BANKING POLICY AND PROCEDURES

Policy Cited from: OCGA 50-17-50, 50-17-51, 50-17-52, 50-17-53, 50-17-54, and 45-8-12

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 a 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 three years in participation with Office of the State Treasury.

Creation and purpose of the State Depository Board

The State Depository Board, referred to as the "state depository board," is created, consisting of the Governor, the Commissioner of Insurance, the state accounting officer, the commissioner of banking and finance, the state revenue commissioner, the commissioner of transportation, and the state treasurer, referred to in this article as 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 or trust company which has its deposits insured by the Federal Deposit Insurance Corporation. The board may also name and appoint as state depositories of state funds any building and loan association or federal savings and loan association which has its deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit 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 DFCS purposes, "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.

A. Process for approval of new depository accounts or new banking services.

1. If a DFCS office determines they need to request a new depository account or a new banking service they will need to complete the REQUEST TO ESTABLISH OR TO CHANGE A BANK ACCOUNT form and submit to the DFCS Director of Fiscal Services prior to meeting with a new bank. The DFCS Director of Fiscal Services will submit REQUEST TO ESTABLISH OR TO CHANGE A BANK ACCOUNT form to the Office of the State Treasurer (OST) who will approve or deny the banking services requested.

1. Prior to the beginning of each fiscal year, the Office of the State Treasury will solicit fee schedules from each bank participating in the Statewide Banking Program. 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. Office of the State Treasury will incorporate the fee schedules into an agreement with each bank. Bank fee schedules for the qualified banks will be in effect for the next fiscal year, but may be amended to achieve reductions in fees. A listing of all statewide approved banks and their fee schedules are for review at the end of this document.

2. Office of the State Treasury shall prepare a proforma analysis for any DFCS office requesting a new bank account or new service or change in banks or banking services that compares the total service costs of each bank for the proposed service(s). The three banks with the lowest total cost, as indicated by the analysis, will be eligible to provide the desired services.

3. On completion of the analysis, Office of the State Treasury will forward the list of eligible banks and their associated costs to the DFCS Director of Fiscal Services. DFCS county offices will then have the option of choosing a bank from the list of the three lowest priced service providers, or opting to participate in the streamlined banking program. All selections made by DFCS shall be reported back to Office of the State Treasury with a request for approval from the State Depository Board.

4. If DFCS believes that none of the eligible institutions can 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 state depository board.

5. Office of the State Treasury is required to notify DFCS Director of Fiscal Services in writing upon board approval or denial of any new state depository or service relationship. Office of the State Treasury will maintain a registry of all banking depository relationships.

6. Requests for any expansion of banking services also should be submitted to Office of the State Treasury and the State Depository Board for approval. At the discretion of the State Treasurer,

any expansion of existing banking services that is likely to increase fees significantly should also be submitted to the State Depository Board for review.

B. Process for periodic review of banking services.

1. In addition to evaluating requests for new deposit accounts or new banking services, Office of the State Treasury shall reevaluate all DFCS banking services every three years, in line with a time-table prepared by Office of the State Treasury or when requested by DFCS. As an alternative a DFCS office may choose to transfer their banking services to the banks providing the streamlined banking program to the state, in lieu of reevaluation.

2. If the periodic reevaluation indicates that a DFCS office is not banking with one of the three lower cost providers for a particular service, the DFCS office may be required to select a new bank.

3. Office of the State Treasury shall prepare a proforma 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 each bank for the proposed service(s). The three banks with the lowest total cost, as indicated by the analysis, will be eligible to provide the desired services.

4. On completion of the analysis, Office of the State Treasury will forward the list of eligible banks and their associated costs to the DFCS Director of Fiscal Services. A DFCS office will have the option of choosing a bank from the list of the three lowest priced service providers, or opting to participate in the streamlined banking program. All selections made by a DFCS office shall be reported back to Office of the State Treasury with a request for approval from the State Depository Board.

5. If DFCS believes that none of the eligible institutions can 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. Office of the State Treasury is required to notify DFCS in writing upon board approval or denial of any new state depository or service relationship. Office of the State Treasury will maintain a registry of all banking depository relationships.

C. Interest Income and Bank Fees

NOTE: Only the treasury's operating funds bank account can earn interest to defray the cost of bank fees. All DFCS restricted funds accounts may draw interest on funds obtained from Social Security Administration, Child Support Enforcement or Local entities.

D. Current State Approved Participants in the Bank Fee Program as of November 1, 2011:

1. Bank of America
2. Branch Banking & Trust Company
3. Columbus Bank & Trust
4. Citibank
5. Citizens Trust
6. Fifth Third
7. JP Morgan Chase
8. Regions
9. SunTrust
10. Wells Fargo

E. Qualifications for Depository Institutions seeking approval from the Office of the State Treasury

State Depository Institutions should meet the following criteria to qualify to be considered as a state approved 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 Highline Financial (or successor companies) of 35 or greater.

In the event a depository fails to meet one or more of the above requirements, they 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.

The preceding information may be obtained from summary financial reports published by the FDIC and is available on the Internet.

Periodically Office of the State Treasury, 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.

For a limited period of time from January 1, 2011 to December 31, 2012 (unless extended) at the discretion of the State Treasurer, DFCS may continue in depository relationships with banks not meeting the above listed qualifications if the deposit accounts are non-interest bearing transaction accounts and are covered by unlimited deposit insurance coverage or guarantee provided by the Federal Deposit Insurance Corporation as provided for under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

F. Authority to determine amount to be deposited; deposit security required

To enable the state depository board to fulfill its responsibilities of ensuring safe and effective cash management, the state depository 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

4. The policies and procedures governing the collection, processing, depositing, and withdrawal of state funds.

G. Statutory Requirements for monitoring financial condition of depositories

It shall be the duty of the state depository 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 state depository 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 state depository board to direct the state treasurer to withdraw the money of the state from such depository.

In case the state depository 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.

H. Deposit Collateralization and Depository Credit Limits

On January 29, 2009 the following banking policy for deposit collateralization and depository credit limits was approved by the State Depository Board.

- All state demand and time deposits shall be collateralized. The value of collateral shall be equal to but not less than 110% of the funds being secured after the deduction of the amount of deposit insurance.
- The total state deposit limit 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.

NOTE: Deposit of funds in banks or depositories – Depositories are to give bonds; pledge of securities in lieu of bonds; acceptance of federal insurance as security; combination of securities; aggregate amount of bond

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

I. Cash Management Policies and Procedures

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

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

1. 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.

2. 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.

3. 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.

NOTE: **DFCS MAY NOT ACCEPT**, as part of this Proposal Request for Banking Services, **services which are designed to directly benefit agency employees such as free checking, special interest rates, etc. The bank may only offer services that are offered to all customers.**