

**TITLE 735. STATE TREASURER**  
**CHAPTER 20. SECURITY FOR LOCAL PUBLIC ENTITY DEPOSITS**

**735:20-1-1. Purpose**

The purpose of this Chapter is to establish rules for the collateralization of local public entity funds on deposit with Oklahoma financial institutions.

**735:20-1-2. Definitions**

The following words and terms, when used in the Chapter, shall have the following meaning, unless the context clearly indicates otherwise:

**"Collateral Call"** means the practice of requiring a financial institution to pledge additional collateral when the fair market value of collateral that is currently pledged is determined to have fallen below the required amounts established in 735:20-1-3;

**"Collateral instruments"** means any instruments, other than securities, which are eligible to be accepted as collateral by a local public entity to secure public deposits under the Security for Local Public Deposits Act (62 O.S. §§ 517.1 et seq.) Such instruments shall include, but not be limited to, letters of credit issued by agencies or instrumentalities of the United States Government, and surety bonds issued by certain qualified insurance companies.

**"Collateral securities"** means the types of securities listed in the Security for Local Public Deposits Act (62 O.S. §§ 517.1 et seq.) of the Oklahoma Statutes for pledging as collateral;

**"Collateralized Mortgage Obligations" or "CMO's"** means securities which pool together mortgages and separate them into short-, medium-, and long-term positions called tranches. Tranches are set up to pay different rates of interest depending upon their maturity. CMO's include Real Estate Mortgage Investment Conduits ("REMIC's").

**"Duly Authorized Bank Officer"** means a bank officer listed on the "Certification of Adoption of [Board of Director's or Loan Committee's] Resolution" (OST Form 2001-3) in Appendix K of this Chapter, or "Certification of Removal and/or Appointment of Duly Authorized Bank Officers" (OST Form 2001-4) in Appendix L of this Chapter and approved by the board of directors or loan committee to conduct transactions on behalf of the financial institution.

**"Financial institution"** means any bank, savings bank, savings and loan association or credit union, whose deposits are insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or any successor institutions;

**"Letter of Credit" or "LOC"** means a definite undertaking in writing by a federal agency or instrumentality and authenticated by an authorized signature, to a local public entity as beneficiary, at the request of a financial institution with local public entity funds on deposit, to honor the financial institution's duty to return such funds on demand or on a date certain for time deposits.

**"Maintenance Percentage"** means the amount of collateral securities required to collateralize public entity funds on deposit. The maintenance percentage is set by the public entity treasurer at a set percentage amount of at least one-hundred percent (100%) of the funds deposited with the financial institution plus the interest due at maturity, in excess of the FDIC-insured limit;

**"Office of State Treasurer" or "OST"** means the agency governed by the State Treasurer.

**"Pledgor bank"** means a financial institution which is pledging collateral securities and/or collateral instruments to secure local public entity funds on deposit.

**"Public entity"** means *any county, city, town or board of education of a public school district or vocational-technical school district or other governmental or public entity of a local nature which is required or permitted by law to collateralize its deposits* [62 O.S. § 517.2].

**"Public entity funds on deposit"** means demand deposits and monies placed in certificates of deposit with participating financial institutions, as well as interest accrued through the date of repayment;

**"Safekeeping bank"** means a financial institution as described by the Security for Local Public Deposits Act (62 O.S. §§ 517.1 et seq.) of the Oklahoma Statutes, to hold collateral securities pledged to a local public entity in a restricted account;

**"State Treasurer" or "Treasurer"** means the individual who is the duly elected and acting Treasurer of the State of Oklahoma which is a statewide elected official and member of the Executive Branch of state government.

**"Surety bond"** means a bond or insurance policy which guarantees the obligations of a financial institution holding local public entity funds on deposit, to make payment on such deposits of the local public entity when due.

### **735:20-1-3. Public entity funds to be secured with collateral securities and/or collateral instruments**

All public entities which must comply with the Security for Local Public Deposits Act (62 O.S. §§ 517.1 et seq.), which have funds on deposit with financial institutions shall be secured through the pledge of collateral securities and/or provide collateral instruments to the local public entity. If a financial institution secures public entity funds on deposit using only collateral securities, the fair market value of the collateral securities pledged must be equal to or in excess of the maintenance percentage. If only collateral instruments are used to secure public entity funds on deposit, the total amount provided must be equal to or greater than the State funds on deposit in excess of the FDIC-insured limit plus interest due at maturity. Alternatively, if a financial institution pledges and provides both collateral securities and collateral instruments, the total of the fair market value of the securities and the amount of the instruments must be equal to or in excess of the maintenance percentage.

### **735:20-1-4. Pledge or provision of collateral required to receive local public entity funds on deposit**

Financial institutions accepting funds on deposit from public entities under the Security for Local Public Deposits Act, must transfer collateral securities to a safekeeping bank and/or provide collateral instruments to the public entity prior to receiving said funds. Financial institutions retain a right to substitute and withdraw collateral securities, and collateral instruments if:

- (1) the transaction would not reduce the total collateral pledged and provided below the required amounts as established in 735:20-1-3;
- (2) the transaction is otherwise in compliance with these rules and regulations; and

- (3) if the transaction is approved by the public entity treasurer.

**735:20-1-5. Pledging and Releasing Collateral Instruments**

These procedures shall be used when providing collateral instruments as security for public entity deposits. Permissible transactions under the rules are providing, releasing and substituting collateral instruments for collateral instruments or for collateral securities. When substituting collateral securities for collateral instruments, follow the procedures outlined in 735:20-1-6.

- (1) When providing collateral instruments:
  - (A) The financial institution (or "pledgor bank") shall:
    - (i) Complete original collateral instrument Pledge Form (OST Form 2001-6) in Appendix N of this Chapter, in the lines dealing with the description of the instrument .
      - (I) Instrument description
      - (II) Issuer
      - (III) Issue Date
      - (IV) Original face amount
    - (ii) Attach the Certificate of Insurance or Bank Deposit Guaranty Bond (for surety bonds) or Letter of Credit (for federal agency/instrumentality letters of credit) to the Pledge Form. For a Letter of Credit (LOC) from the Federal Home Loan Bank of Topeka (FHLB), the FHLB will deliver the LOC directly to the public entity treasurer, and a copy of the LOC should be attached to the Pledge Form.
    - (iii) Obtain the signature of the Duly Authorized Officers of the Pledgor Bank on the Collateral Instrument Pledge Form, and fill in the date of signing.
    - (iv) Forward Pledge Form and attached instruments to the public entity treasurer.
  - (B) The public entity treasurer shall:
    - (i) Review the documents, and if approved, execute Pledge Form and attach a copy of the collateral instrument, and
    - (ii) Retain original Pledge Form and collateral instrument. Forward one (1) copy of the Pledge Form to the pledgor bank.
  - (C) The federal agency/instrumentality or insurance company issuing the collateral instrument shall provide the public entity treasurer and OST with a quarterly listing of other institutions covered by collateral instruments by the issuer or provider of that instrument.
- (2) **Releasing Collateral Instruments.** The pledgor bank will only be allowed to release collateral instruments when there are no longer any of the public entity's funds on deposit or when the amount of the remaining collateral instruments and the fair market value of the remaining collateral securities is equal to or greater than the required amounts established in 735:20-1-3. When releasing collateral instruments:
  - (A) The pledgor bank shall complete the release portion on a copy of the original Pledge Form for the collateral instrument to be released and forward it to

the public entity treasurer.

(B) The public entity treasurer shall:

(i) Review document, and if approved, execute the release portion of the Pledge Form by signing and dating

(ii) Return one (1) copy of the Pledge Form to the pledgor bank

(3) **Substituting collateral instruments.** A pledgor bank will only be allowed to substitute one collateral instrument for another collateral instrument or for collateral securities, when the amount of the substitute collateral instrument and the amount of the remaining collateral is equal to or greater than the required amounts established in 735:20-1-3. This process will require a release and new pledge/substitution.

(A) The pledgor bank shall:

(i) Complete the release part on a copy of the original Pledge Form for the collateral instrument or collateral securities to be released.

(ii) Complete an original collateral instrument Pledge Form, (OST Form 2001-6) in Appendix N of this Chapter, for the collateral instrument being substituted, including the substitution portion listing the public entity treasurer's original pledge number, if assigned by the local public entity treasurer, for the collateral instrument or collateral securities being released.

(iii) Attach the Certificate of Insurance or Bank Deposit Guaranty Bond (for surety bonds) or Letter of Credit (for federal agency/instrumentality letters of credit) to the Pledge Form. For a Letter of Credit (LOC) from the Federal Home Loan Bank of Topeka (FHLB), the FHLB will deliver the LOC directly to the public entity treasurer, and a copy of the LOC should be attached to the Pledge Form.

(iv) Forward the copy of the original Pledge Form with the completed release(s), along with an original Pledge Form and the collateral instrument to be substituted, to the public entity treasurer.

(B) The public entity treasurer shall:

(i) Review the documents, and if approved, execute the release portion of the Pledge Form for the released collateral instrument or collateral securities and execute a new Pledge Form for the substituted collateral instrument.

(ii) Return one (1) copy of the release form and one (1) copy of the new Pledge Form to the pledgor bank.

(iii) For collateral securities held by a safekeeping bank other than the Federal Reserve Bank, return one (1) copy of the completed release form along with the custody receipt to the safekeeping bank.

(iv) For collateral securities pledged through the Federal Reserve Bank, return the "Request to Release Pledged Securities" form to the Federal Reserve Bank.

(v) Retain substituted collateral instrument and new Pledge Form.

(C) The federal agency/instrumentality or insurance company issuing the collateral instrument shall provide the public entity treasurer and OST with a

quarterly listing of other institutions covered by collateral instruments by the issuer or provider of that instrument.

- (4) The public entity treasurer, safekeeping bank and pledgor bank may send and receive pledge forms by mail or transmit by facsimile. Notices may be made by means of electronic transmission (fax, internet transmission) including E-mail or other technological means of communication acceptable to all parties. However, a hard copy of all such notices shall be maintained by the public entity treasurer, safekeeping bank and the pledgor bank consistent with their recordkeeping requirements set by statute or regulation.

### **735:20-1-6. Pledging and Releasing Collateral Securities**

(a) **Pledging through the Federal Reserve Bank.** The following procedures shall be used only when conducting transactions using the Federal Reserve Bank as a safekeeping bank. All other transactions shall use the procedures found at 735:20-1-6(B). Permissible transactions under the rules are: Pledging, Releasing and Substitution of collateral securities.

(1) **When pledging collateral securities:**

(A) The pledgor bank shall:

(i) Complete original Pledge Form (OST Form 2001-5) in Appendix M of this Chapter, in the lines dealing with the description of the Security:

(I) Security description

(II) Rate

(III) Issue date

(IV) CUSIP number

(V) Maturity date

(VI) Original face amount

(ii) Obtain the signature of the Duly Authorized Officers of the Pledgor Bank on the Collateral Securities Pledge Form, and fill in the date of signing.

(iii) Call Federal Reserve Bank and request security be pledged to generate an activity report.

(iv) The Federal Reserve Bank will then forward an activity report to the pledging bank and the public entity treasurer showing the pledge to the public entity.

(v) Forward Pledge Form to the public entity treasurer.

(B) The public entity treasurer will then:

(i) Review the documents, and if approved, execute Pledge Form by signing and dating.

(ii) Retain original form and activity report.

(iii) Forward one (1) copy of form to pledgor bank.

(2) **When releasing pledged collateral securities held at the Federal Reserve:** The pledgor bank will only be allowed to release collateral when there are no longer any of the public entity's funds on deposit or the current market value of any remaining collateral securities is equal to or greater than the maintenance percentage.

(A) The pledgor bank shall:

- (i) Complete the release portion on a copy of the original Pledge Form for collateral security to be released.
    - (ii) Forward the form to the public entity treasurer.
  - (B) The public entity treasurer shall:
    - (i) Review documents, and if approved, execute release form by signing and dating.
    - (ii) Complete Federal Reserve Bank Form "Request to Release Pledged Securities."
    - (iii) Return "Request to Release Pledged Securities Form" to Federal Reserve Bank.
    - (iv) Return one (1) copy of the completed release to the pledgor bank.
- (3) **Substitution of collateral securities held at the Federal Reserve.** A substitution of collateral securities may only be made when the current market value of the substitute collateral securities (plus any remaining pledged collateral) is equal to or greater than the maintenance percentage. This process will require a release and new pledge/substitution.
  - (A) The pledgor bank shall:
    - (i) Complete the release part on a copy of the original Pledge Form for collateral security to be released.
    - (ii) Complete new Pledge Form (OST Form 2001-5) in Appendix M of this Chapter for collateral security being substituted, including the substitution part listing the public entity's original pledge number for the collateral security being released.
    - (iii) Forward to the public entity treasurer the following:
      - (I) Release
      - (II) A new Pledge/Substitution Form
    - (iv) Call Federal Reserve Bank and request security be pledged to generate an activity report.
  - (B) The public entity treasurer shall:
    - (i) Review documents, and if approved, execute release and Pledge/Substitution forms by signing and dating.
    - (ii) Complete and fax to the Federal Reserve Bank the form, "Request to Release Pledged Securities.
    - (iii) The Federal Reserve will forward an activity report to the public entity treasurer and the pledging bank showing the pledge to the public entity.
    - (iv) Retain new Pledge/Substitution Form.
    - (v) Forward one (1) copy of the new Pledge/Substitution form and one (1) copy of the release form to the pledgor bank.
- (b) **Pledging through other Safekeeping Banks.** Use the "Collateral Securities Pledge" form for the public entity which is OST Form 2001-5 (Appendix M.)
  - (1) **Pledging Collateral Securities through other Safekeeping Banks.**
    - (A) The Pledgor Bank shall complete the following portions of the pledge form:

- (i) The interest rate of the security,
  - (ii) Issue date,
  - (iii) CUSIP number,
  - (iv) Maturity date, and
  - (v) The original face amount of the security
  - (vi) Obtain the signature of the Duly Authorized Officers of the Pledgor Bank who have been authorized to pledge and release collateral securities, and,
  - (vii) Fill in the Date of signing.
  - (viii) Fill in the name of the Safekeeping Bank
  - (ix) Send original pledge form to Safekeeping Bank
- (B) The Safekeeping Bank generates a safekeeping receipt, and forwards it with the pledge form to the public entity.
- (C) The public entity treasurer completes the form by signing, dating, and notating the custody receipt number on the pledge form.
- (D) The public entity treasurer provides a copy of the processed pledge form to the Pledgor Bank.
- (2) **Releasing collateral securities pledged through other Safekeeping Banks.** The pledgor bank will only be allowed to release collateral securities when there are no longer any of the public entity's funds on deposit or the current market value of any remaining collateral securities is equal to or greater than the maintenance percentage.
- (A) The pledging bank does the following:
    - (i) Fill out the Release information on the photocopy of the pledge form that was returned by the public entity treasurer, including signature of duly authorized bank officer and date of signing.
    - (ii) The Pledgor Bank will then forward the pledge release form to the public entity treasurer.
  - (B) The public entity treasurer shall:
    - (i) Review documents, and if approved, execute release form by signing and dating
    - (ii) Complete the release portion of the safekeeping receipt
    - (iii) Send release form with the release portion of the safekeeping receipt completed to the safekeeping bank.
- (3) **Substitution of collateral securities held at other Safekeeping Banks.** A substitution of collateral securities may only be made when the current market value of the substitute collateral securities (plus any remaining pledged collateral) is equal to or greater than the maintenance percentage. This process will require a release and new pledge/substitution.
- (A) The pledgor bank shall:
    - (i) Complete the release part on a copy of the original Pledge Form for the collateral security to be released.
    - (ii) Complete new Pledge Form (OST Form 2001-5) in Appendix M of this Chapter for the collateral security being substituted, including the substitution part listing the public entity's original pledge number for the

collateral security being released.

(iii) Forward to the public entity treasurer the following:

(I) Release

(II) A new Pledge/Substitution Form

(B) The public entity treasurer shall:

(i) Review documents, and if approved, sign and date the release and Pledge/Substitution forms.

(ii) Send release form with the released portion of the safekeeping receipt completed and new Pledge/Substitution Form to the safekeeping bank.

(C) The Safekeeping Bank generates a safekeeping receipt for the substituted collateral security, and forwards it with the new Pledge/Substitution form to the public entity.

(D) The public entity treasurer completes the form by signing, dating and notating the custody receipt number on the Pledge/Substitution Form.

(E) The public entity treasurer provides a copy of the Pledge/Substitution Form to the pledgor bank.

(4) The public entity treasurer, safekeeping bank and pledgor bank may send or receive pledge forms and notices by means of electronic transmission (fax, internet transmission) including E-mail or other technological means of communication acceptable to all parties. However, a hard copy of all such transactions shall be maintained by the public entity treasurer, safekeeping bank and the pledgor bank consistent with their recordkeeping requirements set by statute or regulation.

#### **735:20-1-7. Safekeeping receipt requirements**

Safekeeping receipts should include the security description, pool number, CUSIP number, safekeeping receipt number (unless pledged through the Federal Reserve Bank), coupon rate, issue date, maturity date, original face amount (par), and original value.

#### **735:20-1-8. Approved safekeeping banks**

All safekeeping banks must be approved by the State Treasurer. A safekeeping bank must either be a Federal Reserve Bank which serves Oklahoma, a Federal Home Loan Bank which serves Oklahoma, or a financial institution located in Oklahoma. A financial institution may not deposit securities as collateral with another financial institution that it owns or controls, or which is owned or controlled by the same holding company. Any financial institution which is not already an approved safekeeping bank at the time this rule becomes effective, may request approval by the State Treasurer. The request shall be in writing and must contain information which demonstrates that the financial institution has a demonstrated record of superior performance in the safekeeping of securities for third parties.

#### **735:20-1-9. Securities which can be pledged as collateral**

(a) Each public entity treasurer may select the type of collateral which is acceptable. The treasurer may select, but is not required to accept, any of the listed collateral below. The only securities which are acceptable for pledging as collateral securities for public entity deposits are

as follows:

- (1) United States Treasury Bills, Treasury Notes and Treasury Bonds
  - (2) General obligations of the State of Oklahoma and Oklahoma counties, municipalities and school districts, which obligations are not in default
  - (3) General obligations of any other state of the United States
  - (4) Obligations of instrumentalities of the State of Oklahoma and instrumentalities of Oklahoma counties, municipalities and school districts rated 1, 2, or 3 by the Municipal Rating Committee of Oklahoma, Inc.
  - (5) Revenue bonds or notes issued by a public trust which operates a public utility and of which the depositing entity is the sole beneficiary
  - (6) Bonds, Notes, or Obligations issued by the Government National Mortgage Association (GNMA), excluding CMO's
  - (7) Bonds, Notes, or Obligations issued by the Federal National Mortgage Association (FNMA), excluding CMO's
  - (8) Bonds, Notes, or Obligations issued by the Federal Home Loan Mortgage Corporation (FHLMC), excluding CMO's
  - (9) Bonds, Notes, or Obligations issued by the Federal Home Loan Banks (FHLB), excluding CMO's
  - (10) Bonds, Notes, or Obligations issued by the Federal Farm Credit Banks (Farm Credit), excluding CMO's
  - (11) Bonds, Notes, or Obligations issued by the Student Loan Marketing Association (SLMA)
  - (12) The guaranteed portion of loan pools containing loans guaranteed by the Small Business Administration (SBA), if the pools are being offered in the secondary market and where the guaranty of the SBA is not subject to any defenses or offsets, with the specific approval of the public entity treasurer, as to each pool
- (b) Revenue obligations of instrumentalities of the State of Oklahoma or of instrumentalities of Oklahoma counties and municipalities, which are insured and possess the highest rating from at least one nationally recognized rating agency acceptable to the State Treasurer, may be accepted as collateral. The use of other revenue obligations of instrumentalities of the State of Oklahoma or of instrumentalities of Oklahoma counties, municipalities and school districts, to secure public entity deposits must conform to the following conditions in order to be pledgeable:
- (1) It must be rated "A" or better by Standard and Poor's or Moody's, or both; and if rated by both services, the rating must be "A" or better in both services.
  - (2) The indenture authorizing the issue must stipulate that revenues available for debt service must equal not less than 1.25 times.
  - (3) The issuer must have a debt history covering the preceding six (6) years and must have covered its debt service during that period by 1.25 times.
  - (4) The financial institution is responsible for providing documentation verifying that the collateral meets the above requirements.
  - (5) Acceptance of collateral will be made on a case by case basis by OST.
- (c) Any obligation of the State of Oklahoma or its instrumentalities, or of counties, municipalities, school districts and their instrumentalities, which have been advance refunded and are being paid by an irrevocable escrow composed only of direct obligations of the United

States government.

(d) When reviewing the acceptability of a security offered to be pledged as collateral, the public entity treasurer may consider attributes of the security such as the source of debt service, credit quality, price volatility, whether the security is widely traded, the availability of market price information, or any other relevant factor.

**735:20-1-10. Acceptance of federal agency letters of credit to secure deposits**

Public entities may accept letters of credit (LOC's) from the Federal Home Loan Bank of Topeka ("FHLB of Topeka") as a collateral instrument to secure public entity funds on deposit with financial institutions. Each LOC shall be in a form and shall contain such terms as shall be acceptable to OST and the public entity. Such LOC's must be unconditional, standby letters of credit which designate the public entity as the irrevocable and unconditional beneficiary of the LOC. To remain qualified as an issuer of an LOC, the obligations of the FHLB of Topeka must be rated and remain rated in the highest rating category of at least one of the nationally recognized rating agencies acceptable to the public entity. The FHLB of Topeka may not provide LOC's for any one financial institution with public entity funds on deposit which exceed twenty percent (20%) of the FHLB of Topeka's capital and surplus. The financial institutions which use LOC's to secure public entity deposits shall be solely responsible for the cost of securing an LOC.

**735:20-1-11. Acceptance of surety bonds to secure deposits**

(a) Public entities may accept surety bonds as collateral instruments to secure public entity funds on deposit with financial institutions. A surety bond must meet the following statutory conditions to be accepted:

- (1) *subject to the terms and conditions of the bond, it is irrevocable and absolute,*
- (2) *the surety bond is issued by an insurance company authorized to do business in Oklahoma,*
- (3) *the issuer of the surety bond does not provide surety bonds for any one financial institution in an amount that exceeds ten percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance, and*
- (4) *the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the State Treasurer. [62 O.S. § 517.5(A)(4)].*

(b) The financial institutions which use surety bonds to secure public entity deposits shall be solely responsible for the cost of securing a surety bond. Surety bonds from any particular company may only be accepted after the State Treasurer's approval of the company.

**735:20-1-12. Valuation of Collateral**

The pledgor bank or the safekeeping bank is required to provide the public entity with a market valuation of the pledged collateral on at least a quarterly basis. Collateral for which a market valuation is not readily determinable will be considered unacceptable collateral for securing public entity deposits.

**735:20-1-13. Pledge Agreement and Certification of Adoption of [Board of Director's or**

### **Loan Committee's] Resolution required to participate in transactions**

(a) A public entity shall not place funds in excess of the FDIC-insured limit with institutions that have not entered into a "Pledge Agreement for Funds Held on Deposit" (OST Form 2001-1) or a "Tri-Party Public Deposit Pledge and Custody Agreement" (OST Form 2001-2) in Appendices A and B of this Chapter. If the Federal Reserve Bank or the Federal Home Loan Bank are the sole safekeeping bank, the treasurer should use the Pledge Agreement. If a Pledgor Bank uses only collateral instruments, the Pledge Agreement may be used. However, if there is any possibility that the Pledgor Bank may need to pledge collateral securities, and the Pledgor Bank has a safekeeping relationship with one of the privately owned safekeeping banks, the Tri-Party Agreement should be used. Whenever the safekeeping bank used is a privately owned safekeeping bank, the Tri-Party Agreement shall be used.

(b) The Financial institution wishing to receive state funds must complete the following steps:

(1) Complete two (2) originals of the Pledge Agreement or three (3) originals of the Tri-Party Agreement (OST Form 2001-1 or 2001-2) in Appendices I and J of this Chapter.

(2) Adopt the "Certification of Adoption of [Board of Director's or Loan Committee's] Resolution" (OST Form 2001-3) in Appendix K of this Chapter showing the acceptance of the Pledge Agreement or Tri-Party Agreement by either the Board of Directors or the Loan Committee, and listing the Duly Authorized Bank Officers authorized to do business with the public entity.

(3) Forward all of originals of the Pledge Agreement or Tri-Party Agreement and a certified copy of the Certification of Adoption of [Board of Directors' or Loan Committee's] Resolution to the public entity. After acceptance, the public entity will return one (1) signed original Pledge Agreement or Tri-Party Agreement to the financial institution for its records, and one (1) signed original Tri-Party Agreement to the safekeeping bank for its records.

(c) Upon the completion of the steps in (b) of this Section, the financial institution will be eligible to receive funds from the public entity. The financial institution must maintain the Pledge Agreement or the Tri-Party Agreement, the Certification and any transaction under the Pledge Agreement or Tri-Party Agreement as an official record within the meaning of 12 U.S.C. § 1823 (e), as amended, continuously from the time of its execution.

### **735:20-1-14. Collateral calls**

(a) The public entity treasurer will determine the fair market value of the collateral securities pledged to secure public entity funds on deposit not less than quarterly. Such market information shall be supplied by either the pledgor bank or safekeeping bank. If, after determining the value of the pledged collateral securities, the amount is less than the maintenance percentage, the public entity treasurer will impose a collateral call.

(b) The public entity treasurer may impose collateral calls at any time, and reserves the right to require compliance to collateral calls immediately. If compliance to collateral calls cannot be met, then the public entity treasurer reserves the right to reduce the amount of the outstanding balances at the pledgor bank without penalty to the public entity.

### **735:20-1-15. Addition and removal of Duly Authorized Bank Officers**

When institutions find it necessary to remove names from, or add names to the list of Duly Authorized Bank Officers, the following procedure must be used:

(1) The financial institution shall complete the "Certification of Removal and/or Appointment of Duly Authorized Bank Officers" (OST Form 2001-4) in Appendix L of this Chapter showing the names to be removed and/or added to the list of Duly Authorized Bank Officers. If the financial institution wishes to conduct only one procedure, either adding or removing a duly authorized bank officer, than the other should be marked "not applicable."

(2) The financial institution shall then forward a certified copy of the Certification to the public entity treasurer. The original shall be maintained by the financial institution as an official record of the financial institution within the meaning of 12 U.S.C. § 1823 (e), as amended, continuously from the time of its execution.