

CSI - Ohio

The Common Sense Initiative

Business Impact Analysis

Agency Name: Ohio Treasurer of State

Regulation/Package Title: Ohio Pooled Collateral Program

Rule Number(s): 113-40-01, 113-40-02, 113-40-03, 113-40-04, 113-40-05, 113-40-06

Date: May 17, 2017

Rule Type:

- New
- Amended

5-Year Review
Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent

1. Please briefly describe the draft regulation in plain language.

These rules will permit the Ohio Treasurer of State to fulfill their obligation in ORC 135.182 to create and implement the Ohio Pooled Collateral Program. The proposed rules will govern the rate at which public depositories collateralize public deposits if they meet certain criteria.

The Ohio Pooled Collateral Program is optional for public depositories and the Ohio Revised Code offers another method for collateralizing public deposits.

The proposed rules will do the following:

- Outline the participation requirements for financial institutions

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- Outline the requirements that need to be met to be granted a reduced collateral floor
- Defines the SCALE model
- Defines the scoring mechanism for the SCALE model
- Defines Peer Groups for the purpose of the SCALE model
- Outlines ongoing monitoring for financial institutions that are granted a reduced collateral floor
- Outlines how the treasurer will calculate the value and sufficiency of the collateral pledged by a financial institution

2. Please list the Ohio statute authorizing the Agency to adopt this regulation.

ORC 135.182 charges the Ohio Treasurer of State with the creation and implementation of the Ohio Pooled Collateral Program. Specifically 135.182 (B)(1)(b).

3. Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

No

4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

N/A

5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

The public purpose of this rule is to ensure that public monies are properly collateralized under ORC and to provide the guidelines for a reduced collateral floor as required by 135.182 (B)(1)(b).

6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

The office will measure the success of this rule by the participation in the program by public depositories and local governments.

Development of the Regulation

7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.

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The Stakeholders that were included in the development of the draft regulation included the following:

First	Last
Robert	Palmer
Mike	Vynalek
Shantel	Laird
Mike	Sams
Tom	Ruebel
Ashley	Westcott
Patrick	McCarthy
Chuck	Dixon
Todd	Bailey
Roger	Grywalski
Julio	Ortiz
Matt	Alexander
Eric	Pace
Mark	Duhamel
George	Sesock
Jeff	Sirota
Chris	Christoff
Shawn	Bunt
Lara	DeLeone
Chris	Pugliese
Maureen	Grant
Janet	Schlifer
Kathleen	Byrne
Jay	Fortlage
Larry	Whelan
Beth	Dallinga
Eric	Meilstrup
Bradley	Ruppert
Bruan	Marshall
Dustin	Holfinger
Sandy	Hoehne
April	Dusthimer
Paul	Turner
Patrick	Graham
David	Nickerson
Thomas	Lamb
Melissa	Bitzer

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Mark	Metz
Brett	Murawski
Patti	Jackson
Liza	Kovac
Scott	Horan
Allison	Thellman
Laura	Murphy
Tony	Brigano
Kevin	Ackerman
Marsha	Davis
Rachel	Weaver
Barbara	Scheiderer
James	Nikolia
Karen	Bigelow
Tim	Rieder
Teresa	Moon
Michael	Sheridan
J.	Heagy
J.	Murtha
B.	Brubaker
D.	Skowronski
R.	Dottavio
Anna	Durst
Suzanne	Parks
Jill	Thompson
Fran	Lesser
Brad	Cole
Cheryl	Subler
Tom	Steenrod
Jim	Aumann
Kevin	Futryk
Steve	Welton
Steve	Metzger
David	Varda
Barbara	Shaner
Josh	Brown
Ed	Albright
Jeff	Rayis
Heidi	Fought
Amy	McMahon

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Jeff	Smith
Laura	Brown
Christopher	Hopkins
Linda	Simko

8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

Please see the attached document regarding feedback received on the draft regulation

9. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

N/A

10. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?

The Ohio Treasurer of State considered not requesting the attached rule, but the ORC gives the office the ability to do so and after discussions with the interested parties, it was determined that the attached rule was important.

11. Did the Agency specifically consider a performance-based regulation? Please explain.

Yes, the reduced collateral floor rules allow for a financial institution that meets the requirements to have a reduced collateral floor, which may reduce the burden on financial institutions for the securitization of public deposits. Banks that do not meet the standards outlined in the rule will not be approved for a reduced collateral floor.

12. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?

The Ohio Treasurer of State reviewed applicable Ohio Revised Code and Ohio Administrative Code to ensure that we did not duplicated any existing regulation. The Ohio Pooled Collateral Program is a new program that takes the place of the previous pooling method permitted under the Ohio Revised Code.

13. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.

The Ohio Treasurer of State will implement this rule through our office with the creation of the Ohio Pooled Collateral Program and the operating policies for the

program. The operating policies will ensure that the measures included in this rule are applied uniformly to all participants in the program.

Adverse Impact to Business

14. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:

- **Identify the scope of the impacted business community;**
- **Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance); and**
- **Quantify the expected adverse impact from the regulation.**

The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a “representative business.” Please include the source for your information/estimated impact.

The scope of impacted business community includes financial institutions that apply for and are approved as public depositories. Those entities must also apply for and be selected to hold public deposits by the state or local government. However, the Ohio Pooled Collateral Program is optional for public depositories and the Ohio Revised Code offers another method for collateralizing public deposits.

This proposed rule will have an impact on the business community, but we believe a positive impact since it provides an opportunity for a well-run financial institution to have a reduced collateral floor.

The Ohio Pooled Collateral Program will require time for compliance to public depositories. Our office does not have an estimate on the impact since it will differ for each financial institution depending on a variety of factors and a public depository is not required to use the program to collateralize their public deposits.

15. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

The Ohio Treasurer of State determined that the regulatory intent justifies the impact to the business community since the Ohio Revised Code requires our office to create and implement the program and the program is voluntary to public depositories. A financial institution that participates in the program is not required to apply for a reduced collateral floor. The Ohio Revised Code offers another option for collateralizing public deposits.

Regulatory Flexibility

16. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

The Ohio Revised Code offers another option for collateralizing public deposits. Additionally, a financial institution that participates in the program is not required to apply for a reduced collateral floor

17. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

The proposed rule does not include any fines or penalties.

18. What resources are available to assist small businesses with compliance of the regulation?

The Ohio Treasury of State will adopt operating policies for the program to assist financial institutions with compliance.

OPCS Feedback Responses As of 03/24/2017

Workflow	Description	Feedback
FI Opt In	Will a grace period be afforded for FIs enrolling in OPCS with outstanding contract obligations to pledge specific collateral for Public Unit depositors?	<p>While ORC does not currently allow for a grace period, TOS is willing to discuss with FI's the potential of adopting administrative rules allowing for a short transition grace period for FI's that have applied for the pool.</p> <p>TOS is working through the rule process ("<i>Intent to apply</i>") to provide FIs the opportunity for a grace period until December 31, 2017 to transition into OPCS.</p>
FI Opt In	If a FI decides to join OPCS and a public unit does not want to participate in a pool, does the public unit need to leave their current FI and find and new FI that is doing specific pledge?	<p>The FI is the entity that decides whether or not to join OPCS. If a PU does not want to be in the pool and their current FI is joining the pool, they either need to agree to join the pool or transfer to another FI that is not participating in the pool. Each FI will need to have a commercial discussion with their underlining PUs as appropriate. TOS understands that certain legal requirements may require specific security pledge. TOS is considering adopting OPCS capabilities to allow for specific security pledge pools via OPCS for these very specialized instances.</p> <p>FI's that have a PU that qualifies for a Specific Pledge Account will be permitted to join the pool while having the qualified PU in a segregated account. Specific Pledge Accounts will collateralize at 105% and will not be eligible for a reduced collateral floor.</p>
FI Opt In	From an operational perspective, individual agreements which have deviations from State law, including with the required collateral rate cannot be supported moving forward. There will need to be one overall collateral rate which the State requires of each participating bank.	The FI's will need to review their agreements with appropriate legal counsel
FI Opt In	Consider coordinating the OPCS outreach process to Public Units with the FI's	TOS will consider this request and sees the potential benefit of having at least 1 joint meeting during the rule drafting process.
FI Opt In	How will OPCS affect disclosure agreements between FIs and their clients, in regards to transferring account information to TOS as part of OPCS?	The FI's will need to review their agreements with appropriate legal counsel
FI Files Transfer	In the case where a FI is also a Qualified Trustee, does it have to prepare to join OPCS as both a Financial Institution and a Custodian?	Yes. If a FI is qualified Trustee utilizing that line of business for Ohio public deposits and is a qualified Public Depository, the FI would need to join OPCS as both a Trustee and Participating FI
FI Files Transfer	What will occur if a FI fails or has a technical issue that prevents daily files from being submitted?	FI's are required to maintain robust business continuity plans to meet OPCS file production and delivery requirements. However, should a FI be unable to supply daily files by the required deadline, OPCS will production run Collateral Sufficiency utilizing the last data files received by the FI, mark the Sufficiency Report as "Stale Data - FI Missing File", and provide notification to the underlying impacted PUs. FIs are required to rectify their production issue and supply their files as soon as possible. Once the FI's files have been received, OPCS will run the Collateral Sufficiency report and notify the impacted PUs the reporting issue has been resolved.
FI Files Transfer	Can OPCS files be submitted more than once a day if there is an error?	Yes. The requirement to receive amended files is included in the FI File Transmission and Trustee File Transmission process flows, but the exact steps to do so have yet to be determined.

FI File Transfer	Consider performing the FI file quality check earlier during the file transfer process	FI file quality check is expected to occur very soon after receipt of the file so that errors or issues can be identified and the concerned parties notified as soon as possible. It is also anticipated that the quality check criteria will be available to FIs for pre-transmission validation.
FI File Transfer	TOS will schedule a session with Huntington Bank (and other interested FIs) to discuss OPCS file transfer quality checks and error handling for daily files	TOS anticipates scheduling this meeting for August TOS will have this discussion with the OPCS build banks and is willing to discuss this issue with any interested FI.
FI Files Transfer	The daily reporting requirements are numerous and more time may be needed to identify the source systems available to generate the information and determine how to report as is currently being requested.	The FI's will need to review their processes with appropriate counsel
FI Files Transfer	Some of the reporting items raise security and privacy concerns that would limit the ability to provide the information to the OPCS.	The FI's will need to review their processes with appropriate legal counsel
FI Files Transfer	Will it be required to link files from the financial institutions to the trustee? If so the data privacy and security concerns would need to be evaluated.	No. TOS anticipates the FI and Trustee accounts linkages will be maintained in OPCS and daily FI files will not need to contain any Trustee related information.
FI Files Transfer	What will be the escalation process to manage an FI file transfer issue?	FI File Transmission and Missing FI Files process flows list notifications that will be issued regarding failed and/or missing files. FIs will provide contact details specific to technical issues for use in these cases. TOS will document an escalation procedure and provide the necessary contact details for FI use in advance of Go Live.
FI File Transfer	What is the expected source of Public Unit deposit balances to be included in the daily files sent by FIs?	It is expected FI's reported deposits are end of day account balances, i.e. ledger balance, not available balance, plus any accrued interest for all PU accounts.
Collateral Compliance	Will FIs enrolled in the OPCS program be allowed to continue using Letters of Credit (LOC) as collateral for Public Unit deposits?	Yes. FIs can collateralize deposits with any security type allowable under Ohio Revised Code, which currently includes Letters of Credit.
Collateral Valuation	In case of a discrepancy between the collateral mark to market (MTM) value calculated by OPCS and the MTM value estimated by an FI, which value will prevail?	OPCS MTM value will prevail. If an FI disagrees with the OPCS MTM value, a procedure will be available to request TOS to review the valuation.
Dashboard & Reports update	How long will the OPCS data be displayed on the OPCS Portal?	This will not be finalized until TOS has secured and agreed the scope of work with the Development Vendor, however, TOS currently thinks OPCS will display up to 18 months of online history.
Dashboard & Reports update	How long will historical OPCS data be retained for, by TOS?	It is proposed that the retention period will be 7 years but this is subject to approval from the Ohio Auditor of State and the Department of Administrative Service.
Create Trustee account	Will OPCS provide a rating policy to assess the financial standing of Collateral Trustees?	TOS is not a rating agency. No. TOS/OPCS will not actively rate the financial standing of the allowable Collateral Trustees unless the Collateral Trustee is also a participating member of OPCS who has applied for, and been approved, for a reduced collateral floor.
Create Trustee Account	Have the approved trustees accepted the proposed master agreement?	For participation in OPCS, all FIs will be required to submit tri-party agreements with their associated collateral Trustees and the Ohio State Treasurer's office. TOS is anticipating to provide templates for such agreements that outline OPCS needs and requirements. The Tri-Party collateral agreement will be modeled after the existing Trustee agreement already in use with many of TOS / FI Trustee banks.

Trustee Files Transmission	How will the daily files from the trustees be linked to the financial institutions.	The daily Trustee files (Collateral Trustee Daily Position File and Collateral Trustee Daily Transaction File) will be used to reconcile holdings and activities to the golden records maintained in TOS Trust Accounting platform. OPCS will be fed collateral position, details from the TOS Trust Accounting platform. OPCS will maintain the linkage of the Trustee account to the appropriate FI.
PU Negotiated Floor	For FI's that operationally can only support one collateral rate, leaving the option for local governments to negotiate rates above that required by TOS may erode efficiencies gained by the pool structure. In addition, all of the collateral is pledged by a financial institution to all of its depositors in the State on a pro-rata basis based on the amount of deposits. Specific collateral is for the benefit of the entire pool and if a participating bank is required to pledge collateral at 50% and one client requests 102% for example, some FI's may not have a mechanism to allocate that higher amount to one specific client.	The FI's will need to review their processes with appropriate legal counsel. The ORC does not put a restriction on Public Units requesting collateral above the floor set in code or rule. Currently the ORC sets the floor and not the ceiling and the same will apply once OPCS begins on July 1, 2017.
PU Negotiated Floor	Can the Floor Validation process be administered by emails between the FIs, the PUs, and TOS rather than through OPCS files and notifications?	<p>This will not be finalized until TOS has secured and agreed the scope of work with the Development Vendor, however, TOS currently expects the PU Negotiated Floor process will need to be driven from the PU Account File received from the FI. TOS has asked for feedback on the 3 workflow options provided in the outreach meetings and will take FI and PU feedback in determining the process.</p> <p>The PU Negotiated Floor process will be driven from the Daily balance File received from the FI. Change in the value of the Collateral Floor reported by the FI, in the daily balance file, will be detected by the system. If the new Collateral Floor value complies with the State Collateral Floor limit of 50%, OPCS will advise the PU clients of the new Collateral Floor value reported by the FI and use the new Floor value for all Collateral requirement and sufficiency calculations.</p>
PU Negotiated Floor	Why do the FI's have to obtain agreement from PUs regarding the statutory OPCS collateral requirements whilst the reduced collateral requirement has already been passed as a Ohio state law?	The FI will need to determine if a amended agreement with the PU is required. Depending on the agreement language, the FI may need to get the PU to agree to the new floor set in rule, i.e. if the agreement stipulates a percentage instead of a statutory set floor. Each FI will need to review their contracts and discuss this matter with their legal counsel to determine what action is needed.
PU Negotiated Floor	Will it be possible for the same PU to have different collateral requirements for different accounts within OPCS?	Operationally yes. This is dependant on the commercial terms made between the FI and the PU. Both parties have to agree to the collateral limit for the accounts via their contract. OPCS will accommodate different collateral levels at the account level.

Create / Remove PU Account	Clarify whether the following depositor types will be excluded from OPCS: Public units that have Federal protection and or/requirements; Housing Authorities; and Native American Tribes. This clarification is needed to ensure these deposit types are not subject to “double collateralization”. Among the states with specific carve out for these entities are Florida, Oregon and Arizona.	<p>After discussing this issue with FIs TOS is proposing to exclude Housing Authorities and other entities that are required by federal law to collateralize in a specified manner. This would be done through the OPCS rules. Under this proposal, FIs would not be excluded from the pool because they have a client that falls under this exemption. However, FIs would need to inform TOS that they have these clients and that they are outside the pool due to the exemption.</p> <p>TOS understands that certain legal requirements require specific security pledge. TOS is considering adopting OPCS capabilities to allow for specific security pledge pools via OPCS for these very specialized instances.</p>
FI Floor Application	Will the FI Floor Application process be managed on-line through the portal or off-line?	<p>Likely not on line via OPCS. Given the application information and contracts required from the FI, TOS currently believes the application for reduced collateral floor will occur outside of OPCS. This will be determined following the engagement of the development vendor.</p> <p>The FI Floor Application process will be managed through the OPCS portal. FI applying for the reduced collateral floor will fill the reduced collateral floor application documents and upload them to OPCS. A case will then be open for TOS employees to review the FI application. After completion of the review by TOS employees of the FI application, system notification will be sent by OPCS to the FI to advise whether the application has been rejected or accepted. If the application is accepted, the floor value will then be used for all Collateral requirement and sufficiency calculations.</p>
FI Floor Application	Can the FI Floor Application be processed in parallel to the FI Opt In process?	<p>FI's are required to be participating and in good standing with OPCS to apply for a reduced collateral floor. TOS is considering running the OPCS and reduced collateral floor application process in parallel for initial launch but has not reached a final decision on this.</p> <p>FIs can apply for reduced collateral floor consideration simultaneously with the FI opt in process. However, per OPCS proposed rules, an FI must be in OPCS for 30 days before a reduced floor can be realized within the system. The 30 day waiting period is in place to ensure the FI is operationally stable within OPCS prior to implementing a reduced collateral floor.</p>
FI Floor Application	Will the FI Floor Application process have to be completed separately by the FI for each individual PU depositing funds with them?	It is currently anticipated that FIs will submit one OPCS FI Floor Application that will relate to all its underlying PU clients. However, the FI may determine individual contract amendments with the PU's is required to ensure that each PU agrees to the statutory collateral floor as determined by TOS.
Sufficiency Remediation	Will all the PUs holding deposits with an FI be notified in case of under-collateralization of this FI?	It is currently anticipated that not all PUs holding deposits with an FI will be deemed under collateralized if the FI is insufficiently collateralized. In this case, only those PUs that are deemed under collateralized due to the FI's deficient collateralization will be notified.
Sufficiency Remediation	Will PUs be notified if the FI satisfactorily addressed the initial collateral deficiency by the final cut off time?	The Sufficiency Remediation process flow currently indicates a notification to all deficient PUs as well as a notification once the FI has remediated the deficiency.

PU Negotiated Floor	Do PU's have the ability to negotiate a collateral rate greater than the amount of the designated floor approved by the TOS as part of OPCS?	Yes. The ORC does not put a restriction on Public Units requesting collateral above the floor set in code or rule. Currently the ORC sets the floor and not the ceiling and the same will apply once OPCS begins on July 1, 2017.
PU Negotiated Floor	Could the OPCS Floor be restricted to a unique number set by TOS for all Public Units. The benefits and efficiencies gained by TOS, Pubic Units, and Financial Institutions by having one uniform floor are numerous.	The OPCS allows for a rule based collateral option and it is anticipated that a floor will be set for each FI participating in the OPCS based upon the rules that are approved and adopted during the JCARR process. The ORC gives the authority for TOS to set a floor below 102% but does not state that TOS can set a ceiling for collateral rates.
PU Negotiated Floor	FI's have commented that there is no known precedent of any pooled collateral system that allows for individual negotiated floors.	We agree in that OPCS will be unique in its flexibility and its operational capabilities
Add Collateral	Will there be an expectation of timeliness for the Trustee to notify TOS, after a Financial Institution pledges collateral and it is received by the Trustee?	Yes, TOS expects Trustees to notify TOS of pledged collateral as soon as possible and, at a minimum, on the same day as the collateral is received. Please note TOS will not recognize collateral additions until Trustee's confirmation has been received.
Add Collateral	In case where letters of credits issued by FHLB are being used as a collateral, where will they be held? With a Collateral Trustee or with TOS?	TOS hold an executed copy of the agreement on its premises.
Release Collateral	Would a best effort be made for same day release requests received after 11 AM?	TOS will make a reasonable effort to respond to all release requests received from FIs, but cannot guarantee same day processing for requests received after 11am.
Collateral Substitution	Under what conditions would TOS reject collateral substitution requests?	Collateral substitution requests could be rejected due to a number of factors, including, but not limited to; - Substitute collateral is non-compliant - Substitution of the collateral would lead to a collateral deficiency
Mature Collateral	Is there a preferred advance notice to submit requests (either for a release or substitution) of maturing collateral? (15 days, 30 days, etc.)	FIs should submit collateral release or substitution requests for maturing collateral no later than 5 business days in advance of the maturity date
Sufficiency Remediation	What will consist of a 'plan of action'? How will a remediation for each client be performed?	FIs that are found to be insufficiently collateralized are expected to provide TOS with a plan to resolve the deficiency on the same day as reported. The FI's response can include, but is not limited to; - Pledge sufficient collateral to resolve deficiency - Provide documentation showing that PU balances have been reduced by PU clients such that the current ledged balance is sufficiently collateralized
Sufficiency Remediation	Will there be a remediation period to cure an insufficient collateral issue prior to notifying all PU's? A brief timeline to pledge additional collateral when necessary could benefit all parties by eliminating the possibility of inquiries	TOS will assess the deficiency circumstances before determining whether to inform affected PUs that their FI is insufficiently collateralized. Based on the circumstances and materiality, TOS may or may not inform affected PUs of the deficiency. However, it is the responsibility of the affected FI to be sufficiently collateralized and PUs will have access to OPCS dashboards which will display such information.

Sufficiency Remediation	How will PU's be notified of a collateral deficiency? One avenue to explore is the method used by the Arizona pool program, which posts the names of Financial Institutions on their website.	<p>TOS is considering how best to inform FIs that it is insufficiently collateralized. System notifications and emails are both being considered, while FI users will also be able to review such information on their OPCS dashboards.</p> <p>In case of collateral deficiency for a FI, OPCS will send a deficiency notification message to the PU clients of the FI that have subscribed to the deficiency notification. When TOS users have validated that the FI deficiency status has been corrected, a new notification message will be sent to the subscribing PUs advising that their FI has corrected the deficiency. FIs' collateral sufficiency status will also be available, on-line on the OPCS portal, to their PU clients as part of the information displayed in the collateral dashboards.</p>
FI Opt In	In order to provide the level of detail the State is proposing to Opt In to the collateral pool, a substantial amount of IT resources may be required. If an FI is not ready to Opt In on the deadline date will there be options other than individually collateralizing the accounts? Could an FI post 105% against a total amount as is done today? Are there any other proposed solutions for FI's?	The ORC currently states that after July 1, 2017 Financial Insitutions that are not it the OPCS must pledge individual securities at 105%. While ORC does not currently allow for a grace period, TOS is working through the rule process to provide FI's the opportunity for a grace period until December 31, 2017 to transistion into OPCS. TOS is willing to discuss with FI's the potential of adopting administrative rules allowing for a short transition grace period for FI's that have applied for the pool.
FI Opt In	Is there another state requiring similar reporting that we might be able to refer to as a model?	To our knowledge, OPCS will be unique in its flexibility and its operational capabilities
FI Opt In	Has the State initiated discussions with PU's and begun to receive feedback? If so, what type of feedback was provided thus far?	TOS has begun the PU outreach process. Fis will be provided a copy of unatributed PU's feedback.
FI Opt In	Will participating FI's become subject to contingent liabilities for those deposits that are collateralized less than 105%?	No. There is no shared FI contingent liability within OPCS.
Create Trustee Account	The Ohio Treasurer's Office has indicated that the Federal Reserve Bank may not be able to provide the daily collateral information required for the OPCS. The Federal Reserve Bank is a commonly used trustee. If they cannot provide the OPCS required information, have the approved collateral trustees agreed to provide the required daily position file? How critical is the information that the Federal Reserve Bank is unable to provide?	TOS has met with FRB and is discussing FRB operation capabilities and will advise as these conversations continue.
Collateral Substitution	On Collateral Substitution, is the same deadlines in place as for releases in that requests received by 11:00 am will be released same day	Yes, provided the substitute collateral has been accepted and received by TOS / Trustee in sufficient time to release the substituted collateral
Collateral Valuation	In determining deficiency, will TOS be using book or market value of securities pledged?	The market value of the pledged collateral will be used for the Sufficiency calculations. The market value of the pledged collateral will be calaculated by TOS internal accounting systems based Market Data provided by Third-Party vendor(s)

Public Unit Administration	Identifying all contacts for each account and providing the information to the Treasurer's office may be a large administrative burden. The contact information may not be kept in a central place and can often change with without notification to the bank, particularly emails and phone numbers. It may be a manual process for some FI's to add contact information to the file daily file. Is there a possibility that contact information would not be a requirement?	<p>TOS will request at least one "Designated Signer" for each Port ID/Relationship ID sent on the daily file. FI's may submit more than one designated signer for a Port ID/Relationship ID.</p> <p>TOS is willing to consider suggestions from FIs on alternate ways or additional files to populate the required data fields in OPCS.</p>
Bank Monitoring	<p>When/If an increase to a floor is issued by TOS, a FI will have a TBD amount of time to pledge the additional requirement. Additionally, a floor can change due to financial conditions.</p> <p>What time frame will be considered acceptable to pledge the additional collateral to comply with the amended requirement?</p>	<p>The OPCS rules outline the timeline for Bank Monitoring. Please see division (M) of the proposed rules for the specific timeline.</p> <p>The Treasurer's Office is currently determining appropriate timelines for FIs to meet increased collateral requirements due to changes in the State Collateral Floor, Bank Monitoring Floor, or TOS Cushion and feedback is welcome on this. Timelines will likely vary depending on the level of change in collateral requirements.</p> <p>Changes in collateral requirements due to increases in deposits are the responsibility of FIs and must be met when deposits are recieved.</p>
Bank Monitoring	<p>The flow indicates that a "Third-Party Data Feed" will be utilized to determine the floor and/or cushion requirement for a FI.</p> <p>Does TOS have a list of vendors that will provide this data? What information will be provided? Will the information be made public?</p>	<p>The Treasurer's Office will be using information from external and publicly available sources to determine reduced collateral floor requirements and has engaged a bank risk monitoring organization to assist with this process. The input and model will be transparent and reproducible. It is anticipated the results will be available to the specific FIs and client PUs. TOS will release public records pursuant to ORC 149.43, et seq</p>
Bank Monitoring	<p>TOS will be evaluating FI that participate in the pool.</p> <p>Will the FI assessments be public information?</p>	<p>All information collected during the reduced collateral floor application process and on-going evaluation will be gathered from publicly available sources. It is TOS intention to share an FI's evaluation with its PU's via the OPCS portal. At this time TOS is not considering posting all evaluations to the portal for public consumption, although any records created are subject to disclosure via Ohio Public Records Law.</p> <p>TOS will release public records pursuant to ORC 149.43, et seq</p>
TOS Cushion	<p>The initial TOS cushion will default to 0. Reoccurring deficiencies may result in an increase of the cushion by TOS.</p> <p>What are the triggers to raise or lower a cushion? How often will the cushion be evaluated?</p>	<p>The Treasurer's Office is currently determining the operational metrics related to collateral sufficiency that FIs will be expected to meet, including, but not limited to; deficiency level, deficiency frequency, etc. It is anticipated the TOS cushion will be raised or lowered based on administrative rules adopted via the JCARR process.</p>
TOS Cushion	<p>What are the parameters for TOS to conclude the cushion can go back to 0 after it had previously been raised? Will there be a defined timeframe of "good standing"?</p>	See above
TOS Cushion	<p>What will constitute the "operational compliance" items that will be evaluated to determine the cushion? If a FI is compliant, does that signify the cushion will be set to 0?</p>	<p>Operational compliance currently includes meeting collateral sufficiency requirements and daily file submission requirements, although additional operational metrics may also be included.</p> <p>Yes, if a FI meets all compliance metrics determined by TOS, the cushion will likely remain at zero (0).</p>

Collateral Compliance	TOS will monitor bond ratings per code so if a FI is out of compliance, will a period of time will be allotted to resolve the issue?	TOS will perform compliance checks prior to accepting collateral. However if pledged collaterals fall out of compliance, the FI will be expected to substitute it with compliant collateral within timeframe specified by TOS. TOS welcomes feedback on substitution timeframe.
Public Unit Designated Contact	What is the difference between Tax ID and Parent Tax ID?	<p>TOS will no longer be using the Parent Tax ID as a relationship ID. Each FI will report a Port ID/Relationship ID on their dialy file.</p> <p>TOS is viewing Parent Tax ID as a relationship ID. Specifically a FI would need to report a superior Tax ID number with corresponding subordinate Tax ID numbers to deliniate a PU's total relationship scope with the FI. Some PUs may have multiple Tax IDs within the PU.</p>
Rules Based Collateral	Consider changing titles action 1, 2 and 3 to supplemental levels 1, 2 and 3	FIs who are approved for a reduced collateral floor will be designed as Reduced Floor = "Active". FIs who are approved for a reduced collateral floor that are on bank monitoring will be designated as Reduced Floor = "Active" and Bank Monitoring = "Yes".
Rules Based Collateral	For the Collateral Requirement Reduction, consider having the 2nd phase go into effect after six months of the 1st Phase enactment	
PU Negotiated Floor	In a pooled collateral system, each Public Unit has an undivided interest in the pledged collateral based on each Public Unit's level of deposits placed at the Financial Institution. Having differing floor amounts calls into question and may add uncertainty as to each Public Unit's security interest in the pledged collateral. From an operational perspective, there is uncertainty as to how to systematically allocate the pledged collateral to differing floor amounts for individual Public Units.	Operationally, OPCS will calculate the allocation of pledged collateral on an account by account basis. The calculation will be based on FDIC insurance coverage of the account's balance, the FI's statutory collateral requirement, the specific account's collateral requirement, and the market value of collateral pledged by the FI. It is intended that the allocated amount will be visible to both PUs and FIs on a daily basis at the account level via OPCS dashboards. Please refer to the presentation handout covered in the July 22nd FI's outreach meeting.
Create PU Credential	Will PU users have write access to the OPCS portal?	PU users will have read access to review deposit balances, collateral allocation, and file receipt status of linked FIs. PU users will likely have the ability to submit deposit attestations, as well as notify the Treasurer's Office regarding any issues or errors around Account Negotiated Floors or other topics. It is anticipated that this limited write access will be allocated by each PU's System Administrator user to required additional PU users. PU users will not have the ability to edit deposit balances or other data fields provided by FIs.
Create PU Credential	Has the Treasurer's office already defined rules to distinguish what is public record and what is confidential regarding data managed by OPCS?	<p>The determination of what constitute a public record is governed by the Ohio Public Record Law. TOS does not have the authority to override Ohio Public Record Law. Furthermore all PUs are subject to the same Public Records Law.</p> <p>TOS will release public records pursuant to ORC 149.43, et seq</p>
Create PU Credential	Will there will a limit to the number of accounts per PU within OPCS?	No. The Treasurer's Office anticipates that there will not be a limit to the number of bank accounts per PU in OPCS. Participating FIs will report all PU accounts held and all reported accounts will be visible in OPCS.
FI Floor Application	Will the FI floor application process happen out of the view of the PUs?	<p>The criteria used to evaluate reduced floor collateral applications will be made public and only publicly-available data will be used. The amount of any reduction will be based on the published criteria and the Treasurer's Office will make the final decision as outlined in the rules to be adopted via JCARR process.</p> <p>The application for a reduce collateral floor is not visible to other non-TOS OPCS users including the applying FI's PU clients. TOS will release public records pursuant to ORC 149.43, et seq</p>

Bank Monitoring	Will Bank Monitoring criteria be developed by administrative rules?	Yes. TOS is also open to suggestions from interested parties.
Create PU Credential	Will individual PUs have access through OPCS to other PU deposit or collateral details?	No. PUs will only have access to their own information and details in OPCS.
PU Negotiated Floor	What will be the benefits for PU's not to negotiate a floor higher than the statutory requirement?	
Rules Based Collateral	Will consent order related to other non-deposit areas of business be considered in the SCALE model?	No. It is not anticipated at this time.
Rules Based Collateral	Will non-publicly traded FIs be required to provide financial information to TOS to substitute, for the quarterly call information available for publicly traded banks, as input to the SCALE model calculations?	No. The SCALE model proposed by TOS will use only publicly available information.
Dashboard & Reports update	Concern with public viewing of percentages permissible by bank and the visibility of whether a bank was late in their daily reporting.	Public Units will only be able to see their own accounts details, including the state collateral floor, the bank monitoring floor and account negotiated floor. They will not be able to see the account negotiated floor of other Public Units. The state collateral floor and bank monitoring floor of individual FI's will be publicly available upon request. Public Units will be able to see details of their FI's compliance OPCS files transfer requirements.
Rules Based Collateral	Can a FI remain at the 102% level as part of the pooled system?	Yes. FI's participating in OPCS are not obliged to request a reduced collateral floor and may uphold the 102% collateral requirement.
FI Opt In	<p>Does state law supersede any “home rule” authority and individual collateral security agreements?</p> <ul style="list-style-type: none"> •If home rule variances remain, any local charter or ordinance that dictates operational differences from the OPCS would need to be amended which could prove to be a time constraint impacting the State’s timeline. •As for individual collateral agreements, from a legal perspective those should be deemed to be null and void by operation of law as the State has essentially “preempted” this topic. The updated State law does require each participating bank to enter into an agreement with the TOS so again the individual agreements will need to be deemed to be null and void. •Concern on allowing individual local governments to require a higher collateral rate than what the pool administrator/state treasurer requires. 	Generally, the right of the legislature to impair existing contracts is limited. For further guidance, consult the appropriate legal counsel.
Sufficiency Remediation	Will there be any collateralization margin of error tolerated under which PU's won't be notified?	Currently TOS does not anticipate allowing a margin of error for notification of collateral deficiency to impacted PUs. TOS welcomes recommendations regarding instances for which TOS would not notify the PU's.

FDIC Insurance	FDIC coverage is calculated by the FI based on the rules and guidelines provided by the FDIC. The concern is that a separate calculation of FDIC coverage by TOS may result in a discrepancy between the FI calculation and the TOS calculation. In an event where FDIC coverage needs to be exercised, the FDIC will only look to the financial records of the FI.	<p>TOS notes the FDIC has proposed rulemaking (12 CRF Part 370; RIN 3064-AE33) requiring "covered institutions", or institutions with more than two million deposit accounts, to track a unique client identifier and be able to perform FDIC insurance calculations and deposit holds. If this rule goes into effect, TOS agrees OPCS will be able to obtain more detailed client information via the FDIC unique identifier from a subset of FI's.</p> <p>As this rule is not yet in effect and cannot be relied upon for all participating FIs, OPCS is designed to perform a "proxy" FDIC insurance coverage calculation at the FI and PU TIN level. This functionality is in place to ensure FIs are not subject to excess collateral requirements by not recognizing FDIC insured deposits. It is important to note, a PU's FDIC insurance coverage is not determined at the TIN level. While TIN is generally accepted as a unique identifier all FIs will have on file and can provide, it is possible that the OPCS proxy FDIC calculation relying on the PU's TIN could result in an overstated or understated FDIC insured PU deposits reflected in OPCS.</p>
TOS Cushion	Should a TOS cushion added to a FI collateral requirement be interpreted as a red flag?	All FI's approved for reduced collateral floor will initially have a 0% TOS Cushion. Should a reduced collateral FI experience ongoing negative OPCS operational trends, i.e. higher than acceptable deficiency instances, TOS may implement a TOS Cushion. The TOS Cushion will be visible on OPCS to the underlying FI's PU clients. TOS cannot anticipate if a PU will view a FI with a TOS Cushion greater than 0% as a "red flag".
Create PU Credential	Would OPCS void any individual agreements or contract between FIs and PUs or would FIs be able to void any individual agreements or contract between FIs and PUs	Generally, the right of the legislature to impair to impair existing contracts is limited. For further guidance, consult the appropriate legal counsel.
Rules Based Collateral	How will "publicly traded" be defined in the context of the reduced collateral floor model?	It is anticipated "publically traded" will be defined as a "public company" with shares of stock outstanding which are freely traded on a stock exchange. It is anticipated a "public company" will be defined as a company required to report under the Securities Exchange Act of 1934.
Rules Based Collateral	In the case of a black swan event, what will happen under OPCS if, all of the sudden, a bank with a reduced collateral requirement went into receivership with less than 100% collateral for PUs deposits. Would the tax payers have to cover the difference?	As with the current practice, if a financial institution participating in OPCS goes into receivership and the collateral held is insufficient to offset the actual FDIC uninsured deposit public unit balances, any corresponding loss would be borne by the public unit or their underlying taxpayers.
Rules Based Collateral	What will be the timeframe of the 2nd Reduced Collateral Floor phases.	It is anticipated FI's will be able to apply for, and if eligible, be approved for a reduced collateral floor around the time OPCS becomes operational. Once TOS is satisfied OPCS has reached operational maturity, and further reductions to the collateral floor can be safely supported, the JCARR process can be undertaken to allow for additional floor reductions.
Rules Based Collateral	Will the 30% limit for the PUs deposits in Ohio be a hard limit requirement for reduced collateral?	Pursuant to Ohio Revised Code § 135.03, no FI may have on deposit at any one time public moneys in an aggregate amount in excess of 30% of its total assets.

Rules Based Collateral	Can a FI be both part of OPCS and continue to pledge collateral individually?	<p>ORC 135.18 indicates that there are two options for FI's to use to secure ALL of their public deposits. They can either use specific pledge at 105% or OPCS (ORC 135.182) at 102% or a rate set by the Treasurer in Rule. Each FI will need to make the commercial decision about entering the pool. However, ORC states that an FI must choose one method, either specific or OPCS, for ALL public deposits.</p> <p>FI's that have a PU that qualifies for a Specific Pledge Account will be permitted to join the pool while having the qualified PU in a segregated account. Specific Pledge Accounts will collateralize at 105% and will not be eligible for a reduced collateral floor.</p> <p>TOS understands that certain legal requirements require specific security pledge. TOS is considering adopting OPCS capabilities to allow for specific security pledge pools via OPCS for these very specialized instances.</p>
Collateral Sufficiency and Distribution Calculations	What will be the timing of these calculations? Will the calculations be available start of business based on previous day deposit balances and collateral?	Collateral sufficiency calculations and reporting will be completed on a daily basis. It is intended that collateral sufficiency will be calculated upon receipt of the FI's daily files. It is anticipated that collateral sufficiency results will be available shortly after the proposed file receipt deadline of 9 am and will be based on previous day deposit balances and collateral holdings.
Collateral Sufficiency and Distribution Calculations	How will differences in calculations between OPCS and FI be reconciled?	OPCS calculations will be the official record regarding the collateral sufficiency of an FI. If an FI believes there is a mistake or discrepancy, avenues will be available for the FI can to contact TOS to raise the issue.
Collateral Sufficiency and Distribution Calculations	What is the cure period to correct insufficient collateral?	FIs are expected to maintain sufficient collateral levels at all times. If an FI is identified as being insufficiently collateralized, it is expected that the FI will work to resolve this immediately. If additional collateral is required, the FI is expected to pledge this additional collateral on the same day as being notified.
FDIC Insurance Coverage	OPCS indicates that FDIC insurance coverage will be calculated at the Tax ID level. As has been communicated previously, the FDIC guidance on calculating coverage indicates that simply using Tax ID is an insufficient method. This will lead to differing collateral requirement calculations and operational inefficiencies.	<p>OPCS is designed to perform a “proxy” FDIC insurance coverage calculation at the FI/PU TIN/Account Type level. This functionality is in place to ensure FIs are not subject to excess collateral requirements by not recognizing FDIC insured deposits. It is important to note, a PU's FDIC insurance coverage is not determined at the TIN level. While TIN is generally accepted as a unique identifier all FIs will have on file and can provide, it is possible that the OPCS proxy FDIC calculation relying on the PU's TIN could result in an overstated or understated FDIC insured PU deposits reflected in OPCS.</p> <p>TOS shared the proxy FDIC methodology with FIs at a meeting in July of 2016. Copies of that PowerPoint are available upon request.</p>
Distribution Calculation	If the total liquidation proceeds are greater than the sum of distributions, where will this excess sum be allocated?	If liquidation proceeds are greater than the sum of all Account Target Distributions, as is the case in Scenario 1, the remaining liquidation proceeds are made available to the FDIC for redistribution to all creditors of unsecured funds. See 7/22/16 FI PowerPoint (available on request)

FDIC Insurance	How will the FDIC insurance for a certificate of deposit purchased by a PU or any other PU balance with a FI held outside regular commercial deposit accounts be accounted for in OPCS and calculated?	OPCS will rely on the information supplied by FIs to perform a “proxy” FDIC calculation when determining collateral sufficiency. It is understood some FDIC insurable deposits (i.e. brokered deposits) are not directly registered to the PU on the FI records. As such they will not be reported to OPCS and will not be included in OPCS’ proxy FDIC calculation. PUs will need to continue to understand and monitor their pass-through FDIC insurance protection.
SCALE Model	There is a concern that NIMY should not be a credit factor. One can’t assume that a bank is taking additional credit risk if their NIMY is better than peer, particularly in a post LCR balance sheet. A larger proportion of a bank’s balance sheet is comprised of their investment portfolio which can benefit NIMY while not having the same credit risk as a loan. An example is a commercial real estate loan vs. a bond. The commercial real estate bond can be NIMY beneficial while also being AAA rated and packaged with credit enhancement. The capital charge on the bond is also less and we can use that bond for liquidity. The loan has a higher loss probability, weaker credit profile, and higher capital charge. If you look only at NIMY and assume that a company is taking more credit risk, you miss out on details (loan v bond) that prove this is not the case.	The Treasurer's Office has determined NIMY is an important SCALE variable as it is an indicator as to how a bank has positioned current marginal return on their balance sheet assets and asset allocation strategies. There is an accepted minimum NIMY benchmark that a bank should meet regardless of their portfolio allocation strategy. The SCALE model takes NIMY, and other SCALE variables, an additional step by evaluating a bank's variable performance to their SCALE peer group performance to identify, and account for, positive or lagging relative performance.
SCALE Model	By using a peer evaluation, does the proposed methodology adequately mitigate systemic banking risk? Peer performance appears to be a major driver, and if the entire peer group is trending downward in a stressed environment then some systemic risk can be masked in the process. Wouldn’t it be better to have independent hurdle rates or benchmarks that make sense in various environments?	The Treasurer's Office evaluates and monitors bank reduced collateral floor appropriateness through 1) individual bank performance to SCALE variables, 2) individual bank relative performance to their SCALE peer group, 3) SCALE variable trends analysis peer group sectors and overall participating banks, and 4) overall macro-economic health, and 4) regional economic health. The Treasurer's Office could apply a collateral call via the Bank-Economic Monitoring process if a concerning deterioration in bank group or macro-economic or regional-economic trends were detected.

SCALE Model	<p>On the variables, looking at peer performance comparisons as a driver, will the model consider varying balance sheets and business types? Examples here would be banks who are more of a commercial bank is going to have different metrics than a consumer bank. Same with trust banks v. commercial or consumer banks. Regional banks and large community banks will look different as well. I am hoping there are allowances for these differences and the variables are taken in context, or at least the peer grouping is apples v. apples.</p>	<p>The model is sensitive to the reality that bank business models vary greatly. This is why measurements of management's choices in line of business participation and asset allocation are included in the sensitivity section the OPCS SCALE tests.</p> <p>The model has provisions to note the differences in business design among different types of banks. Measurements of management's choices in line of business participation and asset allocation are part of the OPCS SCALE test regime. We agree that analysis solely at the aggregate metrics level is an incomplete method for comparison of such a wide variety of business modes. OPCS has additional analysis threads focusing on line of business segments designed to illustrate the apples v. apples performance at the operational level of institutions.</p> <p>SCALE benchmarks FIs to their peer groups to evaluate Component variable relative performance against an individual FI's peer group mean. The SCALE peer grouping ("Peer Group") is based on a modified version of the federal uniform bank performance reporting (UBPR) peering rules.</p> <p>Rule Based Collateral participating FIs are grouped into one of six OPCS Peer Groups based on the FI's asset size and other characteristics. None of the six Peer Groups differentiates between commercial and savings banks types.</p> <p>TOS shared the Peer Grouping with FIs at a meeting on October 20, 2016. Copies of that PowerPoint are available upon request.</p>
SCALE Model	<p>Sensitivity to Risk – Cost of Funds Test – It is important to remember that large banking organizations have debt requirements to satisfy certain rating agency methodologies. Other large banks may be subject to TLAC which also requires additional long term debt. The LCR and NSFR incent banks to move maturities out the maturity curve and out of cheaper short term buckets. The lengthening of these maturities raise the overall cost of funding for larger institutions, and that is something that may not impact a smaller regional bank or large community bank as much. If maturities are lengthened out then the liquidity risk profile of the company is stronger despite having higher cost of funds. Cheaper funding is not always safer funding (i.e. brokered deposits). That needs to be considered if you are using cost of funds as a variable.</p>	<p>SCALE recognizes and takes into account the cost of funds, and other variables, differences across different asset size banks. The Treasurer's Office is aware federal regulators impose requirements on institutions that vary depending on the bank's size and business model which can result in Dodd-Frank and Basel III impact. SCALE has been designed to not penalize either larger or smaller organizations and employs six different SCALE peer groups to ensure appropriate and fair peer-based analysis.</p>

<p>SCALE Model</p>	<p>Capital Adequacy – Should CCAR capital plans be used as a forward looking indicator for Capital Adequacy for the large banking organizations? A bank could have elevated capital levels today, but plan to return a considerable amount of capital to its shareholders over the next 9 quarters bringing their capital down considerably. This could impact the peer evaluation as the bank in the example above could be bringing their capital down more in line with the peer average. Also, will there be a capital adjustments for banks who announce acquisitions or will the last reported capital number continue to be used?</p>	<p>Currently, approximately 30 bank holding companies participate in the Comprehensive Capital Analysis and Review (CCAR) review. CCAR evaluates the capital planning processes and capital adequacy of the largest U.S.-based bank holding companies, including the firms' planned capital actions such as dividend payments and share buybacks and issuances.</p> <p>To be approved for, and maintain, a reduced collateral floor, bank's are required to be Well Capitalized. SCALE has been specifically designed to apply consistent variables to all participating banks regardless of asset size. By subjecting large banks to CCAR, in addition to Capital Adequacy tests, would result in an inconsistent evaluation process for smaller asset size banks. SCALE assesses a bank's Capital Adequacy both individually and the bank relative performance to their SCALE peer group. We have noted narrow result clustering with Capital Adequacy variables within SCALE Peer Groupings which we believe substantiates our approach.</p> <p>It should be noted that to be approved for, and maintain, a reduced collateral floor, banks are required to be in good standing with government regulators. Should the Federal Reserve Board object to a reduced collateral bank's CCAR plan, the Treasurer's Office may choose to review the circumstances with the bank and if warranted, take appropriate collateral call action.</p>
<p>SCALE Model</p>	<p>Asset Quality – For large institutions, many things can impact NIM other than credit risk. With the LCR, many banks have increased the size of their investment portfolio which, in this environment, has aided in preserving NIM if well managed. Assuming that NIM expansion is correlated with taking additional credit risk is a bad assumption. Should more traditional banking asset quality metrics like NCO's and NPL / Loans which be used to monitor asset quality. These ratios are used by many of the analyst and rating agencies.</p>	<p>The Treasurer's Office has determined NIMY is an important SCALE variable as it is an indicator as to how a bank has positioned current marginal return on their balance sheet assets and asset allocation strategies. There is an accepted minimum NIMY benchmark that a bank should meet regardless of their portfolio allocation strategy. The SCALE model takes NIMY, and other SCALE variables, an additional step by evaluating a bank's variable performance to their SCALE peer group performance to identify, and account for, positive or lagging relative performance.</p>
<p>SCALE Model</p>	<p>Liquidity – It is a concern that the model simulates and LCR without respect to the company's reported LCR. One cannot fully calculate an LCR from publicly available information because the granular deposit data required to do so is not available. Also, the model does not have any insight into a bank's operational deposit methodology which can impact banks with large amounts of commercial deposits. This issue should be addressed and if a reported LCR is available, TOS should consider that reported number v. a simulation.</p>	<p>The Treasurer's Office has reviewed LCR as a SCALE variable, has determined calculating a LCR proxy value is problematic, and has eliminated LCR from consideration as a variable. The limitations of the federal design for LCR including the issue of how to classify liabilities into the LCR categories is subject to organizational discretion. Additionally, not all banks are required to comply with LCR and SCALE has been specifically designed to apply consistent variables to all participating banks regardless of asset size. SCALE will rely on other liquidity variables that can be consistently applied across banks regardless of size.</p>

SCALE Model	<p>Liquidity – Please provide more details about how you run your stress testing process for the stress related variables.</p>	<p>OPCS measurements of stress risk are specifically aimed at assessing the risk to Ohio’s PU’s. In other words, the safety margins for uninsured deposits that OPCS is providing collateral relief for. The modeling approach therefore aims at constructing a method that provides specific illustration of the safety position of uninsured deposits under reasonable stress so as to show if a bank will be unusually distressed by it. The PASS/FAIL flag for this stress test is based on whether or not the stressed degradation in the estimated tangible assets of the FI rises to the point of impacting the ability of the bank to fully cover the uninsured deposit payout tier of its liabilities should the scenario externality test conditions manifest.</p> <p>Note that OPCS is not an extreme beta risk “break the bank” stress test. What OPCS is looking for is to know that the uninsured deposits are reasonably placed. The stress testing approach within OPCS differs from federal stress testing. Most importantly, the focus of OPCS is not the margin of protection of the FI’s risk to the Deposit Insurance Fund as in the FDIC’s mission or the ability to maintain capital levels above resolution thresholds as per federal and state regulatory safety and soundness regimes.</p>
SCALE Model	<p>Balance Sheet Complexity - Federal Reserve has already implemented capital requirements to account for complexity of a FI’s balance sheet. Since capital levels are already considered as a factor in the OPCS model, to further penalize a financial institution based on balance sheet complexity seems punitive.</p>	<p>The commenter is correct that capital levels are examined and that the OPCS system relies on federally assigned thresholds for capital adequacy. Passing these tests provides confidence to OPCS that federal compliance positioning is such that it is unlikely a resolution event will be triggered, in other words, that the FI is bankruptcy remote.</p> <p>However, given that the institution is a ‘well capitalized’ going concern, OPCS is also interested in assuring that each approved FI’s operational risks are prudent. In the particular case of the injection of blocks of municipal uninsured deposits into the liabilities side of an FI’s balance sheet, it does have bearing on suitability to have some illustration that the receiving FI does have an asset side balance sheet demonstrating it can prudentially employ the incoming deposit base.</p>
SCALE Model	<p>In what format will these FI’s SCALE ratings be displayed and available to the public? Federal ratings withhold certain information in order to protect sensitive information of the FI. As a suggestion, the Florida pool administrator shares the collateral requirement of a FI but not how they scored in their evaluation.</p>	<p>Treasurer’s Office views current Ohio public records law to treat a FI’s SCALE evaluation result as a public record—SCALE will only use data for evaluation from externally and publically available sources with no additional data reporting requirement from FIs and the evaluation variables methodology will be documented in administrative rule. We believe any changes to this would require a statutory amendment.</p> <p>TOS will release public records pursuant to ORC 149.43, et seq</p>

SCALE Model	<p>The current version of the OPCS collateral floor calculation creates the appearance that the TOS is ‘ranking’ the FIs in the pool and that will be publicly available. Creating categories or tiers of collateral requirements (tier 1 requires 50%; tier 2 requires 75%; etc.) accomplishes the same reduced collateral goal but creates less burden on the OPCS and safeguards FI information.</p>	<p>Treasurer's Office views current Ohio public records law to treat a FI's SCALE evaluation result as a public record—SCALE will only use data for evaluation from externally and publically available sources with no additional data reporting requirement from FIs and the evaluation variables methodology will be documented in administrative rule. OPCS will be built to handle the operational requirements as documented in administrative rules.</p> <p>As presented at the October 20th IP meeting, TOS introduced the new proposal that all FIs that apply for and are granted a reduced collateral floor pursuant to the SCALE model will be given an initial collateral floor of 50%. FIs who apply for and are not approved for a reduced collateral floor will remain on the State Collateral Floor of 102%.</p> <p>TOS will release public records pursuant to ORC 149.43, et seq</p>
SCALE Model	<p>Is there a mechanism for the TOS to mandate additional collateral requirements in the case of an economic crisis that is not captured in the rules?</p>	<p>The Treasurer’s Office has identified macro-economic and regional-economic monitoring protocols to identify potentially emerging economic concerns that might require an overall OPCS program level collateral call for participating reduced collateral FIs. These indicators, and corresponding collateral call triggers will be documented in administrative rules.</p> <p>TOS shared the economic and banking sector monitoring with FIs for the first time at a meeting on October 20, 2016. Copies of that PowerPoint are available upon request.</p>
SCALE Model	<p>Asset size is a major component on an analysis performed on a FI that would be important to include in the model outside of peer grouping. Scale and size of a FI provides greater flexibility to access capital as well as a greater diversity in its loan portfolio which provides greater protection to its clients.</p>	<p>SCALE benchmarks FIs to their peer groups to evaluate Component variable relative performance against an individual FI’s peer group mean. The SCALE peer grouping is based on a modified version of the federal uniform bank performance reporting (UBPR) peering rules. SCALE has been designed to not penalize either larger or smaller organizations and employs six different SCALE peer groups to ensure appropriate and fair peer based analysis.</p> <p>The Treasurer’s Office has identified, defined, and documented consistent and specific variables to determine and maintain the appropriate reduced collateral floor for a FI. The identified variable benchmarks will be stringent but fair to ensure only strong and resilient banks qualify and ongoing maintain reduced collateral levels. While asset size can result in balance sheet diversity, the Treasurer's Office notes each SCALE bank peer group can face unique SCALE variable considerations.</p>

SCALE Model	<p>Consider adding the following variables as part of the SCALE model:</p> <p>Asset Quality: Investor Owned Commercial Real Estate Lending to Risk Based Capital and Construction Lending to Risk Based Capital</p> <p>Liquidity: Loans to Deposits</p> <p>Earnings: Return on Average Assets</p>	<p>Asset Quality: The proposed SCALE model already includes the following real estate evaluation variable: "Commercial Real Estate Lending to Risk Based Capital". Adding other real estate variables would create a doubling effect and unbalance the model. Also the "Construction Lending to Risk Based Capital" variable does not distinguish between investor owned vs other type of lending.</p> <p>Liquidity: The "Loans to deposits" variable has not been considered as the reverse variable ("Deposit \$ per Lending \$") is already being used by the model (as a Sensitivity to Risk variable) and works better as an estimate than the standard deviation.</p> <p>Earnings: The "Return on Average Assets" variable will be added to the SCALE model as this is indeed a good indicator of an institution business cycle stability</p>
Files Transfer	The technology build investment required from the Financial Institutions to comply with the OPCS operational requirements is a major concern	The Treasurer's Office is designing OPCS to balance the operational requirement with the necessity of the monitoring required to secure public unit deposits. The Treasurer's Office anticipates each FI will weigh OPCS operational requirements and may choose to opt out of OPCS and collateralize public dollars via the specific security pledge method at 105% effective July 1, 2017.
Files Transfer	The requirement for daily reporting and files transfer from the Financial Institutions appears cumbersome. Can this be changed to a less frequent reporting cycle?	No. The Treasurer's Office is designing OPCS to balance the operational requirement with the necessity of the monitoring required to secure public unit deposits. Participating FI's will be required to provide daily reporting and files to OPCS.
OPCS Budget	Is TOS planning to roll the OPCS cost into its Operating Budget request?	At this time TOS is planning on funding the cost of building OPCS from cash accounts available to the office. However FI's may be requested to contribute to on-going OPCS support cost.
Files Transfer	The requirement to provide contact name for EACH account is onerous and almost impossible	<p>The Treasurer's Office is designing OPCS to balance the operational requirement with the necessity of the monitoring required to secure public unit deposits. TOS will request at least one "Designated Signer" for each Port ID/Relationship ID sent on the daily file. The Treasurer's Office will consider alternative suggestions from FI's provided OPCS operational requirements, i.e. PU user entitlement, can still be met.</p>

FDIC Proxy Calculations	Have FDIC provided any feedback regarding OPCS?	<p>The Treasurer's Office utilized federal FDIC rules, policy, and procedural documents when designing OPCS. OPCS is designed to handle the unlikely and worst case financial institution receivership resolution that uses the deposit payout method. In this scenario, PU with balances in excess of their FDIC SMDIA require TOS to liquid and distribute the collateral held to secure PUs uninsured deposits.</p> <p>Operationally, OPCS is designed to perform a “proxy” FDIC insurance coverage calculation at the FI/PU TIN/Account Type level. This functionality is in place to ensure FIs are not subject to excess collateral requirements by not recognizing FDIC insured deposits. It is important to note, a PU's FDIC insurance coverage is not determined at the TIN level. While TIN is generally accepted as a unique identifier all FIs will have on file and can provide, it is possible that the OPCS proxy FDIC calculation relying on the PU's TIN could result in an overstated or understated FDIC insured PU deposits reflected in OPCS. If a FI, operating in OPCS with or without a reduced collateral floor, is swiftly taken into receivership by the FDIC, the collateral held by TOS could be insufficient to offset the actual FDIC uninsured deposit PU balances. This approach will be documented in administrative rule.</p>
FI Opt In	Has TOS considered that conversations will have to occur with EVERY customer in order to negotiate the various contracts related to OPCS? This will require considerable efforts and time	<p>A FI's individual depository agreements with PU clients may have contractual collateral provisions that reference the statutory floor. Contract versus OPCS contention issues may necessitate a FI to amend PU depository agreements as the right of the legislature to impair existing contracts is limited.</p> <p>Ultimately, it is incumbent on the FIs to review their PU depository agreements with appropriate legal counsel and determine if amendments to the PU depository agreements are required. For example, depending on their agreement language, the FI may determine they need to get the PU to agree to the new collateral floor set in rule, i.e. if the agreement stipulates a percentage instead of a statutory set floor. Operationally, OPCS will be able to accommodate different collateral levels at the FI and account level so this is a FI, not OPCS consideration.</p>
Dashboard	Customers and accounts information will be made available to other institutions, this causes competition and privacy concerns.	<p>OPCS users will only have access to information relevant to their own tasks and operations in OPCS. In practice, this means that FIs will only see account information of their own PUs and Trustees, PUs will only see information regarding their own deposit accounts and the FIs holding their deposits, and Trustees will only see information regarding their own accounts. It is important to note that all information contained in OPCS is subject to public records law.</p> <p>TOS will release public records pursuant to ORC 149.43, et seq</p>
FI Opt Out	TOS to consider enforcing a rule where in the case of a FI opting out, a letter of credit MUST be offered to EACH customer	<p>FIs who do not participate in OPCS will collateralize public deposits at least 105% per ORC using the specific pledge method. Acceptable forms of collateral are codified in ORC 135.18 and include, but are not limited to Letters of Credit.</p>

Stakeholders Outreach	Has the Treasurer's Office engaged with the local public organizations and provide them with details about OPCS and the rules based collateral?	TOS has engaged the local government associations in regards to OPCS. We began discussing the system before the system was introduced into the state operating budget in 2015. Since that time we have had several IP meetings with the associations and we have also presented at several association conferences in the past year including the County Treasurers Association, The Ohio Municipal League, Ohio GFOA and the Ohio Association of Public Treasurers.
Files Transfer	How will TOS monitor if a bank opts in and yet still offers single pledged collateral?	ORC requires FIs to select either OPCS or specific pledge methods. FIs are not permitted under ORC to do both. FIs opting into OPCS will not be permitted to continue offering specific pledge collateralization to PUs outside of OPCS. At present, the Treasurer's Office does not envision developing a specific tool or system to monitor this and will rely on FIs providing the information, as well as attestation from the PUs.
Stakeholders Outreach	Has the Treasurer's Office considered using a ratings system similar to that in Indiana rather than creating a new one?	Prior to creating the SCALE model, the Treasurer's Office reviewed several other state's FI evaluation models/criteria, including IN, and determined none the evaluation models currently being used in other states to be a good fit for Ohio.
Sufficiency Remediation	What happens if there is a breach of collateral requirements? Who is liable?	If a FI is found to be insufficiently collateralized, it will be identified by OPCS and the Treasurer's Office will be notified immediately. The Treasurer's Office will then determine whether and how to notify any affected PUs. The FI will be expected to remedy the insufficiently as soon as possible to ensure that uninsured public deposits are sufficiently collateralized. If a FI goes into receivership and the Treasurer's Office is forced to liquidate the pledged collateral, it will be distributed to PUs based on the model presented at the July 22nd meeting. As is the case under current law, the Treasurer's Office is not liable if the liquidation proceeds are insufficient to meet the Target Distribution of each account.
Collateral Requirements	Why are individual letters of credit required?	Collateral is not limited to Letters of Credit. FIs who do not participate in OPCS will collateralize public deposits using the specific pledge method to an amount equal to at least 105% of uninsured public deposits per the ORC. Securities or other obligations described in division (D) of section 135.18 of the ORC shall be eligible as collateral provided that the securities or obligations pledged are not in default as to principal or interest. Particularly, eligible LOC are described in 135.18(D)(2). Therefore, Letters of Credit are one of the types of eligible collateral per 135.18(D)(2), but are not the only acceptable form of collateral.
Dashboard	Why can Local Governments see the collateral percentages for other FIs, not just their FI? This could be detrimental to the banks	SCALE will only use data for evaluation from externally and publically available sources with no additional data reporting requirement from FIs and the evaluation variables methodology will be documented in administrative rule. TOS will release public records pursuant to ORC 149.43, et seq.
Create Trustee Account	A sole Collateral Trustee eligibility for OPCS would raise major concerns	The Treasurer's Office envisions multiple Collateral Trustees to be participating in OPCS and being available to receive collateral from participating FIs.
FI Opt Out	Has the TOS considered a pool for those FIs that opt-out?	If an FI decides not to opt into OPCS, it is required to collateralize all public deposits via the Specific Pledge Method and cannot do so via a pool.

<p>PU Negotiated floor</p>	<p>There is a concern over TOS acceptance of collateral floor. Changing a percentage floor can take up to 90 days for a PU to agree. This is administratively hard to report given the time lag and this is onerous to report.</p>	<p>PU's may negotiate collateral floors specific to each of their accounts with the relevant FIs provided both parties agree to do so. Alternatively, an agreement could be reached allowing the FI to collateralize public deposits of the PU at the statutory level determined by the Treasurer's Office for the specific FI. Each FI will need to determine if an amended agreement with the PU is required for either of these options. Depending on the agreement language, the FI may need its PU client to agree to the new floor set in rule, i.e. if the agreement stipulates a percentage instead of a statutory set floor. Each FI will need to review their contracts and discuss this matter with their legal counsel to determine what action is needed.</p>
<p>PU Negotiated floor</p>	<p>There is a concern that large banks may have too much bargaining power against smaller Public Organization when agreeing on a reduced floor</p>	<p>Public Units are not required to accept a collateral level below 102%. If the financial institution that they are currently using enters the pool and receives a reduced collateral floor, the FI and the PU will need to have a commercial discussion to determine what collateral level works for both the FI and the PU.</p> <p>SCALE benchmarks FIs to their peer groups to evaluate Component variable relative performance against an individual FI's peer group mean. The SCALE peer grouping is based on a modified version of the federal uniform bank performance reporting (UBPR) peering rules. SCALE has been designed to not penalize either larger or smaller organizations and employs six different SCALE peer groups to ensure appropriate and fair peer based analysis.</p> <p>The Treasurer's Office has identified, defined, and documented consistent and specific variables to determine and maintain the appropriate reduced collateral floor for a FI. The identified variable benchmarks will be stringent but fair to ensure only strong and resilient banks qualify and maintain reduced collateral levels. While asset size can result in balance sheet diversity, the Treasurer's Office notes each SCALE bank peer group can face unique SCALE variable considerations.</p>
<p>Fi Opt In</p>	<p>What will happen if TOS or the FI's are not ready for OPCS by July 1st 2017?</p>	<p>TOS is statutorially required to have OPCS running by July 1, 2017 and we anticipate that we will meet that deadline. FI's that are not ready to enter OPCS by July 1, 2017, will need to transistion to the specific pledge method. However, TOS is considering a rule that would provide a six month grace period to FI's. A draft of this rule was provided at the October 20th IP meeting. TOS is working through the rule process to provide FI's the opportunity for a grace period until December 31, 2017 to transistion into OPCS.</p>

Stakeholders Outreach	Has TOS provided an explanation as to why the current approach to manage the collateralization of public funds had to be changed?	<p>TOS worked with OBL, CBAO, and the local government associations in contracting this new approach to manage the collateralization of public funds. Under prior law, there was no centralized collateral monitoring and oversight process, leaving each local government and financial institution to manage their collateral separately. This process was inefficient and created unnecessary risk because it did not require public entities to take all the necessary steps to ensure that their public dollars were protected in the event a financial institution were to fail and afforded no public entity the ability to compare the amount of public deposits at a financial institution with the amount of pooled collateral pledged by that financial institution.</p> <p>Amended Substitute House Bill 64 addressed these shortcomings through the creation of the Ohio Pooled Collateral System (OPCS). This system provides administrative benefits for local governments and financial institutions and most importantly, guards against fraud. When OPCS is implemented, local governments will save time and resources by shifting the administrative burden of managing the pledged collateral to the Treasurer of State, while maintaining local control over their deposits and banking relationships.</p>
Bank Monitoring	How frequently will the bank monitoring/score carding be calculated?	It is anticipated FI's will be monitored through call report data which is publically available on a quarterly basis. Additionally, the Treasurer's Office will be reviewing publically available key macro-economic indicators on a monthly basis to identify emerging macro-economic concerns.
Ohio Revised Code language	Is the legal language describing OPCS as an approved option to collateralize PU deposits found under 135.182?	ORC 135.18 states the options for public depositories for the security for repayment of public monies. Division A(1) and (2) list the options. Division A(1) is specific pledge and division A(2) is the pooled method (135.181 or 135.182 as applicable).
SCALE Model	It would be more appropriate to align peer groups more closely to their regulatory grouping. Peer groupings on assets should be: \$10-50MM, \$50MM - \$250MM, >\$250MM, with a separate bucket for GSIBs.	When determining Peer Groups, the Treasurer's Office considered many variables, including but not limited to, statistical population size. Peer Group 2 is currently comprised of approximately 95 banks. A review of recommended subdivisions for Peer Group 2 would result in the following statistical populations: \$10-50MM ~ 67 banks ; \$50-\$250MM ~ 23 banks; and > \$250MM ~ 4 banks. The Treasurer's Office is concerned a smaller statistical population would diminishes the peer based performance result accuracy and has not been able to identify a material statistical detriment to smaller vs. larger asset size banks for the existing Peer Group 2.
SCALE Model	What does “be in good standing with government regulators with respect to their deposit business” mean? The comments also mention re-evaluating a company if the regulators reject their capital plan under CCAR. This is not the same as “being in good standing with their regulator on their deposit business”.	<p>To be in "good standing with government regulators" applies to a financial institution's standing with regulators with respect to their deposit business. For example, if a bank had a significant and open regulatory finding with respect to their deposit business, i.e. Consent Order, the Treasurer's Office would evaluate appropriateness of Rules Based Collateral.</p> <p>OPCS is not planning on using non-depository regulatory items in our evaluation of "good standing".</p>
SCALE Model	Will definitions of each variable be provided?	The Treasurer's Office will supply definitions of the SCALE variables along with upper and lower variable requirements in the OPCS Operational Policies.

SCALE Model	Capital Variables – The Fed has gotten comfortable through the CCAR process in allowing banks to bring down their capital ratios through higher capital distributions (or at the minimum, are ok with flat capital levels). Making positive capital growth an influencing factor is inconsistent with the regulators view and current industry trends.	The objective of the OPCS SCALE model is not to emulate federal compliance policies as they have evolved with regards to protecting the Deposit Insurance Fund (DIF) or support the economic stabilization objectives of federal bodies. The Treasurer's Office's primary objective is with the safety and soundness of a FI who applies for, or has been approved for, reduced collateral levels. Capital Growth Rate has been determined to be an Influencing Variable and is an important indicator of capital growth and volatility. A positive Capital Growth Rate is an indicator a FI either has strong earnings, acceptable level of dividends are being extracted, or additional capital funds have been received. A Capital Growth Rate generated from earnings must be sufficient to maintain pace with the asset growth rate.
SCALE Model	Asset quality – some of these variables are not publicly disclosed at a portfolio level (i.e. Exposure at default). What is the take on the loan growth variable? Relative to what (GDP, Peer average)? There are too many variables for this category, it should be simplified.	The asset quality variables used in OPCS are computed from publicly disclosed call reports. The methodology for computation uses techniques similar to methods used by federal regulators to construct complex derived indicators. The number of Asset Quality variables has been reduced and the remaining variables included are designed to ensure that institutions are less likely to be able to optimize on a narrow set of indicators. This test battery objective is to utilize a sufficiently broad set of variables that illustrate banks Asset Quality and catch anomalous behavior.
SCALE Model	Earnings – Industry standards are ROA and ROTCE. Earnings trends relative to consensus estimates could be used as well. There are too many variables for this category, it should be simplified.	TOS has reduced the number of variables in the Earnings Component.
SCALE Model	Continued concern for the overly expansive view of what is going to be considered “public” and the release of sensitive information that could potentially cause FI's harm; - Under CAMELS, ratings are not released to the public to prevent a possible “bank run.” All regulatory exam materials are considered highly confidential, including the CAMELS and the CAMELS is never released by supervisory agencies. - While the underlying data and criteria TOS is going to consider for the SCALE evaluation are gathered from public sources, the SCALE evaluation itself is not in the public domain. This is new and sensitive information that TOS is creating that does not currently exist.	TOS is not a rating agency and will not produce a CAMELS rating. The office will be evaluating FIs via the objective and reproducible SCALE model utilizing publically available information to determine appropriateness for a reduced collateral floor. It is not a requirement for FI's participating in OPCS to apply for a reduced collateral floor. SCALE scores will only be generated for FIs that voluntarily apply for a reduced collateral floor. TOS will release public records pursuant to ORC 149.43, et seq.
SCALE Model	There are numerous exemptions under the federal Freedom of Information Act and the Ohio Public Records Act relating to trade secrets, commercial or financial and similar types of information. The General Assembly delegated much authority to TOS to craft and shape the applicable rules and exclusion of this type of information can and should be addressed in the rules.	TOS does not have the authority through rule to exempt documents from Ohio Public Records Law. Exemptions to the Ohio Public Records Law are made by the General Assembly through the ORC. TOS will release public records pursuant to ORC 149.43, et seq.

Specific Public Unit Account Methodology via OPCS	<p>Federal entities, Housing Authorities, and Native American Tribes that may reside in the State of Ohio have their own specific agreements and requirements. The inclusion by TOS of these entities in this process could appear to be an attempt to preempt federal regulations. Additionally, these entities may also have custodial requirements that cannot be met with OPCS. Lastly, the direct pledge component as outlined will require 105% collateral while the entities in question may only require 100%.</p> <p>Pool collateral states like Florida, Arizona, North Carolina and Oregon for example simply exclude these entities from the collateral pool and FIs directly pledge collateral outside the pool structure. We urge TOS to adopt this “carve out” approach and simply exclude housing authorities and the other entities from OPCS.</p>	<p>After discussing this issue with FIs TOS is proposing to exclude Housing Authorities and other entities that are required by federal law to collateralize in a specified manner. This would be done through the OPCS rules. Under this proposal, FIs would not be excluded from the pool because they have a client that falls under this exemption. However, FIs would need to inform TOS that they have these clients and that they are outside the pool due to the exemption.</p> <p>TOS requests feedback from FIs on other entities that under federal law should be exempted from OPCS.</p>
Specific Public Unit Account Methodology via OPCS	<p>With the passage of ORC 135.182 the General Assembly has enacted a statute of statewide concern, thus outside the scope of home rule powers of local self-government. A home rule municipality may not infringe on matters of general or statewide concern. ORC 135.182 is a general law which controls over any conflicting municipal charter or ordinance and the General Assembly has “preempted” this area.</p>	<p>This statement appears to be the result of some non-TOS legal analysis and TOS does not support or oppose this statement. We advise any interested parties to consult their own legal counsel.</p>
Proxy FDIC Calculation	<p>This methodology opens the possibility for differences between the calculations of FDIC coverage by OPCS and the FI. Without a defined method of curing discrepancies in these calculations, OPCS should defer to the FI as the owners of the relationship with a greater knowledge of the PU structure.</p>	<p>TOS notes the FDIC has proposed rulemaking (12 CFR Part 370; RIN 3064-AE33) will require "covered institutions", or institutions with more than two million deposit accounts, to track a unique client identifier and be able to perform FDIC insurance calculations and deposit holds. If this rule goes into effect, TOS agrees OPCS will be able to obtain more detailed client information via the FDIC unique identifier from a subset of FI's.</p> <p>As this rule is not yet in effect and cannot be relied upon for all participating FIs, OPCS is designed to perform a “proxy” FDIC insurance coverage calculation at the FI and PU TIN level. This functionality is in place to ensure FIs are not subject to excess collateral requirements by not recognizing FDIC insured deposits. It is important to note, a PU's FDIC insurance coverage is not determined at the TIN level. While TIN is generally accepted as a unique identifier all FIs will have on file and can provide, it is possible that the OPCS proxy FDIC calculation relying on the PU's TIN could result in an overstated or understated FDIC insured PU deposits reflected in OPCS.</p>
Add Collateral	<p>What is the expected remediation if a Trustee cannot confirm received collateral to be pledged because of a Trustee system issue? Will TOS accept a FI's collateral pledge record as an alternative to eliminate concerns with a possible shortage on the OPCS system due to Trustee not being able to confirm a collateral pledge?</p>	<p>As is current Treasurer's Office policy, the Treasurer's Office will only accept confirmation of receipt of pledged collateral from a Trustee and will only enter the pledged collateral into the system of record upon receipt of proof from the Trustee. This may be received via numerous methods, including email and fax, so a system issue on the Trustee side should not impact its ability to send a receipt confirmation to the Treasurer's Office.</p>
FI File Transmission	<p>Can you provide definitions to each element in order for FIs to accurately gather the data points? Are the data elements final?</p>	<p>We have provided sample files to the build banks and we'll be looking to finalize with their inputs. Once it's finalized will be sharing with the broader audience.</p>

Opting In	As an FI I have a PU that is currently doing specific pledge that does not want to enter the pool. Does the FI have to drop that PU as a client?	<p>An FI may be able to keep the client if the PU qualifies for a Specific Pledge Account (SPA), is granted a SPA at the discretion of the treasurer, or the PU decides to join the pool.</p> <p>ORC 135.18 indicates that there are two options for FI's to use to secure ALL of their public deposits. They can either use specific pledge at 105% or OPCS (ORC 135.182) at 102% or a rate set by the Treasurer in Rule. Each FI will need to make the commercial decision about entering the pool. ORC states that an FI must choose one method, either specific or OPCS, for ALL public deposits. However FI's that have a PU that qualifies for a SPA or is granted a SPA at the discretion of the treasurer will be permitted to join the pool while having the qualified PU in a segregated account (SPA). Specific Pledge Accounts will collateralize at 105% and will not be eligible for a reduced collateral floor. Specific Pledge Accounts will have separate collateral for those accounts and separate legal agreements.</p>
Opting In	<p>Is this correct that all Public Fund deposits must be part of the OPCS for a FI participating to OPCS?</p> <p>If a FI has two public funds accounts in a Sweep account collateral pool, is that true that these two accounts must leave the Sweep account pool and be part of the OPCS program?</p>	All PU balances subject to FDIC coverage are in scope.
Collateral Sufficiency	As part of OPCS, will collaterals related to deposits from the State (of Ohio) be pooled with the collaterals for the other Public Organizations from Ohio? As such will the deposits from the State (of Ohio) be subject to the potential reduced collateral requirement (if applicable) as part of the collateral pool?	The Treasurer's Office looks forward to participating as a client in OPCS.
Dashboard	Will it be possible to extract the data from the OPCS dashboards into a spreadsheet or a PDF file?	Yes, dashboards and reports will be configured so to be extracted into PDF or Excel file as necessary.

OPCS Rules	Do FIs have to report public funds outside of the State of Ohio ?	No
Add Collateral	If a FI participating in OPCS experiences a large increase in deposits overnight causing them to be insufficient in collateral coverage, is it possible for them to pledge, in addition to the securities already pledged, a FHLB letter of credit to cover the deficiency? Could this letter of credit be issued to a specific public unit that is being covered through OPCS or should it be issued to Treasurer of State?	FHLB Letters of Credit are an acceptable form of collateral per ORC. All OPCS collateral will be pledged to the Treasurer's Office.
FI Opt In	Will new depository agreements need to be executed prior to 7/1/17 referencing the new codes or can it wait until the current agreement expires?	The FI's will need to review their agreements with legal counsel
SPA	Metropolitan Housing Authorities – The collateralization of these deposits fall under HUD guidelines. United States Housing Act of 1937, as amended (42 USC 1437, et seq.) Form: HUD 51999 - Will these be subject to the ORC changes or are these outside of the state code? - Would they fall under Specific Pledge Account via OPCS? - Can we receive a copy of the Segregated Collateral Trustee Agreement?	It is our understanding that Housing Authorities and Federal Agencies fall outside the ORC provisions. TOS defined public deposits in the proposed rules and specifically excluded these entities from the definition. However, Housing Authorities would qualify for a SPA should the FI and PU decide that an SPA was desirable for both parties.
SPA	Would chartered schools also fall under Specific Pledge Account?	As stated in proposed rule, a financial institution may be permitted to use the specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. A FI must demonstrate that it meets the requirements for a specific pledge account.
Daily FI Files	Port_ID: If TIN is being supplied to OPCS, is it necessary to also furnish the internal unique identifier for a client? What purpose will this information serve within OPCS?	Different Public Organizations may, in some cases, share the same Tax ID Number. Therefore another identifier is required to segregate accounts between different public organizations sharing the same Tax ID Number. The Port_ID number is the identifier used to group together accounts that belong to the same Public Organization and segregate the access from other public organizations sharing the same Tax ID Number.
Daily FI Files	Batch_ID: It is unclear what a 'Batch' is in the context of OPCS. Please clarify	Accounts of a particular Public Organization, reported by the FI in its daily files, may belong to different Pools. The concept of Batch allows to group together the accounts of a Public Organization in the daily files.
Daily FI Files	Contact Information: Is there an expectation to supply a Designated Signer and a Business Relationship Manager for each public unit? The expectation is unclear based on the supplied reporting requirements.	There has to be at least 1 Designated Signer (PU). There is no limit on the number of DS that can be included. The Business Relationship Manager contact is optional.
Daily FI Files	Contact Information: What are the limitations regarding the Designated Signer supplied to OPCS? The public unit contact for collateral reporting and management maintained in internal systems may not be an actual designated signer on the accounts through legal documentation, especially in cases of larger municipal entities.	The FIs are required to provide the contact details of, at least, one Designated Signer for each PU account reported. The Designated Signer is an individual from the Public Unit that has the authority to obligate the account.

Add Trustee	Will the Federal Reserve be an approved trustee for OPCS? Has the setup process, agreement requirements, and trustee reporting requirements changed from the initial discussions and if so what facets have changed?	Yes, the Federal Reserve will be an approved collateral trustee for OPCS. TOS is working through the logistics for this trustee.
SPA	The specific pledge method of collateralization within OPCS will now be functional for certain clients that require it (through federal mandates, operating charters, etc.). Is the reporting and documentation structure different for these entities and how will this be transmitted through OPCS? These entities require control of their collateral and it is unclear how OPCS will specifically designate pledged collateral through the pool to these specific pledge accounts as it is required and how that will be documented and communicated. We believe public units with charters and federal rules should be carved out of OPCS entirely as they are not a part of the pooled collateral.	<p>FI's that apply for and are approved for a SPA will have the same reporting requirements as their other public unit clients. Each SPA will have a Pool ID that will be transmitted as a part of the FI daily file.</p> <p>SPAs will not be a part of the FI's pool but will have their own segregated account set up specifically for the qualifying public unit and only their collateral will be held in that account.</p> <p>TOS envisions an agreement so that the appropriate legal requirements can be met.</p>
SPA	Will a list of Home Rule eligible public units be available to the FIs? If a public unit requests direct pledge module of OPCS, will the Treasurer's office affirm that the public unit is eligible for home rule?	TOS does not have a list of Home Rule entities. Any FI applying for a SPA would need to provide to TOS supporting documentation for the request.
SPA	Allow SPA for an PU that has a contract with an FI that does not expire before the FI enters OPCS.	As stated in proposed rule, a financial institution may be permitted to use the specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. Under the proposed scenario, a FI may apply for a SPA and the approval is at the discretion of the treasurer of state.
SPA	Allow SPA as required legally by ordinance of the PU	As stated in proposed rule, a financial institution may be permitted to use the specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. A FI must demonstrate that it meets the requirements for a specific pledge account,
SPA	Allow SPA as required by Policy or guidelines of the PU	As stated in proposed rule, a financial institution may be permitted to use the specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. Under the proposed scenario, a FI may apply for a SPA and the approval is at the discretion of the treasurer of state.
SPA	If a FI contract states that a PU must be collateralized using the specific pledge method and the contract does not expire before the FI needs to decide to either opt-in to OPCS or opt-out, will the FI be granted a SPA for that client even if they do not meet the defined requirements for a SPA?	As stated in proposed rule, a financial institution may be permitted to use the specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. Under the proposed scenario, a FI may apply for a SPA and the approval is at the discretion of the treasurer of state.
PU Demograpgc File	How should a FI display a name like J. Christopher Smith in the PU demographic file? The PU authorized signer clearly goes by Christopher, but that is technically the middle name. Should the J be listed as the first name and Christopher listed as the middle name?	First name should contain "J. Christopher" and the last name should contain "Smith". When we send communications to PUs we will use the first and last name fields.
Collateral Trustee	What calendar will TOS be utilizing for daily file transfers?	OPCS will follow the Federal Reserve Bank calendar.
Collateral Trustee	What time are daily position files from collateral trustees due to TOS?	It is expected that the daily OPCS Position Trustee will be due by 8am every day that the Federal Reserve is open. The file submission deadline will be defined in the OPCS operating policy.

PU Demographic File	Is there a limit to how many Designated Signers can be included for a PU?	There has to be at least 1 Designated Signer (PU). There is no limit on the number of DS that can be included.
Collateral Trustee	What is the required trustee file naming convention?	OPCS can accommodate most file naming conventions for the trustee files. Our preferred naming convention is OPCS.My_Bank.TRUSTEE.MMDDYYYY. Where MMDDYYYY is the day of file transmission.
SCALE Model	<p>Liquidity – Is the 30-day operational liquidity ratio meant to mimic the LCR. What is the difference between HQLA1 Assets and HQLA1 Liquidity? Short-term liabilities to total assets – what is the basis of the 5% mark? Is this the accounting definition of short-term funding, meaning that it would include larger long-term debt transactions that have rolled into the <1 year bucket? If so this isn't a true representation of liquidity risk as those issuances could have been prefunded.</p> <p>If the peer groups were derived as suggested above, you could use the LCR and NSFR for larger institutions. In addition, you should use a core deposit measure and a long term debt test.</p> <p>The liquidity variables could be simplified, and there are too many variables.</p>	<p>The number of Variables in the Liquidity Component of the SCALE model has been reduced. The final Liquidity Variables include:</p> <ul style="list-style-type: none"> * 30-Day Operational Liquidity Ratio, via Cash Flows * Balance Sheet Nominal & Stress Scenario Test * On Hand Liquidity to Average Assets Ratio * Loss Absorption Capacity Margin for Uninsured Deposit Counterparties * 1-Year Short Term Debt Service Test * Short-term Liabilities/Total Assets * Non-core Deposits to Total Liabilities
SPA	What is the “definition” of charter? How does charter differ from code or ordinance?	Generally, a county or municipal charter is adopted by the voters. A code or ordinance is an authoritative law or decree passed by the government's legislative body. Please contact your legal counsel to determine if the charter for the public unit in question requires the use of the specific pledge method.
SPA	<p>If the specific pledge method is not required by charter and federal law does not pertain to the public unit, what must be presented to the treasurer of state, and by whom (the public unit or the financial institution) for permission to use the specific pledge method? And, if a financial institution has made the decision to “opt in” and the request is subsequently denied by the treasurer of state, will the financial institution who has the account(s) of the public unit requiring specific pledge be permitted to “go live” in OPCS, or must the financial institution wait until the public unit transfers their deposits to another financial institution before being permitted to “go live” in OPCS?</p>	<p>The FI is the entity that applies for a SPA. It is anticipated that the FI will need to provide documentation to TOS when requesting a SPA.</p> <p>The FI is the entity that decides whether or not to join OPCS. If a PU does not want to be in the pool and their current FI is joining the pool, they either need to agree to join the pool or transfer to another FI that is not participating in the pool. Each FI will need to have a commercial discussion with their underlining PUs as appropriate.</p> <p>A FI will not be permitted to "go-live" in OPCS if they cannot comply with the ORC. ORC 135.18 indicates that there are two options for FI's to use to secure ALL of their public deposits. They can either use specific pledge at 105% or OPCS (ORC 135.182) at 102% or a rate set by the Treasurer in Rule. Each FI will need to make the commercial decision about entering the pool. However, ORC states that an FI must choose one method, either specific or OPCS, for ALL public deposits.</p> <p>The "grace period" will allow a FI to continue to pledge collateral under their current methods while transitioning into OPCS.</p>
Operating Policies	When will the OPCS operating policies be available to FI's and PU's?	The OPCS operating policies will be made available no later than July 1, 2017.

SCALE	<p>If a FI applies for and is approved for scale, is it up to the FI to create their own agreements and execute them with the particular client, or will there be “standard” a form created by OPCP for FIs to use, that would then have to be submitted to the TOS?</p> <p>The agreements that are referred to are internal agreements the FI has between with the PUs describing the FI obligation to provide collateral as per Ohio statues. Those agreements will need to be amended by us to accommodate the new collateral program/rules/policies under OPCS.</p>	<p>OPCS will not provide form agreements between FIs and PUs that describes the FI Obligation to provide collateral. A FI should evaluate their existing agreements with PUs to determine if a modification is necessary prior to applying for a reduced collateral floor.</p>
Public Units	<p>Will the public unit also have a separate “opt in” form to complete and submit to the State and when will that be available to them?</p>	<p>TOS is not anticipating an application for Public Units. Public Units do not “opt-in” to OPCS. An FI is the entity that decides whether or not to join OPCS. I.e. a PU cannot join OPCS if their FI is not participating.</p>
	<p>The PU Demographic file detail states Batch_# is “The number of the Port Batch within the file. First Batch = '001' second batch in sequence = '002'” When should the Batch_# sequence change? Should it change with each change in the port ID?</p>	<p>The “Batch_#” in the Public Unit Demographic File – Batch Port Header Record (RT5) corresponds to the sequence number of the Batch within the file. The FI provides a different batch (RT5) for every separate instance of Port_ID and PU_Tax_ID combination.</p> <p>For example RT5 / Batch 1: Port_ID 12345; Tax_ID 123456789; Port_ID_Name City of ABC RT5 / Batch 2: Port_ID 98765; Tax_ID 987654321; Port_ID Name County of XYZ</p>
Opt-In	<p>Will there be an official application form we as the FI will need to complete prior to July 1 to officially “opt in” to OPCP and if so, when will that be available to us?</p>	<p>The FI is the entity that decides whether or not to join OPCS.</p>