

Collateral Policy and Procedures



Riley Moore
State Treasurer

September 18, 2024

Table of Content

Policy and Procedures	3
Instructions to Complete Collateral Request Form	6
Collateral Request Form	7
WIRE Transaction Request Form Instructions	8
WIRE Transaction Request Form	10
Eligible Collateral Types for Financial Institutions	11

Purpose:

The purpose of the Collateral Policy and Procedures is to ensure compliance with state code sections §12-1-4 and §12-1-5 which governs bonds pledged by depositories and limitations on amounts of deposits. These policies and procedures are published to provide a comprehensive guide to depositories which have pledged or will need to pledge collateral with the State Treasurer's Office (STO).

Policy:

The STO reviews all collateral requests from approved state depositories. Any requests will be approved by the STO in accordance with West Virginia code §12-1-4 and §12-1-5. The STO will request balances for all state accounts on a quarterly basis from approved state depositories to ensure all state funds are properly collateralized.

Procedures:

I. Why is collateral required?

A. Deposits of state funds in excess of the amount insured by an agency of the federal government (for example FDIC insurance) must be separately collateralized in accordance with §12-1-5 to minimize the state's financial risk.

B. *§12-1-5. Limitation on amount of deposits.*

The amount of state funds on deposit in any depository in excess of the amount insured by an agency of the federal government shall be secured by a deposit guaranty bond issued by a valid bankers surety company or by other securities acceptable to the treasurer in an amount of at least one hundred two percent of the amount on deposit. The value of the collateral shall be determined by the treasurer.

C. The amount of state funds in excess of insured amounts must be collateralized by acceptable collateral. The market value of the pledge collateral must be at least 102% of the amount of state funds in excess of the amount of insurance by an agency of the federal government (example – FDIC).

1. The value of collateral is determined by the safekeeping agent designated by the STO. This is currently Truist.

II. Types of Acceptable Collateral

A. The following items are acceptable forms of collateral to pledge for deposits held for the State of West Virginia:

1. Bonds of the United States
2. Bonds of the Federal Land Banks
3. Bonds of Federal Home Loan Banks

4. Bonds of the State of West Virginia or any county, district or municipality of this state
5. Federal Home Loan letters of credit
6. Other bonds, securities or letters of credit approved by the State Treasurer
7. The list of Eligible Collateral Types for Financial Institutions can be found on page 10 of this handbook.

III. How the Amount of Collateral Needed is Determined

- A. Depositories are required to provide balances for all state accounts and time deposits on a quarterly basis.
- B. The market value of all pledged collateral is obtained from the safekeeping agent of the STO. Although the STO is the final determining authority of the market value.
- C. The state funds deposited at the depository are totaled by Federal Employer Identification Number (FEIN).
- D. Each FEIN total is then reduced by the amount covered by FDIC insurance.
- E. Any FEIN total greater than zero after the FDIC insurance deduction is then totaled and multiplied by 102% to get the collateral required. The collateral required for all FEINs with public deposits of each depository is then totaled and compared to the current market value for all collateral pledged for the depositories.
 1. If the collateral required is greater than the sum of the market values of all collateral pledged, additional collateral is required until the sum of the market values of collateral pledged is greater than the collateral requirement.
 2. If the sum of market values of all collateral pledged is greater than the required collateral, no additional collateral is required.
- F. Depositories need to monitor their collateral position in regards to the fluctuating balances to determine if they need to change their collateral position frequently.
- G. The STO reserves the right to require a larger balance of collateral to be pledged by any financial institution.

IV. Delivery of Collateral

A. Federal Home Loan Bank Irrevocable Standby Letter of Credit may be faxed to 304-341-7096 or emailed to CollateralGroup@wvsto.gov.

B. DTC eligible securities and US government securities must first be approved by the STO.

1. Complete the attached Request for Collateral Pledge/Release Form (see instructions) and email it to CollateralGroup@wvsto.gov. A fillable version of the form can be found on our website at wvsto.gov under Financial Institutions and then Collateralization of Public Deposits.
2. The email must be sent from an authorized individual. This information must be provided to the STO prior to the request.
3. The STO will review the request and accept or deny the request via email.
4. If approved, the STO will contact their safekeeping agent to authorize the delivery or receipt of the security. It is the responsibility of the requesting financial institution to notify their safekeeping agent.

V. Disbursement of Cash from Safekeeping Account

A. Cash held in the safekeeping account, whether from interest payments or maturity of securities will be distributed monthly via wire transfer on the 18th of each month, or next proceeding banking day if the 18th of the month falls on a weekend or a bank holiday.

B. Cash may be distributed from the safekeeping account from a day other than the 18th of each month by completing the WIRE Transaction Request Form and email it to CollateralGroup@wvsto.gov. A fillable version of the form can be found on our website at wvsto.gov under Financial Institutions and then Collateralization of Public Deposits.

C. WIRE Transaction Request Form Instructions may be found in this handbook or may also be found on our website at wvsto.gov under Financial Institutions and then Collateralization of Public Deposits.

VI. Contact Information

A. If a depository has any questions, contact the STO at 304-340-5020.

B. Questions may also be submitted via email at CollateralGroup@wvsto.gov.

West Virginia State Treasurer's Office
Banking Services Division
Securities Management
Collateral Pledge and/or Release Form Instructions

The Request for Collateral Pledge and/or Release Form must be completed for all pledges and releases except for Federal Home Loan Bank Irrevocable Letter of Credit requests.

1. At the top of the request form, insert Requesting Bank Name, Bank Tax ID, and the Delivery Date Requested.
2. Delivery instructions for Truist:
 - a. Select the delivery method, DTC Eligible Securities or US Govt. Securities.
 - For DTC Securities, enter your 10-digit Truist collateral account number in the account number field This information must be included.
 - For US Government Securities, add and Further Party Information (Free Text) if applicable, SEI Truist Account Name and your 10-digit Truist Account number.
3. Delivery Instructions for Collateralized Bank:
 - a. Select the delivery method, DTC Eligible Securities or US Govt. Securities.
 - For DTC Securities, provide the required information for Agent ID#, Institution #, and Account #.
 - For US Government Securities, enter the required information for Bank wire address/Third Party ID, ABA # and Account #.
 - This information must be provided for both pledge and release requests. Your safekeeping agent should be able to provide this information to you when needed.
4. Pledge and Deposit (Free Receipts)
 - a. Provide the 9-digit Cusip #, Original Par/Unit/Share Value, Original Value/Cost Basis, Current Market Value, Security Description & Coupon Rate
5. Release and Withdrawal (Free Delivery)
 - a. Provide the 9-digit Cusip #, Original Par/Unit/Share Value, Current Market Value and select Full Release or Partial Release.
6. The request should be signed by an authorized individual on file with the West Virginia State Treasurer's Office (WVSTO). Add phone number, printed name, email address, title and the date of the request.
7. Email the completed form to the WVSTO at CollateralGroup@wvsto.gov. The email should be sent by an authorized individual on file with the WVSTO. Authorized individuals should be updated with the WVSTO as needed.
8. The WVSTO will complete the last section of the form and forward to Truist for processing.

The WVSTO will respond to the email accepting or denying the request. If the request is accepted, it is the depository's responsibility to notify their safekeeping agent of the delivery to/from the WVSTO.

Questions should be directed to CollateralGroup@wvsto.gov or you may call 304-340-5020 or 800-422-7498.

West Virginia State Treasurer's Office

Banking Services Division
Securities Management

collateralgroup@wvsto.gov
Phone/Hotline # 304.340.5020



Request for Collateral Pledge and/or Release (Free Receipts/Free Deliveries)

Requesting Bank Name: _____ Bank Tax ID: _____
 Delivery Date Requested: _____
 For Pledge: West Virginia State Treasurer

DELIVERY INSTRUCTIONS FOR TRUIST Please Select the appropriate delivery method:

<p>DTC Eligible Securities DTC #: <u>2039 SEI Private Trust Co.</u> Trust Account #: _____</p>	<p>US Government Securities FRB Mnemonic: <u>US Bank, N.A. Trust</u> ABA#: <u>42000013</u> Sub Acct: <u>1050/Trust</u> SEI Account: <u>1050985490</u> FFC Trust Bank: <u>a/c 11188</u> Further Party Info (or Free Text): _____ SEI Trust Account Name: _____ Trust Account #: _____</p>
---	---

DELIVERY INSTRUCTIONS FOR COLLATERALIZED BANK Please Select the appropriate delivery method:

<p>DTC Eligible Securities Agent ID #: _____ Institution ID #: _____ Account #: _____</p>	<p>US Government Securities Bank Wire Address/Third Party ID: _____ ABA #: _____ Account #: _____</p>
---	---

We request to PLEDGE AND DEPOSIT (Free Receipts) the following eligible securities:

CUSIP #	Original Par/Unit/Share Value	Original Value/Cost Basis	Current Market Value	Security Description & Coupon Rate	Maturity Date

We request to RELEASE AND WITHDRAWAL (Free Deliveries) the following eligible securities:

CUSIP #	Original Par/Unit/Share Value	Current Market Value	Full Release Amount	Partial Release Amount

Authorized Signature: _____ Phone: _____
 Printed Name: _____ Email: _____
 Title: _____ Date: _____

FOR WV TREASURY USE ONLY

Approved by: _____ Date: _____

West Virginia State Treasurer's Office
Banking Services Division
Securities Management
WIRE Transaction Request Form Instructions

Monthly Interest payments and liquidated funds related to matured securities held in Truist Safekeeping Bank accounts will be made on the 18th of each month, or next business day if the 18th of the month is on a weekend or bank holiday. The WIRE Transaction Request Form is to request a WIRE transfer of cash held at Truist if the requesting bank requires transfer on a day other than the 18th of the month. The form will need to be completed each time the distribution date is not the 18th of the month.

1. The individual completing the WIRE Transaction Request Form must be an authorized representative on file with the West Virginia State Treasurer's Office (WVSTO) from the requesting bank to make collateral changes.
2. Complete the for Requesting Bank Name, Bank Tax ID and Delivery Date Requested information at the top of the form.
 - a. If requesting a same day WIRE, please note all requests received and acknowledged by Truist prior to 12:00 p.m. Eastern Standard Time (EST) will be processed same day. Forms received and/or acknowledged after 12:00 p.m. EST will be processed the following business day.
3. Complete the fields under the "WIRE Transfer From Information" section.
 - a. Truist Safekeeping Bank Account Number
 - i. Account number can be found by accessing [Truist PortfolioView and clicking on Truist PortfolioView under Investments. The account number will appear on the account selection page above the Account Name, which will appear as "WVSTO CM Your Bank Name".](#)
 - ii. [If you do not have access to Truist PortfolioView and need access, please contact CollateralGroup@wvsto.gov](#)
 - b. Bank Physical Address for Account, on file with Truist
4. Complete the fields under the "WIRE Transfer To Information" section.
 - a. Receiving Bank Name
 - b. Receiving Bank Address
 - c. Receiving Bank ABA/Routing Number
 - d. Receiving Bank Account Number
 - e. For Further Credit (FFC) Information (if applicable)
 - f. Transaction Amount
 - i. To find the cash available, sign in to [Truist PortfolioView, click on Truist PortfolioView under Investments, there you will see your account information. The sum of the Income Uninvested Cash and Principal Uninvested Cash is the amount available for wire.](#)
 - g. Comments to be Recorded on Request (optional)
5. The authorized representative must print their name, title, phone number, email address, form completion date and sign the request.

West Virginia State Treasurer's Office
Banking Services Division
Securities Management
WIRE Transaction Request Form Instructions

6. Send the completed request form to CollateralGroup@wvsto.gov for processing. The WVSTO staff will notify the authorized representative whether the request is approved and forwarded to Truist for processing or denied and the reason for denial.

****Cash MUST be available prior to wiring funds. The form must be completed and sent to the WVSTO prior to 12:00 p.m. EST for review and approval prior to being sent to Truist.***

Questions should be directed to CollateralGroup@wvsto.gov or you may call 304-340-5020 or 800-422-7498.

West Virginia State Treasurer's Office

Banking Services Division
Debt and Securities Management

collateralgroup@wvsto.gov
Phone/Hotline # 304.340.5020



WIRE Transaction Request

Requesting Bank Name:	<input type="text"/>	Bank Tax ID:	<input type="text"/>
Delivery Date Requested:	<input type="text"/>		

DELIVERY INSTRUCTIONS FOR TRUIST

WIRE Transfer From Information

Truist Account Name:

Truist Safekeeping Bank Account Number:

Bank Physical Address for Account:

WIRE Transfer To Information

Receiving Bank Name:

Receiving Bank Address:

Receiving Bank ABA/Routing Number:

Receiving Bank Account Number:

For Further Credit (FFC) Information:

Transaction Amount:

Comments to be Recorded on Request:

Note: All wire disbursements received and acknowledged by Truist prior to 12:00 pm Eastern Standard Time (EST) will be processed same day. Forms received and/or acknowledged after 12:00 pm EST will be processed the following business day.

** Cash MUST be available prior to sending out funds.**

Authorized Signature: <input type="text"/>	Phone: <input type="text"/>
Printed Name: <input type="text"/>	Email: <input type="text"/>
Title: <input type="text"/>	Date: <input type="text"/>

Please forward this request to CollateralGroup@wvsto.gov for processing.

FOR WV TREASURY USE ONLY

Approved by: <input type="text"/>	Date: <input type="text"/>
-----------------------------------	----------------------------



West Virginia State Treasurer's Office

Eligible Collateral Types for Financial Institutions

	Minimum S&P Ratings			Minimum S&P Ratings
<u>U.S. TREASURIES</u>			<u>GNMA</u>	
BILLS	AA+		TRUST RECEIPTS	AA+
BONDS	AA+		GNMA I/II-SINGLE FAMILY	AA+
NOTES	AA+		GNMA I/II-OTHERS-FIXED RATE	AA+
STRIPS	AA+		GNMA I/II OTHERS-ADJUST. RATE	AA+
	Minimum S&P Ratings			
<u>AGENCIES</u>			<u>AGENCY MORTGAGE BACKS</u>	
<i>(Agencies include Discount Notes, Notes, Bonds, FRN's, STRIPS inside 10 years, and MTN's)</i>				
FHLB (Federal Home Loan Banks)	AA+		TRUST RECEIPTS	AA+
FHLMC (Federal Home Loan Mtge)	AA+		PASS THROUGH-FIXED RATE	AA+
FNMA (Federal Nat'l Mtge Corp)	AA+		PASS THROUGH-ADJUST. RATE	AA+
FLBB (Federal Land Bank Bonds)	AA+		MBS STRIPS (IO,PO,RECOMB)	AA+
TVA (Tennessee Valley Authority)	AA+			
			<u>MUNICIPAL BOND</u>	
			MUNICIPAL BONDS - In State	
			General Obligation Bonds	A+
			Revenue Bonds	A+
<u>LETTERS OF CREDIT</u>				
Federal Home Loan Letters of Credit (LOC)				
Agency Letters of Credit	AA+			
			MUNICIPAL BONDS - Out of State	
			General Obligation Bonds	A+
			Revenue Bonds	A+

*Security ratings provided is the minimum acceptable rating.