Collateral Requirements

SPECIFIC COLLATERAL (CASH MANAGEMENT)

- Treasury follows Fiscal code P.L. 343 Act of 1929 No. 176 Sec. 505 paragraph 2 pg 34. Pledged collateral requires 102% of deposits as stated in the code.
- The required amount of collateral is based upon the amount on deposit, less the amount guaranteed by FDIC Insurance (Total Dep + Interest-FDIC x 1.02).
- The collateral is held at the Federal Reserve of Boston (FRB)
- Collateral is held subject to such regulations as may be prescribed by the Board of Finance and Revenue or the State Treasurer or both.
- Banks can pledge additional collateral, release, or substitute current pledges with new securities. The bank must send a fax to both the Treasury and the Federal Reserve indicating what change will occur. Treasury will sign off on their request and fax their approval to the Federal Reserve.
- Treasury allows for the following types of collateral: U.S. Treasuries and Government Agencies. The debenture must be fixed-rate and have a call or maturity date of four years or less. Pooled collateral is not acceptable except for Ginnie Mae's (GNMA's).
- Letters of Credit (100%), purchased through the FHLB Pittsburgh.
- Collateral may be maintained at other designated Financial Institutions (Safekeeping) subject to approval by Treasury.
- A daily "Marked to Market" valuation of collateral is performed
- Treasury utilizes two bank rating systems: Bauer and FIS. The depository ratings are reviewed quarterly and reported semi-annually to the Board of Finance and Revenue.