

113-40-05**Bank Monitoring and Economic Monitoring.**

(A) All financial institutions approved for a reduced collateral floor will be subject to ongoing monitoring of various individual financial criteria. If the financial standing of the financial institution changes, and no longer meets the required reduced collateral floor eligibility criteria as defined in Rule 113-40-04 of the Administrative Code, the treasurer of state may impose a bank monitoring collateral requirement. The treasurer of state will use three descriptors within OPCS to identify a financial institution's reduced collateral monitoring status:

(1) Non-active: The financial institution has not applied, or has not been approved, for a reduced collateral floor.

(2) Active: The financial institution has been approved for a reduced collateral floor.

(3) Bank monitoring: The SCALE model has indicated that the financial institution has an emerging individual financial concern or a deposit business concern.

(a) The treasurer of state will notify a financial institution when its reduced collateral monitoring status changes from active to bank monitoring within OPCS, which will notify the affected public unit(s).

(b) A financial institution subject to a bank monitoring collateral requirement will be subject to an up to fifty-two percent increase in its reduced collateral floor requirement, to a maximum of one hundred and two percent. Any increase will be reflected in the bank monitoring field in OPCS, as determined at the sole discretion of the treasurer of state.

(c) A financial institution subject to an increase in its reduced collateral floor due to bank monitoring status is required to pledge additional collateral on or before the following deadlines:

(i) First collateral call will require a financial institution to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to ten percent, within ninety calendar days.

(ii) Second collateral call will require a financial institution to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to twenty-five percent, within sixty calendar days.

(iii) Third collateral call will require a financial institution to secure all uninsured public deposits at least equal to one hundred and two percent, within thirty calendar days.

(d) The treasurer of state may decide to engage a financial institution prior to

changing its status from active to bank monitoring in order to identify any extenuating considerations. This decision will be made at the sole discretion of the treasurer of state.

(B) All financial institutions approved for a reduced collateral floor will be subject to economic monitoring protocols to identify potential macroeconomic or regional economic concerns.

(1) The treasurer of state will use two publicly available macroeconomic indicators to identify any potential concerning economic trends:

(a) The smoothed United States recession probability index, in which a negative trend is defined as three consecutive months of smoothed probabilities above eighty percent; and

(b) The ten-year treasury constant maturity minus two-year treasury constant maturity, in which a negative trend is defined as a one-month instance of a negative spread observation.

(2) The treasurer of state will monitor a regional economic indicator, the leading index for Ohio as produced by the Federal Reserve Bank of Philadelphia, in which a negative trend is defined as a negative percentage observation instance occurring in three consecutive months.

(3) If the treasurer of state identifies a potential macroeconomic or regional economic concern, then the treasurer of state may implement an economic monitoring collateral requirement for a specific financial institution, a specific peer group, or an OPCS-wide collateral call, at the sole discretion of the treasurer of state. A financial institution subject to an economic monitoring requirement is required to pledge additional collateral on or before the following deadlines:

(a) First collateral call will require a financial institution to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus ten percent, within ninety calendar days.

(b) Second collateral call will require a financial institution to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus twenty-five percent, within sixty calendar days.

(c) Third collateral call will require a financial institution to secure all uninsured public deposits at least equal to one hundred two percent, within thirty calendar days.

Effective: 08/06/2017
Five Year Review (FYR) Dates: 08/06/2022

CERTIFIED ELECTRONICALLY

Certification

07/27/2017

Date

Promulgated Under: 119.03
Statutory Authority: 135.182
Rule Amplifies: 135.18, 135.182