



A PROGRAM BROUGHT TO YOU BY:

JOSH MANDEL

TREASURER OF OHIO

General Session: Ohio Pooled Collateral System (OPCS)

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OPCS Background

OPCS

- The Ohio Pooled Collateral System (OPCS) allows for participating Financial Institutions (FI) to pool collateral for Ohio Public Unit's (PU) deposits.
- The Treasurer of State (TOS) is the sole administrator and monitor of the program.
- FI's will chose to 1) participate in the pooling method (OPCS)
 collateralizing at 102% or a rate set by the Treasurer in rule or 2) not
 participate in OPCS and collateralize all public entities with specific
 the pledge method at 105%.

OPCS Background

- Changes in the State budget bill H.B. 64 of the 131st General Assembly:
 - Lien perfection now required for specific pledge method and the Ohio Pooled Collateral System (OPCS)
 - Ohio Pooled Collateral System implemented on July 1, 2017
- H.B. 340 created the option for rule based collateral in Ohio
 - This permitted the Treasurer to adopt rules that would allow a financial institution that participates in OPCS to collateralize public deposits at a rate lower than 102%.

Benefits of OPCS

- Centralized collateral monitoring will save time and resources for local governments by shifting the administrative burden for managing pledged collateral to the Treasurer of State.
- Provides administrative benefits for financial institutions by streamlining the processing and management of pledged collateral.
- Guards against fraud since the TOS will be able to see all pledged collateral compared to the total amount of public deposits at a financial institution.
- OPCS does not impact a local governments ability to select which eligible institution will hold its deposits.

Monitoring Responsibility

Specific Pledge Method

Responsibility for monitoring the FI's compliance falls solely on the public entity who is required to maintain a record of all securities pledged at all times.

Pooling Method

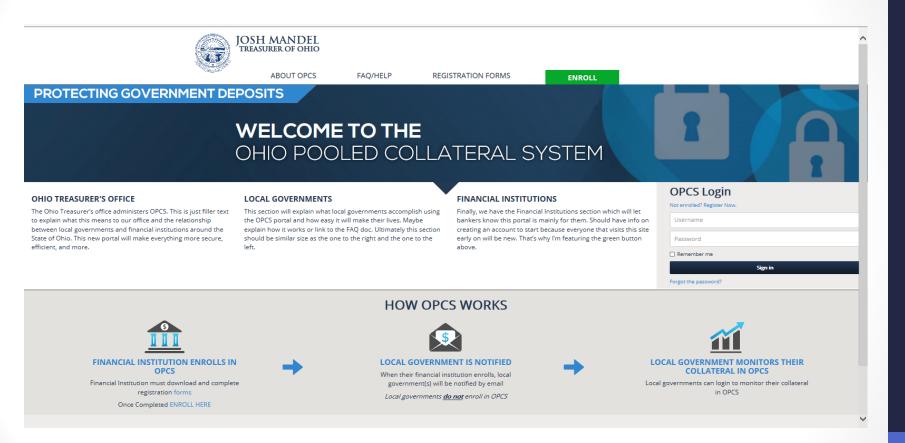
TOS is responsible for monitoring the FI's collateral levels and compliance. The FI will be required to electronically report to the OPCS. The FI may choose any eligible and approved collateral trustee and pledge a single pool of collateral through OPCS for all of the FI's uninsured Ohio public entity deposits.

Public Unit Responsibilities

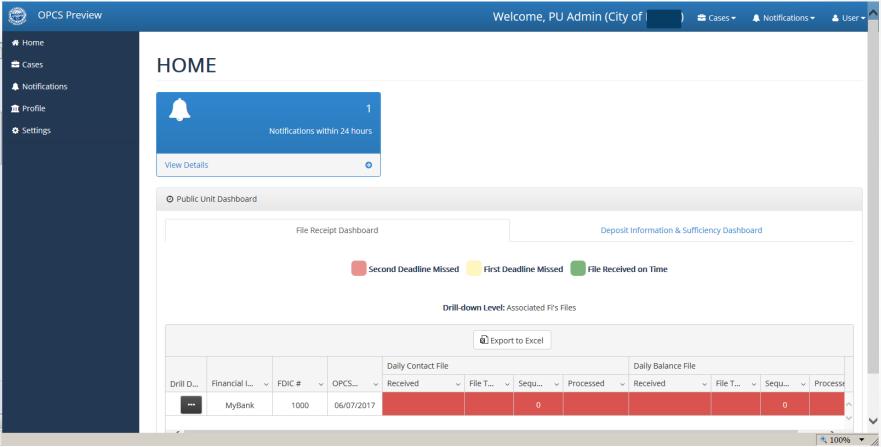
- Public Units will Participate in OPCS Using the Following Methods:
 - The Treasurer of State will provide market pricing of all collateral and publish the reports on the OPCS portal.
 - Public Units will be responsible for reviewing and monitoring the reports posted, verifying the accuracy of reports of their itemized deposits, and reporting any discrepancies to their financial institution.
 - Public Units will mutually agree to communication prompts with their financial institution to notify the financial institution of any atypical changes in deposits within a reasonable time prior to the change.
 - The Treasurer of State will provide OPCS access to the public units.
 - Public units shall periodically certify account details, including deposit balances, and contact details are correct, in accordance with the schedule set by the Treasurer of State.
 - Public Units may negotiate a public unit negotiated collateral requirement for individual accounts with their financial institution, which may be higher than the statutory collateral requirement or the reduced collateral floor as applicable.

OPCS Portal

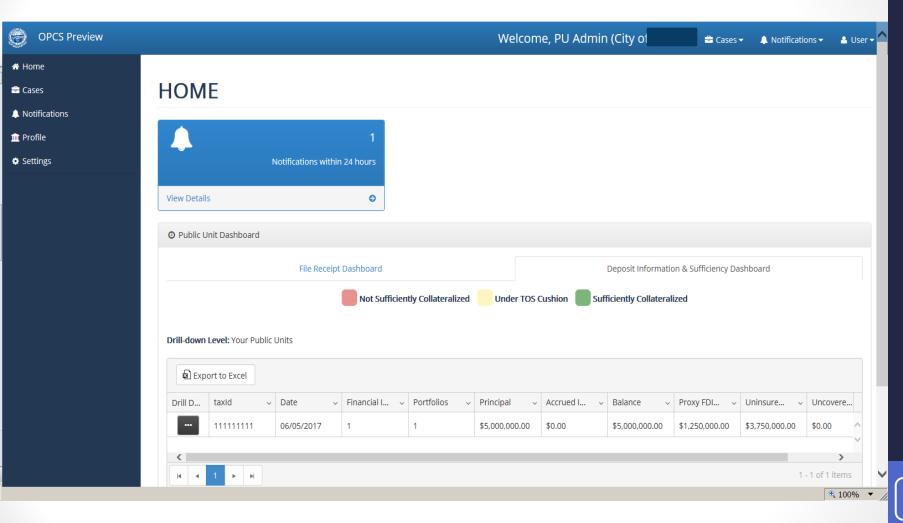
OCPS Website – opcs.ohio.gov



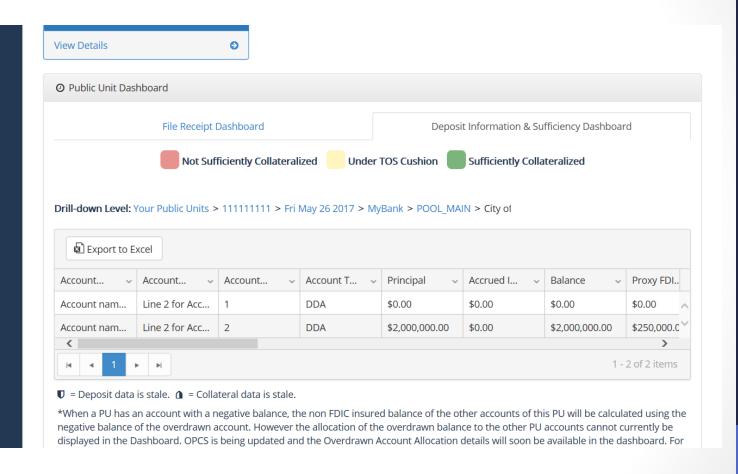
OPCS Home Page



OPCS Dashboards



OPCS Dashboards



SCALE Model

Model Objectives

- The Treasurer's Office is using the following objectives for the Model:
 - Be stringent, but fair
 - Be transparent, objective, and externally reproducible be predictable
 - Only use data for evaluation from externally and publically available sources, no additional data requested from FIs
 - Evaluate a FI's micro-economic condition, as well as its relative position to Ohio, regional, and national peer groups
 - Evaluate and take into account macro-economic indicators
 - Recognize and risk account when external market data elements are unavailable for a FI

The model does not imply, create, or construe the Treasurer's Office as a de facto ratings agency

Components

SCALE Components

- <u>Sensitivity</u> to Risk is the degree to which changes in interest rates, foreign exchange rates, commodity prices, or equity prices can adversely affect a bank's earnings or economic capital.
- <u>Capital Adequacy is a measurement of a bank to determine if solvency can be maintained due to risks that have been incurred as a course of business.</u>
- <u>A</u>sset Quality evaluates risk, controllability, adequacy of loan loss reserves, and acceptable earnings; and the effect of off-balance sheet earnings and loss.
- <u>L</u>iquidity is what a bank requires if funding is interrupted and the bank must still be able to meet certain obligations, i.e. the bank's ability to repay depositors and other creditors without incurring excessive costs.
- <u>Earnings</u> determine the ability of a bank to increase capital (through retained earnings), absorb loan losses, support the future growth of assets, and provide a return to investors.

Questions