



## ***Office of the State Treasurer***

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### **State Depository Board and Office of the State Treasurer Bank Policy ("OST Bank Policy")**

#### **Authority of State Depository Board** ( O.C.G.A §50-17-50)

*The State Depository Board, referred to in this article as the "board," is created, consisting of the Governor, the state chief financial officer, the state accounting officer, the commissioner of banking and finance, the state revenue commissioner, the commissioner of transportation, and the state treasurer, who shall act as administrative officer of the board. A majority of the board shall constitute a quorum, and the acts of the majority shall be the acts of the board. The board, in its discretion, may name and appoint, from time to time, as state depositories of state funds any bank, trust company, or savings and loan association which has its deposits insured by the Federal Deposit Insurance Corporation. The board may also authorize any department, board, bureau, or other agency of the state which has a foreign office to deposit state funds for current operating expenses in certain foreign banks, the deposits of which are not insured by the Federal Deposit Insurance Corporation, provided the balance of such deposits in any one foreign bank does not exceed limits prescribed by the State Depository Board. For the purposes of this article, "foreign bank" shall mean a bank organized under the laws of a foreign country. The board is assigned to the Department of Administrative Services for administrative purposes only as prescribed in Code Section 50-4-3.*

#### **I. The Depository of any state department, board, bureau, or agency must be approved by the State Depository Board.**

1. Any department, board, bureau, or agency (State Entity) that has need to open a new depository account or request a new banking service must request and receive approval of the State Depository Board by making application through the Office of the State Treasurer (OST).
2. The banking services for each department, board, bureau, or agency should be reviewed every five years in participation with OST.
3. Colleges and universities under the auspices of the Board of Regents may opt to reevaluate their banking services every five years.

## II. Definitions

- A. **“Board”** means State Depository Board.
- B. **“De Minimis Bank Account”** means a depository account which does not collect or disburse state funds and for which service charges do not exceed \$500 per month and balances do not exceed \$25,000.
- C. **“De Minimis Bank Service(s)”** means services which do not exceed \$500 per month.
- D. **“Incumbent Bank”** means the bank that currently provides banking accounts and services for a respective State Entity.
- E. **“OST”** means the Office of the State Treasurer.
- F. **“OST Bank Program Accounts”** means Agency Operating and Payroll Accounts and other accounts that collect or disburse state funds. The State Treasurer shall determine which State Entity accounts shall be included in the OST Bank Program.
- G. **“Primary Banks”** means the banks selected each year by the State Treasurer that will compete to provide banking services for OST Bank Program Accounts.
- H. **“Qualified State Depository”** means any bank approved by the Board to serve as a state depository of state funds which has deposits insured by the FDIC.
- I. **“State Entity”** means any department, board, bureau, or other agency of the State of Georgia.
- J. **“SDP”** means State of Georgia Secure Deposit Program.
- K. **“State Bank Registry”** means a registry of all State Entity bank accounts approved by the State Depository Board.

## III. Process For Approval of New Depository Accounts or New Banking Services

### A. OST Bank Program Accounts

- 1. Any State Entity requesting a new depository account or a new banking service shall apply to OST for approval with a description of the banking account or service requested. The appropriate New Bank Account Form or New Bank Services Form is also to be submitted to OST.
- 2. Prior to the beginning of each calendar year, OST will solicit fee schedules from each bank having OST Bank Program Accounts. Participating banks have three options: maintain their existing fee schedules from the prior year, submit amendments for only those fees which will change, or submit new fee schedules. OST will incorporate the fee schedules into an agreement with each bank.
- 3. State Entity accounts in the OST Bank Program will be evaluated as to pricing for banking services from among 3 or more Primary Banks, as determined by OST on a case-by-case basis.

4. OST shall prepare a pro forma analysis for any State Entity requesting a new bank account or new service or change in banks or banking services comparing the total service costs of at least 3 bidding banks for the proposed service(s).
5. On completion of the analysis, OST will forward the list of eligible banks and their associated costs to the State Entity.
6. If the State Entity believes that the lowest-cost eligible bank presented by OST cannot adequately provide the desired service, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer may approve exceptions. However, the State Treasurer must report all exceptions to the Board.
7. OST will notify all state entities in writing upon Board approval or denial of any new state depository or service relationship. Upon notification that an approved account has been opened, OST will add such account to the State Bank Registry.
8. Bids will not be required for the following depository accounts:
  - a. Replacement accounts at the same bank for accounts that were compromised by fraudulent activity and are substantially the same as the original accounts; or,
  - b. Accounts that 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.
9. Prior to depositing funds in any new account, State Entities shall complete the State Signature Card and Depository Agreement available at [ost.georgia.gov](http://ost.georgia.gov) and submit a copy of the completed State Signature Card and Depository Agreement to OST. Foreign bank accounts are exempt from using the State Signature Card and Depository Agreement.

#### B. Non-OST Bank Program Accounts

1. Any State Entity requesting a new depository account or a new banking service shall apply to OST with a description of the banking account or service requested. The appropriate New Bank Account Form or New Bank Services Form is also to be submitted to OST.
2. State Entity accounts that are not in the OST Bank Program will be evaluated as to pricing for banking services from Primary Banks determined by OST, as well as Incumbent Bank(s) serving such entity. Upon request, OST may consider other banks recommended by the State Entity.

3. OST shall prepare a pro forma analysis for any State Entity requesting a new bank account or new service or change in banks or banking services that compares the total service costs of at least 3 bidding banks approved by OST.
4. On completion of the analysis, OST will forward the list of eligible banks and their associated costs to the State Entity.
5. If the State Entity believes that the lowest-cost eligible bank presented by OST cannot adequately provide the desired service, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer may approve exceptions. However, the State Treasurer must report all exceptions to the Board.
6. OST will notify all State Entities in writing upon Board approval or denial of any new state depository or service relationship. Upon notification that an approved account has been opened, OST will add such account to the State Bank Registry.
7. State Entities which have a foreign office are authorized to request bank services from foreign banks for services related to the deposit of funds for current operating expenses and negotiate terms and conditions. All foreign bank accounts must be in the name of the State Entity opening the account. Balances must be limited to the lower of \$100,000 or the foreign country's deposit insurance program limit for the consolidated accounts of the State Entity in a specific bank. If a foreign country does not have a deposit insurance program, minimum balances required for the normal (efficient) operation of the account must be maintained. State Entities must comply with each of the applicable provisions of this policy.
8. Bids will not be required for the following depository accounts:
  - a. Replacement accounts at the same bank for accounts that were compromised by fraudulent activity and are substantially the same as the original accounts; or
  - b. Accounts that 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.
9. Prior to depositing funds in any new account, State Entities shall complete the State Signature Card and Depository Agreement available at [ost.georgia.gov](http://ost.georgia.gov) and submit a copy of the completed State Signature Card and Depository Agreement to OST. Foreign bank accounts are exempt from using the State Signature Card and Depository Agreement.

#### C. De Minimis Bank Accounts and Services

##### *Accounts*

1. State Entities may request non-OST Bank Program depository accounts for which balances do not exceed \$25,000 and the depository is a Qualified State Depository.
2. The appropriate New Bank Account Form is to be submitted to OST.

3. The State Entity shall receive guidance from OST on the protocols for obtaining bank bids. The State Entity must receive at least 3 bids and recommend the lowest-cost provider to OST unless the State Entity submits a business case acceptable to the State Treasurer to select another low-cost provider.
4. All selections recommended by the State Entity shall be reported to OST with a request for approval of the State Treasurer. The State Treasurer will report approved accounts to the Board.
5. Upon notification that such account has been opened, OST will add the account to the State Bank Registry.
6. An annual verification will be required by each State Entity for all accounts approved as De Minimis Bank Accounts stating that the above listed service charge and balance limits have not been exceeded.

#### *Services*

1. State Entities may request banking services for non-OST Bank Program accounts provided the additional services will not exceed \$500 per month.
2. Such request should include the appropriate New Bank Services Form and a pro forma analysis from the prospective depository indicating that the new service(s) will not exceed \$500 per month.
3. Requests for any new banking services shall be submitted to OST for approval by the State Treasurer. The State Treasurer will report expansion of existing banking services to the Board.
4. An annual verification will be required by each State Entity having approved De Minimis Banking Services stating that the above listed service charge limit has not been exceeded.

### **IV. Process for periodic review of banking relationships**

#### **A. OST Bank Program Accounts**

1. In addition to evaluating requests for new deposit accounts or new banking services, OST shall reevaluate all banking accounts and services with State Entities every five years in line with a timetable prepared by OST. However, reevaluations may be conducted at any time that the Board or OST determines there is a justification.
2. OST Bank Program Accounts will be evaluated among 3 or more Primary Banks determined by OST on a case-by-case basis, as well as Incumbent Bank(s).
3. OST will notify the State Entity of the lowest-cost eligible bank and details of the associated costs to the state. If a reevaluation indicates that a State Entity is not banking with the lowest cost provider, the State Entity may be required by the State Treasurer to select a new bank.

4. If the State Entity believes that the lowest cost eligible bank cannot adequately provide the desired service or that extenuating circumstances would be detrimental to the state, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer, in consultation with OPB, may approve exceptions. However, the State Treasurer must report all exceptions to the Board.
5. OST will notify all State Entities in writing upon Board approval or denial of any new state depository or service relationship. Upon notification that an approved account has been opened, OST will add such account to the State Bank Registry.

#### B. Non-OST Bank Program Accounts

1. In addition to evaluating requests for new deposit accounts or new banking services, OST shall reevaluate banking accounts and services with State Entities every five years in line with a timetable prepared by OST. However, reevaluations may be conducted at any time that the Board or OST determines there is a justification.
2. State Entity accounts that are not in the OST Bank Program will be evaluated as to pricing for banking services from Primary Banks determined by OST, as well as Incumbent Bank(s) serving such entity. Upon request, OST may consider other banks recommended by the State Entity.
3. OST will notify the State Entity of the lowest cost eligible bank and details of the associated costs to the state. If a reevaluation indicates that a State Entity is not banking with the lowest cost provider, the State Entity may be required by the State Treasurer to select a new bank.
4. If the State Entity believes that the lowest cost eligible institution cannot adequately provide the desired service or that extenuating circumstances would be detrimental to the state, it may request an exception from the State Treasurer. To the extent that it would be in the best interest of the state, the State Treasurer, in consultation with OPB, may approve exceptions. However, the State Treasurer must report all exceptions to the Board.
5. OST will notify all State Entities in writing upon Board approval or denial of any new state depository or service relationship. Upon notification that an approved account has been opened, OST will add such account to the State Bank Registry.

#### C. Board of Regents Colleges and Universities

1. OST shall offer assistance to the Board of Regents in evaluating bank providers and banking services for colleges and universities under the auspices of the Board of Regents (“BOR Institutions”).
2. BOR Institutions will adhere to the Board of Regents procurement policy in their solicitation and selection of banking accounts and services. They may conduct searches for banks and banking services utilizing their own Request for Proposals (document) or utilize standard banking templates provided by OST.
3. The Office of Strategy and Fiscal Affairs of the Board of Regents will make final approval of any new banking provider selected by a BOR Institution.

4. Subsequent to the Board of Regents approval of a BOR Institution's bank(s) and notification to OST of the bank(s) selected, the Treasurer will verify that such bank(s) is a Qualified State Depository and, if so, recommend that the Board add the new accounts to the State Bank Registry.
5. Upon Board approval and receipt of a copy of the State Signature Card and Depository Agreement (if a new bank is selected), new bank account(s) will be added to the State Bank Registry.

## **V. Treasurer Approval of Accounts and Banking Services**

The Board hereby approves, authorizes, and directs the State Treasurer, in his capacity as administrative officer of the Board and on behalf of and at the direction of the Board, to approve the appointment of state depositories of state funds and state entities accepting electronic payments between meetings of the Board in circumstances in which the Treasurer believes immediate approval is needed in furtherance of the duties of the Board provided that any and all such approvals shall be reported to the Board at the time of its next meeting, whether called or regularly scheduled, for consideration and review or such other action as the Board in its discretion may determine. Unless otherwise directed by the Board, the Treasurer shall add such reported accounts to the State Bank Registry. The Treasurer is further authorized to approve expansions of banking services provided by depositories.

## **VI. Compilation of Interest Income and Bank Fees**

*In accordance with O.C.G.A. § 50-17-52, "The board shall make with depositories the most advantageous contracts for interest to be paid by them to the state for the use of the state's money which may be deposited therein, as provided by this article. In so doing, the board may authorize the state treasurer to negotiate with depositories explicit fees in payment for the state's banking services. Such fees shall be paid by the state treasurer from interest earned and shall be subject to the board's approval. In the event any depository so named shall refuse to make a satisfactory contract with the board as to interest to be paid and fees to be charged, it shall have authority to remove state funds from such depository."*

It is the policy of the Board for the state to accrue an advantageous yield of interest on its funds in excess of those required for operating expenses, in accordance with sound business management practices, and OST shall adhere to this policy as it evaluates eligible providers of banking services. Each year, OST will report to the Board the State Treasurer's selection of Primary Banks.

All interest income on state funds in state department, board, bureau, or agency deposit accounts shall be paid by the depository institutions and consolidated into the state treasury on a monthly basis and bank fees will be paid from the available interest income.

## VII. Qualifications of Depository Institutions for State Deposits

Depositories should meet the following criteria to qualify to be a Qualified State Depository:

1. Tier 1 leverage ratio of 6% or greater;
2. Return on average assets of 0.0% or greater; and,
3. Institution rating by S&P Global Market Intelligence (Bank INSIGHT National Rating) of 35 or greater.

In the event a depository fails to meet one or more of the above requirements, it still may be eligible for approval if they meet the definition of “well capitalized” as defined in the federal guidelines adopted pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). The FDICIA regulations define “well capitalized” banks or bank holding companies as entities that:

1. Have a Tier 1 leverage ratio of 5% or greater;
2. Have a Tier 1 risk-based capital ratio of 6% or greater;
3. Have a Total risk-based capital of 10% or greater; and,
4. Are not subject to a regulatory order to maintain a specific capital level for any capital measure.

Periodically OST, in coordination with the Georgia Department of Banking and Finance, will review the list of approved state depository institutions to determine, to the best of their abilities, if the depository institutions meet these criteria.

### Authority to determine amount to be deposited; deposit security required

§ 50-17-53.

*To enable the board to fulfill its responsibilities of ensuring safe and effective cash management, the board shall be authorized to determine, from time to time, in respect to all state funds, whether deposited by the state treasurer or any other department or agency of the state government, any and all of the following:*

*(1) The maximum amount of state money which may be deposited in a particular depository;*

*(2) The maximum and minimum proportion of state funds which may be maintained in a particular depository;*

*(3) The amount of state funds to be deposited in particular state depositories as time deposits, and the periods of such deposits, provided that all state depositories shall give security for state deposits as required by law, but the board, in its discretion, may choose not to require that security be given in the case of special deposits and operating funds; and*

*(4) The policies and procedures governing the collection, processing, deposit, and withdrawal of state funds.*

### Statutory Requirements for monitoring financial condition of depositories



*It shall be the duty of the board to keep itself advised, from time to time, of the financial condition of the various state depositories, as well as of the financial condition and standing of the securities on the bonds of the depositories; and, if at any time the board should become satisfied as to the insolvency of any of the depositories or that the affairs of any of the depositories are in an embarrassed financial condition, it shall be the duty of the board to direct the state treasurer to withdraw the money of the state from such depository. In case the board should be advised of the insolvency of the securities on the bond of any of the depositories, it shall be the duty of the state treasurer to notify the depository to strengthen the bond; and if, at the end of ten days, the bond is not strengthened, it shall be the duty of the board to direct the state treasurer to withdraw the money of the state from such depository. In either event, the board may also withdraw designation as a state depository.*

### **VIII. Deposit Collateralization and Depository Credit Limits**

The banking policy for deposit collateralization and depository credit limits approved by the Board requires:

1. Except for qualified investment deposits permitted by the Investment Policy for the Office of the State Treasurer, all state demand and time deposits exceeding amounts fully covered by deposit insurance shall be collateralized. In lieu of collateral, with the approval of OST, 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 Board. The value of collateral shall be set as follows: (1) for Covered Depositories defined in the Secure Deposit Program (“SDP”) Policy, the amount equal to or greater than the required ‘Collateral Pledging Level’ as required pursuant to the Secure Deposit Program Policy, (2) for depositories that are not Covered Depositories, 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, and (3) for depositories that use letters of credit issued by the Federal Home Loan Bank or surety bonds issued by financial institutions approved for such purpose by the Board, an amount equal to not less than 100% of the funds being secured after the deduction of the amount of deposit insurance.
2. 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.

Deposit of funds in banks or depositories -- Depository to give bond; pledge of securities in lieu of bond; acceptance of federal insurance as security; combination of securities; aggregate amount of bond

§ 45-8-12.

*(a) The collecting officer or officer holding public funds may not have on deposit at any one time in any depository for a time longer than ten days a sum of money belonging to the public body when such depository has not given a bond to the public body as set forth in this Code section. The bond to be given by depositories, where such bonds are required, shall be a surety bond signed by a surety company duly qualified and authorized to transact business within this state in a sum as so required. In lieu of such a surety bond, the depository may pledge to the public body as security any one or more of the obligations enumerated in Code Section 50-17-59, relating to the bond required to secure state deposits and securities in lieu of bond.*

*(b) The collecting officer or officer holding public funds shall accept the guarantee or insurance of accounts of the Federal Deposit Insurance Corporation and the guarantee or insurance of accounts of the Federal Savings and Loan Insurance Corporation to secure public funds on deposit in depositories to the extent authorized by federal law governing the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation.*

*(c) A depository may secure deposits made with it partly by surety bond, partly by deposit of any one or more of the obligations referred to in subsection (a) of this Code section, partly by the guarantee or insurance referred to in subsection (b) of this Code section, or by any combination of these methods. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance.*

*(d) Notwithstanding any other provisions of this Code section, a depository may deduct the face amount of direct loans from deposits of a public body before being required to secure such deposits by a surety bond, deposit insurance, securities, or any combination thereof.*

*(e) This Code section shall not apply to collecting officers and officers holding public funds pursuant to Article 3 of Chapter 17 of Title 50, relating to state depositories.*

## **IX. Cash Management Policies and Procedures**

The State Treasurer shall serve as cash management officer for the state on behalf of the Board. Cash management policies and procedures prescribed by the Board shall be designed to maximize the efficient and effective utilization of state funds. State Entities may be required to submit reports and plans on such forms and at such times as the Board may prescribe to determine whether a State Entity is in compliance with the cash management policies and procedures prescribed by the Board.

Meetings of State Depository Board; records; list of deposits; interest policy; cash management policies and procedures

§ 50-17-51.

*(a) The board shall meet at least once every 90 days. The records and proceedings of the board shall be available for inspection by each member of the General Assembly. At the end of each quarter, the board shall furnish to the chairmen of the Senate and House Appropriations Committees, the chairman of the Senate Banking and Financial Institutions Committee, and the chairman of the House Banks and Banking Committee a list of all state time deposits, indicating the amount in each depository, the rates of interests contracted on such deposits, and the physical location of the depository.*

*(b) Compatible with the desirability of placing all state funds on deposit among state depositories and the necessity to maximize the protection of state funds on deposit, the policy to be followed by the board shall be that there will accrue to the state an advantageous yield of interest on its funds in excess of those required for current operating expenses, in accordance with sound business management practices.*

*(c) The board shall prescribe cash management policies and procedures and state agencies shall employ the cash management policies and procedures prescribed by the board. Cash management policies and procedures prescribed by the board shall be designed to maximize the efficient and effective utilization of the state's cash resources for the state as a whole. The board may require state agencies to submit reports and plans on such forms and at such times as the board may prescribe to determine whether an agency is in compliance with the cash management policies and procedures prescribed by the board. The state treasurer shall serve as cash management officer for the state on behalf of the board.*