

Public Funds Collateralization Program

Eligible Collateral Guidelines

295.001

(19) “Security” or “securities” means:

(a) Obligations of the United States, including those of its agencies and instrumentalities and of government sponsored enterprises;

(b) Obligations of the International Bank for Reconstruction and Development;

(c) Bonds of any state of the United States:

(A) That are rated in one of the four highest grades by a recognized investment service organization that has been engaged regularly and continuously for a period of not less than 10 years in rating state and municipal bonds; or (B) Having once been so rated are ruled to be eligible securities for the purposes of ORS 295.001 to 295.108, notwithstanding the loss of such rating;

(d) Bonds of any county, city, school district, port district or other public body in the United States payable from or secured by ad valorem taxes and that meet the rating requirement or are ruled to be eligible securities as provided in paragraph (c) of this subsection;

(e) Bonds of any county, city, school district, port district or other public body issued pursuant to the Constitution or statutes of the State of Oregon or the charter or ordinances of any county or city within the State of Oregon, if the bonds have a long-term rating of AA or better;

(f) With the permission of the State Treasurer and in accordance with rules adopted by the State Treasurer, loans made to any county, city, school district, port district or other public body in the State of Oregon, if the borrower has not been in default with respect to the payment of principal or interest on any of its loans within the preceding 10 years or during the period of its existence if that is less than 10 years;

(g) With the permission of the State Treasurer and in accordance with rules adopted by the State Treasurer, bond anticipation notes issued, sold or assumed by an authority under ORS 441.560;

(h) Bonds, notes, letters of credit or other securities or evidence of indebtedness constituting the direct and general obligation of a federal home loan bank or Federal Reserve bank;

(i) Debt obligations of domestic corporations that are rated in one of the three highest grades by a recognized investment service organization that has been engaged regularly and continuously for a period of not less than 10 years in rating corporate debt obligations; and

(j) Collateralized mortgage obligations and real estate mortgage investment conduits that are rated in one of the two highest grades by a recognized investment service organization that has been engaged regularly and continuously for a period of not less than 10 years in rating corporate debt obligations.

295.015 Maintenance of securities by bank depository. Except as provided in ORS 295.018:

(1) (a) Each bank depository throughout the period of its possession of any uninsured public funds deposits shall maintain on deposit with its custodian, at its own

expense, securities having a value at least equal to its minimum collateral requirement and as otherwise prescribed in ORS 295.001 to 295.108. Such collateral shall be deposited with the bank depository's custodian and shall be clearly designated by the bank depository and the custodian as security for the benefit of depositors of public funds under ORS 295.001 to 295.108.

(b) For purposes of this section, when pledged as collateral for public funds deposits, loans described in ORS 295.001 (19)(f) shall be discounted to 75 percent of the unpaid principal balance owing on the loan from time to time, or to a lower value determined by the State Treasurer from time to time.

(c) When a bond anticipation note is pledged as collateral for public funds deposits, if there is no readily determinable market value for the note, it shall be discounted to 75 percent of the unpaid principal balance owing on the note from time to time, or to a lower value determined by the State Treasurer from time to time.

(2) The bank depository may deposit other eligible securities with its custodian and withdraw from deposit securities theretofore pledged to secure deposits of public funds, if the remaining securities have a value not less than its minimum collateral requirement. The State Treasurer shall execute such releases and surrender such custodian's receipts as are appropriate to effect substitutions and withdrawals of matured and excess pledged securities.

(3) If a bank depository's minimum collateral requirement increases because it ceases to be a well capitalized bank depository as reflected in the bank depository's last treasurer report, call report or other public filing, or if the bank depository receives notice from the bank depository's custodian under ORS 295.013 (2)(d) or the State Treasurer:

(a) Within three business days after the date on which the bank depository's minimum collateral requirement increases, the bank depository shall notify its custodian, the Director of the Department of Consumer and Business Services and the State Treasurer in writing that the bank depository's minimum collateral requirement has increased, setting forth the bank depository's new minimum collateral requirement and the bank depository's plan for increasing its pledged collateral to the minimum collateral requirement; and

(b) Within five business days after the date on which the bank depository's minimum collateral requirement increases, or within a longer period approved by the State Treasurer and the director, the bank depository shall, in accordance with the plan approved by the State Treasurer and the director, tender to its custodian additional securities having sufficient value to increase the total value of its securities pledged as collateral for public funds deposits to the new minimum collateral requirement of the bank depository.

(4) If a bank depository's minimum collateral requirement decreases because it moves from being an undercapitalized bank depository or an adequately capitalized bank depository to being a well capitalized bank depository, or because the State Treasurer no longer requires the bank depository to pledge additional collateral under ORS 295.018, the bank depository may:

(a) Notify its custodian and the State Treasurer in writing that the bank depository's minimum collateral requirement has decreased, setting forth the bank depository's new minimum collateral requirement; and

(b) With the written approval of the State Treasurer, withdraw from its custodian any securities that exceed the bank depository's new minimum collateral requirement.

(5) The State Treasurer shall act upon requests for releases and withdrawals of securities under subsections (2) and (4)(b) of this section within three business days after the receipt of each request. [1967 c.451 §2; 1975 c.515 §3; 2007 c.871 §17; 2009 c.821 §6]

Approval of Loan Repayment Obligations Pledged by Bank Depositories 170-040-0030 Pursuant to ORS 295.001(19)(f):

Loan repayment obligations owed by a county, city, school district, port district or other public body in the State of Oregon may be pledged by a bank depository as collateral only after the bank depository has received written approval from the Office of the State Treasurer (OST). However, the OST will not accept requests for and approve such loans as collateral, unless and until written notice is provided to bank depositories that, from a date designated in the notice, OST will begin to accept such requests and evaluate the acceptability of such loans as collateral. In the event OST approves such loans as collateral, the loans will be valued at seventy-five percent of their outstanding principal amount for purposes of calculating whether adequate collateral has been pledged by a bank depository with its custodian, as required under ORS Chapter 295.

After receipt of the notice described above, the bank depository shall submit a written request to the OST containing the following information:

- the name of the payment obligor under the loan;
- the original principal balance of the loan;
- the current unpaid principal balance of the loan;
- the maturity date for the loan;
- whether the loan may be repaid prior to maturity;
- the credit rating (if applicable) of the general obligations of the obligor;
- the credit enhancement (such as insurance), if any, for the loan;
- whether an event of default has ever occurred under the loan; and
- whether the obligor has defaulted with respect to the payment of principal or interest on any of its loans or similar obligations within the preceding 10 years or during the period of its existence if that is less than 10 years.

The OST will permit a loan to be pledged as security only if:

- the public body has not been in default with respect to the payment of principal or interest on any of its loans within the preceding 10 years or during the period of its existence if that is less than 10 years;
- if rated by a rating agency, the public body's general obligations have a credit rating of AA or Aa;
- if the loan is credit enhanced, the provider of the credit enhancement has a credit rating of, AA or Aa;

- if the above referenced ratings are not available, OST determines, based on the information submitted to it, that the loan is of sufficiently high credit quality that it may be pledged as collateral; and
- the unpaid principal amount of the loans pledged does not exceed 30% of the bank depository's collateral.

Approval of Bond Anticipation Notes Pledged by Bank Depositories 170-040-0040

Pursuant to ORS 295.001(19)(g):

Bond anticipation notes issued, sold or assumed by an authority under ORS 441.560 may be pledged as collateral by a bank depository only after the bank depository has received written approval from the Office of the State Treasurer (OST). However, the OST will not accept requests for and approve such bond anticipation notes as collateral, unless and until written notice is provided to bank depositories that, from a date designated in the notice, OST will begin to accept such requests and evaluate the acceptability of such notes as collateral.

After receipt of the notice described above, the bank depository shall submit a written request to the OST containing the following information:

- the name of the note issuer;
- the original principal balance of the note;
- the current unpaid principal balance of the note;
- the maturity date of the note;
- whether the note may be repaid prior to maturity;
- the credit rating (if applicable) of the issuer;
- the credit enhancement (such as insurance), if any, of the note;
- whether an event of default has ever occurred under the note; and
- whether the issuer has defaulted with respect to the payment of principal or interest on any of its notes or similar obligations within the preceding 10 years or during the period of its existence if that is less than 10 years.

The OST will permit a note to be pledged as security only if:

- the issuer has not been in default with respect to the payment of principal or interest on any of its obligations within the preceding 10 years or during the period of its existence if that is less than 10 years;
- if rated by a rating agency, the issuer's general obligations have a credit rating of AA or Aa;
- if the note is credit enhanced, the provider of the credit enhancement has a credit rating of AA or Aa; or
- OST determines, based on the information submitted to it, that the note is of sufficiently high credit quality that it may be pledged as collateral.

If the OST determines that there is an insufficient market in bond anticipation notes issued, sold or assumed by an authority under ORS 441.560 to provide for the efficient trading and liquidation of such bond anticipation notes, OST will value bond anticipation notes issued, sold or assumed by an authority under ORS 441.560 at seventy-five percent of their outstanding principal amount for purposes of calculating whether adequate collateral has been pledged by a bank depository with its custodian, as required under ORS Chapter 295.