



KEN MILLER
OKLAHOMA STATE TREASURER

Certificates of Deposit Policy Statement

The State Treasurer recognizes that State deposits provide an important source of lending capital to Oklahoma's financial institutions. Therefore, subject to the cash needs of the State and limits established to control risk, it is the policy of this State Treasurer to permit a financial institution to have access to as much in state deposits as the financial institution requests, providing that the financial institution complies with all relevant requirements to safeguard State funds.

I. Scope

This policy applies to funds subject to the investment discretion of the Treasurer of the State of Oklahoma.

II. Objectives

The objectives of the Treasurer's policy are to ensure the safety of public deposits; to provide Oklahoma banks, savings banks, savings and loan associations and credit unions (financial institutions) with a source of funds; to ensure that such funds are made available in a convenient manner and on a fair and equitable basis; and to achieve a reasonable rate of return.

III. Legal Authority

Investments of State funds in certificates of deposit (CDs) are governed by statute and additional policies of the Treasurer. Among the applicable laws are 62 O.S., § 89.2 establishing CDs as a permissible investment; 62 O.S., § 72.1 governing security for public deposits; and the Financial Institutions Reform and Recovery Act, 12 U.S.C.A. § 1823(e), requiring written agreements with financial institutions when collateral securities are pledged.

IV. Obtaining and Securing State Deposits

Financial institutions wishing to obtain State funds by offering certificates of deposit are asked to contact the Treasurer's CD Desk and to comply with the following requirements designed to ensure the security of such funds. The Treasurer's office is committed to providing efficient, knowledgeable, and pleasant service regarding all such matters. Detailed requirements are explained in the rules of the State Treasurer governing Security for Public Deposits.

- A. **Collateral** Prior to the placement of State funds, securities must be pledged or collateral instrument provided, to collateralize the deposit. A summary of securities and collateral instruments eligible for pledging under 62 O.S., § 72.5 includes obligations of: the U.S. government and its agencies; this State or of an Oklahoma county, municipality, or school district; an instrumentality of this State or of an Oklahoma county, municipality or school district; general obligation bonds of other states; letters of credit issued by the Federal Home Loan Bank of Topeka; and surety bonds from highly rated insurance companies. Additional limitations are subject to the discretion of the Treasurer.
- B. **Documentation** To protect public funds, documentation and procedures are required that are designed to ensure that pledges are properly executed. Financial institutions must enter a Pledge Agreement with the State Treasurer, certify its approval by the board of directors or loan committee, and specify duly authorized bank officers. Thereafter, transactions are conducted using Pledge Forms.

V. **Rate and Terms**

The Treasurer's office sets rates for CDs on a weekly basis. To ensure fairness and equal access to funds, these "rates" (regular rate) are the same for all financial institutions and shall be set at 25 basis points over the yield for U.S. Treasury securities of comparable maturity. When the overnight Repurchase Agreement rate, as reported by Bloomberg, exceeds the yield on comparable U.S. Treasuries by 40 basis points or more the CD rate for the week will be set at the greater of the Three-month Overnight repurchase Agreement rate or the regular rate.

Deposits are normally made for 90 day and 180 day terms and are automatically rolled over unless notification is received at least three business days prior to maturity from the financial institution. The amount of general funds placed in 180-day certificates of deposit, shall be no more than \$100 million at one time. No single financial institution shall have more than \$5 million in 180-day certificates of deposit at one time.

VI. **Single Institution Concentration Limitation**

In order to mitigate the risks associated with a temporary illiquidity and to ensure fairness and equal access to funds, the total certificates of deposit in a single financial institution may not exceed \$20 million, subject to the discretion of the State Treasurer to approve a greater amount.