

# **Collateral Policy and Procedures**



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## **Purpose:**

The purpose of the Collateral Policy and Procedures is to ensure compliance with state code sections §12-1-4 and §12-1-5 which governs bonds pledged by depositories and limitations on amounts of deposits. These policies and procedures are published to provide a comprehensive guide to depositories which have pledged or will need to pledge collateral with the State Treasurer's Office (STO).

## **Policy:**

The STO reviews all collateral requests from approved state depositories. Any requests will be approved by the STO in accordance with West Virginia code §12-1-4 and §12-1-5. The STO will request balances for all state accounts on a quarterly basis from approved state depositories to ensure all state funds are properly collateralized.

## **Procedures:**

### **I. Why is collateral required?**

A. Deposits of state funds in excess of the amount insured by an agency of the federal government (for example FDIC insurance) must be separately collateralized in accordance with §12-1-5 to minimize the state's financial risk.

B. *§12-1-5. Limitation on amount of deposits.*

*The amount of state funds on deposit in any depository in excess of the amount insured by an agency of the federal government shall be secured by a deposit guaranty bond issued by a valid bankers surety company or by other securities acceptable to the treasurer in an amount of at least one hundred two percent of the amount on deposit. The value of the collateral shall be determined by the treasurer.*

C. The amount of state funds in excess of insured amounts must at least be 102% of the market value of the pledge collateral.

1. The value of collateral is determined by the safekeeping agent designated by the STO. This is currently Truist.

### **II. Types of Acceptable Collateral**

A. The following items are acceptable forms of collateral to pledge for deposits held for the State of West Virginia:

1. Bonds of the United States
2. Bonds of the Federal Land Banks
3. Bonds of Federal Home Loan Banks

4. Bonds of the State of West Virginia or any county, district or municipality of this state
5. Federal Home Loan letters of credit
6. Other bonds, securities or letters of credit approved by the State Treasurer

### **III. How the Amount of Collateral Needed is Determined**

- A. Depositories are required to provide balances for all state accounts and time deposits on a quarterly basis.
- B. The market value of all pledged collateral is obtained from the safekeeping agent of the STO. Although the STO is the final determining authority of the market value.
- C. The state funds deposited at the depository are totaled by Federal Employer Identification Number (FEIN).
- D. Each FEIN total is then reduced by the amount covered by FDIC insurance.
- E. Any FEIN total greater than zero after the FDIC insurance deduction is then totaled and compared to 102% of the current market value for all collateral pledged for the depository.
  1. If 102% of the collateral total is greater than the adjusted balance total, no additional is required.
  2. If the adjusted balance is greater than 102% of the collateral total, additional collateral is required until the adjusted balance is less than 102% of the market value of the total collateral.
- F. Depositories need to monitor their collateral position in regards to the fluctuating balances to determine if they need to change their collateral position frequently.
- G. The STO reserves the right to require a larger balance of collateral to be pledged by any financial institution.

### **IV. Delivery of Collateral**

- A. Federal Home Loan Bank Irrevocable Standby Letter of Credit may be faxed to 304-340-1511 or emailed to CollateralGroup@wvsto.com.
- B. DTC eligible securities and US government securities must first be approved by the STO.

1. Complete the attached Collateral Request Form (see instructions) and email it to [CollateralGroup@wvsto.com](mailto:CollateralGroup@wvsto.com).
2. The email must be sent from an authorized individual. This information must be provided to the STO prior to the request.
3. The STO will review the request and accept or deny the request via email.
4. If approved, the STO will contact their safekeeping agent to authorize the delivery or receipt of the security. It is the responsibility of the requesting financial institution to notify their safekeeping agent.

## **V. Contact Information**

- A. If a depository has any questions, contact the STO at 304-558-3599 or 866-243-9010.
- B. Questions may also be submitted via email at [CollateralGroup@wvsto.com](mailto:CollateralGroup@wvsto.com).

## Completing the Collateral Request Form

All collateral requests must complete the Collateral Request Form except for Federal Home Loan Bank Irrevocable Letter of Credit requests.

1. **Pledge/Release** – Select Pledge for a security that will be delivered to the STO safekeeping agent or Release for a security that will be delivered from the STO safekeeping agent.
2. **Delivery Instructions for Truist** – Select the appropriate delivery method, either DTC Eligible Securities or US Government Securities, and enter your 10 digit Truist collateral account number in the account number field. This information must be provided for both pledge and release requests.
3. **Delivery Instructions for Collateralized Bank** – Select the appropriate delivery method, either DTC Eligible Securities or US Government Securities, and provide the required information. This information must be provided for both pledge and release requests. Your safekeeping agent should be able to provide this information to you when needed.
4. **Receive Free From/Deliver Free To** – This is the name of your financial institution.
5. **Delivery Date** – This is the date the trade should settle.
6. **Description of Collateral** – Provide the requested information for the collateral to be considered for the request.

The completed request should be emailed to the STO at [CollateralGroup@wvsto.com](mailto:CollateralGroup@wvsto.com) by an authorized individual on file with the STO. Authorized individuals should be updated with the STO as needed.

The STO will respond to the email accepting or denying the request. If the request is accepted, it is the depository's responsibility to notify their safekeeping agent of the delivery to/from the STO.

Any questions should contact the STO at 304-558-3599 or 866-243-9010. Questions may also be emailed to [CollateralGroup@wvsto.com](mailto:CollateralGroup@wvsto.com).



- PLEDGE (RECEIVE FREE) OF COLLATERAL SECURITIES**  
**or**  
 **RELEASE (DELIVER FREE) OF COLLATERAL SECURITIES**

The following security is/will be pledged as collateral to secure public deposits of the State of West Virginia and/or any agency of the State and is delivered to Truist as agent of the State or is released to our custody per the following instructions:

**DELIVERY INSTRUCTIONS FOR TRUIST**

Please select the appropriate delivery method:

- |   |  |
|---|--|
| <input type="checkbox"/> <b>DTC Eligible Securities</b><br>DTC # 2039 SEI Private Trust Co.<br>Participate ID.<br>Account # _____ | <input type="checkbox"/> <b>US Government Securities</b><br><b>FRB Mnemonic:</b> US Bank, N. A. Trust<br><b>ABA #</b> 042000013 <b>Sub Acct:</b> 1050/Trust<br><b>SEI Account:</b> 001050985490 <b>Further Party Info (or Free Text):</b> SEI A/C#/Name<br><br>Account # _____ |
|---|--|

**DELIVERY INSTRUCTIONS FOR COLLATERALIZED BANK**

Please select the appropriate delivery method:

- |   |   |
|---|---|
| <input type="checkbox"/> <b>DTC Eligible Securities</b><br>DTC # _____<br>Agent ID # _____<br>Institution ID # _____<br>Account # _____ | <input type="checkbox"/> <b>US Government Securities</b><br>Bank Wire Address _____<br>ABA # _____<br>Account # _____ |
|---|---|

Receive Free from/Deliver Free to \_\_\_\_\_  
 Delivery Date: \_\_\_\_\_  
 Requesting Bank Name/Client Name \_\_\_\_\_

**DESCRIPTION OF COLLATERAL:**

**CUSIP Number:** \_\_\_\_\_  
**Security Name:** \_\_\_\_\_  
**Issue Date:** \_\_\_\_\_  
**Maturity Date:** \_\_\_\_\_  
**Coupon Rate:** \_\_\_\_\_  
**Face Value:** \_\_\_\_\_  
**Approximate Market Value:** \_\_\_\_\_

**WVSTO use only:**

**Authorized Signature:** \_\_\_\_\_  
**Print Name:** \_\_\_\_\_  
**Approval Date:** \_\_\_\_\_

**WVSTO Office Contacts:**

Please send completed form to:  
[CollateralGroup@wvsto.com](mailto:CollateralGroup@wvsto.com)

or contact us at (304)558-3599 for questions.