

## Rule Summary and Fiscal Analysis

### Part A - General Questions

**Rule Number:** 113-40-03

**Rule Type:** New

**Rule Title/Tagline:** Reduced collateral floor application and maintenance criteria.

**Agency Name:** Treasurer of State

**Division:**

**Address:** 30 E. Broad Street 10th Floor Columbus OH 43215

**Contact:** Paul Thies

**Phone:** 614-696-6649

**Email:** Paul.Thies@tos.ohio.gov

#### **I. Rule Summary**

**1. Is this a five year rule review? No**

**A. What is the rule's five year review date?**

**2. Is this rule the result of recent legislation? No**

**3. What statute is this rule being promulgated under? 119.03**

**4. What statute(s) grant rule writing authority? R.C. 135.182**

**5. What statute(s) does the rule implement or amplify? R.C. 135.18, R.C. 135.182**

**6. Does the rule implement a federal law or rule in a manner that is more stringent or burdensome than the federal law or regulation requires? No**

**A. If so, what is the citation to the federal law or rule? Not Applicable**

**7. What are the reasons for proposing the rule?**

The Treasurer of State (TOS) has concluded that the Rule should be amended to provide the process TOS will utilize, along with evaluation criteria, when considering a financial institution's application for a reduced collateral floor.

**8. Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

Like the current rule, the proposed new rule outlines a financial institution's application requirements and the results of its being approved or denied. (See, current rule 113-40-03(A)(1) through (2)).

The proposed rule next outlines the evaluation process which replaces the SCALE model. The SCALE model is propriety and the vendor has indicated that it will no longer support the model after December of 2023. TOS held a series of meetings with stakeholders to review necessary revisions to the Ohio Pooled Collateral Program. Based off the feedback received and further research and evaluation, TOS is proposing an alternative method to evaluate and permit banks for reduced collateral that does not require a contingent liability feature or an asset size eligibility threshold. The proposed new rule details the sources of data TOS will use with the new evaluation method, (see, proposed paragraph (B)), and outlines the criteria for approval of an application (see, proposed paragraph (C)(1) through (5)). Finally, current paragraph 113-40-04(A)(7) has been moved to the body of proposed new rule 113-40-03 as the content of the paragraph is still appropriate and in line with current practice. TOS is concurrently proposing the rescission of rule 113-40-04.

9. **Does the rule incorporate material by reference?** No
10. **If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.75, please explain the basis for the exemption and how an individual can find the referenced material.**

*Not Applicable*

11. **If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

None

## **II. Fiscal Analysis**

12. **Please estimate the increase / decrease in the agency's revenues or expenditures in the current biennium due to this rule.**

This will have no impact on revenues or expenditures.

0

Not applicable

13. What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?

Not applicable

14. Does the rule increase local government costs? (If yes, you must complete an RSFA Part B). No

15. Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C). No

16. If the rule imposes a regulation fee, explain how the fee directly relates to your agency's cost in regulating the individual or business.

Not applicable

### **III. Common Sense Initiative (CSI) Questions**

17. Was this rule filed with the Common Sense Initiative Office? No

18. Does this rule have an adverse impact on business? No

A. Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? No

B. Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? No

C. Does this rule require specific expenditures or the report of information as a condition of compliance? No

D. Is it likely that the rule will directly reduce the revenue or increase the expenses of the lines of business of which it will apply or applies? No

### **IV. Regulatory Restriction Requirements under S.B. 9. Note: This section only applies to agencies described in R.C. 121.95(A).**

19. Are you adding a new or removing an existing regulatory restriction as defined in R.C. 121.95? No

**A. How many new regulatory restrictions do you propose adding to this rule?**

Not Applicable

**B. How many existing regulatory restrictions do you propose removing from this rule?**

Not Applicable

**C. If you are not removing existing regulatory restrictions from this rule, please list the rule number(s) from which you are removing restrictions.**

Not Applicable

**D. Please justify the adoption of the new regulatory restriction(s).**

Not Applicable

**Rule Summary and Fiscal Analysis**

**Part A – General Questions**

**Rule Number:** 113-40-03

**Rule Type:** Five Year Review: Rescind and New

**Rule Title/Tagline:** Reduced collateral floor application and maintenance.

**Agency Name:** Treasurer of State

**Division:**

**Address:** 30 East Broad Street, 9th Floor, Columbus, OH 43215

**Contact:** Paul Thies **Phone:** 614-696-6649

**Email:** Paul.Thies@tos.ohio.gov

**I. Rule Summary**

**1. Is this a five year rule review?**

Yes.

**A. What is the rule's five year review date?**

2/2/2023

**2. Is this rule the result of recent legislation?**

No

**A. If so, what is the bill number, General Assembly and Sponsor?**

**3. What statute is this rule being promulgated under?**

R.C. 119.03

**4. What statute(s) grant rule writing authority?**

R.C. 135.182

**5. What statute(s) does the rule implement or amplify?**

R.C. 135.18, 135.182

**6. What are the reasons for proposing the rule?**

Upon review, the Treasurer of State (TOS) has concluded that the Rule should be amended to provide the process TOS will utilize, along with evaluation criteria, when considering a financial institution's application for a reduced collateral floor.

**7. Summarize the rule's content, and if this is an amended rule, also summarize the rule's changes.**

Current rule 113-40-03 contemplates a financial institution's application for a reduced collateral floor. In reviewing the rule, along with the others contained in this package, it was determined that more than half of the current rule would need to be deleted and replaced with both amended and new language. Consequently, it was determined that the best procedure is to rescind current rule 113-40-03 and replace it with a new rule. Like the current rule, the proposed new rule outlines a financial institution's application requirements and the results of its being approved or denied. (See, current rule 113-40-03(A)(1) through (2)).

The proposed rule next outlines the evaluation process which replaces the SCALE model. The SCALE model is propriety and the vendor has indicated that it will no longer support the model after

December of 2023. TOS held a series of meetings with stakeholders to review necessary revisions to the Ohio Pooled Collateral Program. Based off the feedback received and further research and evaluation, TOS is proposing an alternative method to evaluate and permit banks for reduced collateral that does not require a contingent liability feature or an asset size eligibility threshold. The proposed new rule details the sources of data TOS will use with the new evaluation method, (see, proposed paragraph (B)), and outlines the criteria for approval of an application (see, proposed paragraph (C)(1) through (5)). Finally, current paragraph 113-40-04(A)(7) has been moved to the body of proposed new rule 113-40-03 as the content of the paragraph is still appropriate and in line with current practice. The remainder of rule 113-40-04 references an evaluation model (the SCALE model) TOS will no longer utilize. Consequently, TOS is concurrently proposing the rescission of rule 113-40-04.

**8. Does the rule incorporate material by reference?**

No.

**9. If the rule incorporates material by reference and the agency claims the material is exempt pursuant to R.C. 121.75, please explain the basis for the exemption and how an individual can find the referenced material.**

Not Applicable.

**10. If revising or re-filing the rule, please indicate the changes made in the revised or re-filed version of the rule.**

None.

**II. Fiscal Analysis**

**11. Please estimate the increase / decrease in the agency's revenues or expenditures in the current biennium due to this rule.**

This proposed rulemaking does not impact the agency's revenues or expenditures in the current biennium.

**12. What are the estimated costs of compliance for all persons and/or organizations directly affected by the rule?**

This rule does not directly impose additional compliance costs.

**13. Does the rule increase local government costs? (If yes, you must complete an RSFA Part B).**

No.

**14. Does the rule regulate environmental protection? (If yes, you must complete an RSFA Part C).**

No.

**15. If the rule imposes a regulation fee, explain how the fee directly relates to your agency's cost in regulating the individual or business.**

Not applicable.

### **III. Common Sense Initiative (CSI) Questions**

**16. Was this rule filed with the Common Sense Initiative Office?**

No. The treasurer of state is exempt pursuant to R.C. 107.56

**17. Does this rule have an adverse impact on business?**

No.



- A. Does this rule require a license, permit, or any other prior authorization to engage in or operate a line of business? No.
- B. Does this rule impose a criminal penalty, a civil penalty, or another sanction, or create a cause of action, for failure to comply with its terms? No.
- C. Does this rule require specific expenditures or the report of information as a condition of compliance? No.
- D. Is it likely that the rule will directly reduce the revenue or increase the expenses of the lines of business to which it will apply or applies? No.

**IV. Regulatory Restrictions** (This section only applies to agencies indicated in R.C. 121.95 (A))

**18. Are you adding a new regulatory restriction as defined in R.C. 121.95?**

The treasurer of state is not a state agency as outlined in R.C. 121.95(A).

- A. How many new regulatory restrictions do you propose adding to this rule? 0
- B. How many existing regulatory restrictions do you propose removing from this rule? 0
- C. If you are not removing existing regulatory restrictions from this rule, please list the rule number(s) from which you are removing restrictions.

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