

As Ohio continues to respond to the economic challenges brought on by COVID-19, many banks across the state have seen their liquidity stretched thin in recent months. To assist these banks and provide additional support, Ohio Treasurer Robert Sprague will execute negotiated demand deposits with approved Ohio public depository institutions ("FIs") to expand balance sheet liquidity and make safe and prudent investments for the Ohio Treasury.

Effective Date:

April 20, 2020

Eligible Financial Institutions¹:

All FIs that currently are or will be designated as a public depository by the State Board of Deposit during the biennium that commenced July 2, 2018 and ends July 5, 2020 pursuant to Ohio Revised Code ("ORC") §§ 135.03 and 135.12.

Deposit Amount:

An eligible FI can request a negotiated demand deposit in an amount equal to the lesser of: 1) twenty-five per cent (25%) of the FI's Bank Equity Capital; or 2) twenty-five million dollars (\$25,000,000). The FI's total Ohio public deposits cannot exceed the FI's statutory public deposit limit set by ORC § 135.03, which equals thirty per cent (30%) of the FI's Total Assets.

Collateral:

The negotiated demand deposit must be secured with eligible collateral as defined in ORC §§ 135.18 and 135.182.

Term²:

Eligible FIs may request a negotiated demand deposit to remain on deposit for a period not to exceed six (6) consecutive months from the date of deposit. The Treasurer's office reserves the right to withdraw funds should the state treasury's liquidity needs require. The Treasurer's office will use its best efforts to notify the FI of a need to withdraw any amounts from a negotiated demand deposit. Additionally, the Treasurer's office may agree, in its sole discretion, for the negotiated demand deposit to remain on deposit beyond the originally requested term.

Interest Rate:

A negotiated demand deposit will accrue interest at a rate equal to the Federal Funds Target Rate – Lower Bound plus two (2) basis points (the "Interest Rate"). The Interest Rate for the negotiated demand deposit will change beginning on the first day after any movement to the Federal Funds Target Rate – Lower Bound. The negotiated demand deposit will accrue interest daily on an actual/365 basis. Interest is payable monthly, on the first business day, for interest accrued in the prior month.

Fees:

There are no associated fees.

Process:

The application form for a negotiated demand deposit can be downloaded at ohiotreasurer.gov/Financial_Institutions and submitted to deposits@tos.ohio.gov. Upon submission of an application, the FI will be contacted by the Treasurer's office to work through the terms of the Negotiated Demand Deposit Agreement ("Agreement"). Negotiated demand deposits will be funded on Friday of each week for Agreements fully executed and collateralized by noon on Tuesday.

¹ A list of designated public depositories is available at OhioTreasurer.gov/depositorybanks. Questions about how to be designated as a public depository should be directed to christopher.litton@tos.ohio.gov

² If the term of the negotiated demand deposit extends beyond July 5, 2020, the FI will also need to be designated as a public depository for the biennium that will commence July 6, 2020 and end July 3, 2022.