

Ohio Pooled Collateral System

CTAO 05/21/2021



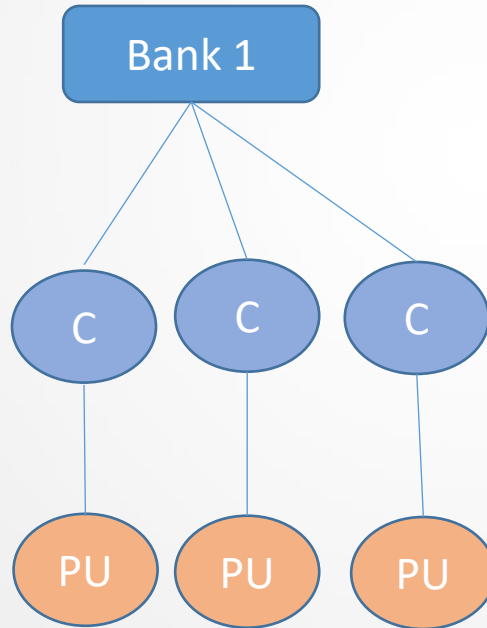
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Collateralization of uninsured Ohio public deposits

Banks who hold Ohio public deposits have two collateral options:

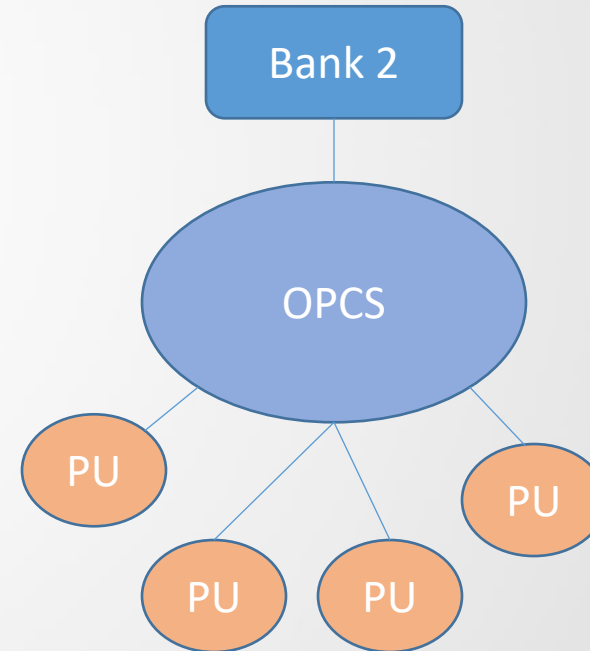
Option 1 – Specific Pledge Method

Individually collateralize all Ohio public deposits at a minimum of 105% via the specific pledge method.



Option 2 – Pool Method via OPCS

Participate in OPCS to pool collateral at 102%, or at rate set by TOS in rule.



OPCS Overview

- Ohio Pooled Collateral System (OPCS) enables banks to pool collateral for Ohio Public Unit (PU) deposits through a program developed and administered through the Treasurer of State (TOS).
 - TOS maintains OPCS, an online portal, for use by TOS, Banks, Public Units, Collateral Trustees, and Auditors.
- OPCS enhances collateral oversight and transparency => Every bank, every account, every day
- OPCS is governed by ORC section 135.182 and was launched on July 1, 2017
- Currently OPCS has 58 participating banks (FIs), over 6,000 PU accounts, with over \$15 billion in deposits, and \$17 billion of collateral



OPCS Overview - Operations

- TOS Trust Department has a dedicated team that monitors OPCS collateral operations daily
- Daily OPCS Timeline
 - 9:00 am ET
 - FIs upload files with PU balance and demographic information
 - TOS uploads priced/accrued collateral positions
 - 10:00 am ET
 - OPCS performs collateral sufficiency analysis using the prior business day's balance and collateral data
 - If OPCS has not received a FI's files, TOS will open a case, alert the PUs, and work with the FI to ensure file receipt



OPCS Overview – Reduced Collateral Floor

- FIs that apply for and are approved for a reduced collateral floor by meeting the application requirements will be granted a reduced collateral floor of 50%.
- FIs that apply for and are not approved for a reduced collateral floor will remain at 102%.
- FIs that do not apply for a reduced collateral floor will remain at 102%.
- TOS monitors ongoing appropriateness of an FI's reduced collateral floor through Bank Monitoring and Economic Monitoring
- OPCS currently has a 10% Economic Monitoring Collateral increase in place for reduced collateral FIs



OPCS Overview – Deficiencies

- FIs collateralize assets daily based on what deposit balances they expect based on deposit history, intraday activity, etc. Optimally, at the end of every business day, FIs should have enough collateral pledged (by %) to adequately cover all uninsured PU deposits.
- FIs periodically receive unexpected PU deposits after they have closed their collateral positions for the day. When FIs unexpectedly receive large deposits, situations can result where the FI does not have enough collateral to secure PU deposits. When this occurs, FIs are collateral deficient (under-collateralized).
- OPCS identifies FI deficiencies for prior day ledger balances the next business day after FI files are received in OPCS. OPCS deficiencies trigger certain events: 1) a case is opened, 2) the FI is contacted by TOS, 3) if a “true” deficiency is determined the PU is notified, 4) the FI will pledge additional collateral, and 5) TOS will close the case which also generates a notification to the PU.



OPCS Overview - Automatic Public Unit Email Notifications

- Daily OPCS Notifications
 - OPCS can automatically send different email notifications to all PUs based on system and user settings. This is a standard default feature for all PUs unless they “opt out” from receiving the notification.
 - Some examples of email notification include:
 - Deficiency Notification
 - Deficiency Remediation Notification
 - PUs can update their notification preferences in OPCS (Settings/Email Preferences)



OPCS Overview – Annual Public Unit Attestation

- OPCS operating policies require an annual PU Attestation. The last PU attestation occurred as of September 30, 2020.
- PUs review the completeness and accuracy of their account and demographic information, as reported by their FIs to OPCS. The type of information a PU will review, and attest to the accuracy of, includes, but is not limited to: Accounts, Contacts (Designated Signers), Balances, Collateralization Percentages, etc.
- PUs have 60 days to review and affirm the accuracy of their information. If a PU identifies an issue with their data, they are provided the opportunity to notate the issue during the attestation which creates an OPCS case.
- If a PU does not review and affirm their data within 60 days, OPCS “negatively attests” on behalf of the PU.
- OPCS attestation issue cases are reviewed by TOS and assigned to the corresponding FI for resolution. TOS follows up with the FI to ensure issues are resolved.



OPCS Overview – Auditor of State Compliance Supplement Manual

Pooled Collateral Requirements (paraphrased)

- The OPCS is the only legal method for pooled collateral arrangements in Ohio. ... Under this program, public depositories that select to pledge via OPCS pledge to the Treasurer of State a single pool of eligible securities for the benefit of all public depositories (PUs) to secure the repayment of all uninsured public deposits at the public depository; provided that at-all-times the total market value of the securities so pledged is at least equal to either of the following:
 - 102% of the total amount of all uninsured public deposits, or
 - An amount determined by TOS...(i.e. lower collateral floor – 50%); TOS reviews the safety and soundness of the public depository as determined by a third-party rating organization. SCALE (Ohio Rev. Code § 135.182(B)(1))
- If a FI maintains a pool outside of OPCS, it should be considered non-compliant... As financial auditors have no basis in determining what the risk of bank failure actually is, these situations of a pool outside of OPCS should be treated as materially non-compliant (depending on quantitative materiality of balances).



OPCS - Best Practices

- A PU is responsible for making sure all its accounts are sufficiently collateralized:
 - sign into OPCS frequently (daily is optimal) to confirm its accounts are sufficiently collateralized;
 - confirm that the accounts and balances reported in OPCS match the PU's records; and
 - ensure the FI has accurate contact names and email addresses.
- A PU must take action when under-collateralized account are noted in OPCS or when notified through an OPCS system-generated email:
 - Immediately contact your FI contact representative (by telephone or email);
 - confirm via OPCS at the end of the day or on the next business day the deficiency has been resolved; and
 - retain all communications to substantiate that immediate steps were taken by the PU to remedy the deficiency
- A PU is responsible to ensure its accounts are collateralized at the percentage(s) negotiated with the FI.
- Work with your FI(s) to keep your contact information up-to-date and ensure correct in OPCS. Work directly with your FI(s) to make corrections.



OPCS - Best Practices Continued

- Ensure the appropriate and proper number of staff have access to OPCS for daily view and performance of the best practices.
- Provide your FI(s) advance notice when you expect a large increase in account balances.
- Perform the annual attestation in OPCS. This attestation requires the PU to confirm account details including deposit balances and collateralization percentages as of the selected date, as well as PU contact information.





FAQ/Help

Auditor of State

 [Auditor of State Training Manual](#)

Financial Institutions

 [Financial Institution FAQ](#)

 [Financial Institution Training Manual](#)

 [Daily File FAQ](#)

 [Daily File Generator](#)

 [SCALE FAQ](#)

Public Units

 [Public Unit FAQ](#)

 [Public Unit Training Manual](#)

 [Public Unit Best Practices](#)

 [Public Unit GASB 40](#)

Trustees

 [Trustee FAQ](#)

 [Trustee Training Manual](#)



Resources

- **FAQs/Training Manuals and Best Practices: (go to opcs.ohio.gov, FAQ/Help tab)**
 - <https://opcs.ohio.gov/login#/faqhelp>
- **Contact info:**
 - OPCS Hotline, 614-466-6813, support@opcs.ohio.gov
 - Blake Bishop, 614-644-1292, Blake.Bishop@tos.ohio.gov
 - Christopher Litton 614-466-2354, Christopher.Litton@tos.ohio.gov
- **ORC/OAC Section:**
 - 135.182, <http://codes.ohio.gov/orc/135.182v1>
 - 135-3-01, <http://codes.ohio.gov/oac/135-3>
 - 113-40-05, <http://codes.ohio.gov/oac/113-40-05>
- **Auditor of State Compliance Supplement Manuals (2018):**
 - <https://www.ohioauditor.gov/references/compliancemanuals.html> (OPCS is Chapter 2, section 2-9)





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