State Treasurer or board so long as the depository is a qualified state depository; provided that, the state entity notifies the State Treasurer within five business days.
1. New depository services for which service charges will not exceed \$500 per month; or
 2. New depository accounts:
 - a. For which service charges will not exceed \$500 per month and deposits will not exceed the standard FDIC deposit insurance coverage limit;
 - b. Which are replacement accounts for accounts that were compromised by fraudulent activity and which are substantially the same as the original accounts; or
 - c. Which result from the merger or acquisition of a depository which maintained an approved account so long as the new account is substantially the same as the original account.
- E. Prior to depositing funds in any new account, state entities shall complete the State Signature Card and Depository Agreement available at ost.georgia.gov and submit a copy of the completed State Signature Card and Depository Agreement to OST.
- F. The State Treasurer may approve requests for new accounts and services that meet the minimum requirements of this policy; provided that, the State Treasurer shall notify the board of the approval of any new account or any significant change in services.
- G. The State Treasurer may require any state entity to close an account or eliminate a service that does not meet the minimum requirements of this policy or if doing so would otherwise be in the best interest of the state; provided that, any such action shall be reported to the board.

III. State Depository Qualifications

- A. Except as provided in Subsection C of this section, state depositories are qualified if they accept the State Signature Card and Depository Agreement as a primary signature card for state entity accounts and:
1. Meet the following criteria:
 - a. Tier 1 leverage ratio of 6% or greater,
 - b. Return on average assets of 0.0% or greater, and
 - c. Bank Insight national rating by S&P Global Market Intelligence of 35 or greater or an equivalent rating by a successor organization; or
 2. Meet the definition of “well capitalized” as defined in the federal guidelines adopted pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 (the FDIC publishes summary financial reports at FDIC.gov which provide information that can be used to assess whether a state depository is well capitalized).

- B. OST and the DBF shall periodically review approved state depositories to determine to the best of their abilities whether the depositories meet the qualifications established by Paragraphs A.1 and A.2 of this section.
- C. The State Treasurer may deem a depository which does not meet the requirements established in Subsection A of this section qualified as to specific accounts, subject to ratification by the board at its next regularly scheduled meeting.

IV. Depository Account Maintenance

A. Deposit Security

- 1. State entities shall not use the deposit placement services contemplated by O.C.G.A. § 45-8-14.1.
- 2. Except as provided in Paragraph A.3 of this section, state entities shall ensure all demand and time deposits exceeding amounts fully covered by deposit insurance are collateralized.
- 3. The value of collateral shall be as follows:
 - a. For depositories that are not “Covered Depositories” as defined by the SDP policy, an amount equal to not less than 110% of the funds being secured after the deduction of the amount of deposit insurance through the dedicated or single pool method for securing public deposits.
 - b. For “Covered Depositories” as described by the SDP policy, the amount equal to or greater than the required “Collateral Pledging Level” pursuant to the SDP policy.
- 4. In lieu of collateral, with the approval of the State Treasurer, state entities may accept letters of credit issued by the Federal Home Loan Bank or surety bonds issued by financial institutions approved for such purpose by the State Depository Board.

B. Periodic Reporting and Interest Remittance

- 1. Each year state entities shall report information identifying all depository accounts, including but not limited to demand deposit and time deposit accounts, in the form and manner prescribed by the State Treasurer.
- 2. In addition to the annual reporting requirements established by the State Treasurer, each entity shall notify OST quarterly of any changes related to depository accounts.
- 3. Whenever an organizational change occurs which necessitates a new State Signature Card and Depository Agreement, the state entity shall submit a copy of the new State Signature Card to OST.
- 4. Each month state entities shall remit to OST interest earned on state funds withdrawn from OST on approved budgets, except state entities may retain interest for the purpose of offsetting bank and merchant card service fees. The remittance of interest earned on funds other than state funds withdrawn from OST on approved budgets shall be at the discretion of the state entities, subject to law.

V. Office of the State Treasurer Services

A. OST Bank Program

1. The State Treasurer shall set forth which state entity account(s) shall be included in the OST Bank Program.
2. Service charges for OST Bank Program accounts shall be paid by OST according to the fee schedules submitted by depositories participating in the OST Bank Program.
3. Depositories may participate in the OST Bank Program upon approval of the State Treasurer. A current list of approved participating depositories will be maintained at ost.georgia.gov.
4. The aggregate state deposit limit for accounts in the OST Bank Program at any state depository shall not exceed 100% of the depository's equity capital. The State Treasurer may temporarily increase the total state deposit limit at any state depository to 125% of equity capital to allow for fluctuation in demand deposit balances.

B. OST Bank Program Evaluations

1. OST shall evaluate each OST Bank Program account among the primary banks every five years in line with a timetable prepared by OST.
2. If a periodic evaluation indicates that the state's cash management policies would be best served by transferring services to another depository, the state entity may be required to select a new depository.
3. A state entity may request an exception from the requirement to select a new depository by submitting its rationale to the Office of the State Treasurer.
4. The State Treasurer is authorized to approve a state entity's selection between meetings of the board; provided that the State Treasurer shall report all approvals to the board.
5. Approval of an agency's selection of a service provider pursuant to this section shall be deemed approval pursuant to Section I of this policy.

C. Other Evaluations

In addition to executing the responsibilities required by this policy, OST may advise state entities and other state bodies, including the Board of Regents colleges and universities and the Technical College System of Georgia, regarding banking services as resources permit.

D. Investment Accounts

Notwithstanding any other provision of this policy, OST investment accounts shall not be subject to this policy.

E. Policies and Procedures

The State Treasurer may adopt policies and procedures related to this policy, which are not inconsistent with this policy, as deemed appropriate.