

State Board of Finance
Collateralization Policy Treasury Funds

State Treasury Funds deposited and/or invested with a financial institution must, at all times, be collateralized and secured by conveyance of a perfected security interest in eligible securities as prescribed in Arkansas Code Annotated § 23-47-203, or by Federal Home Loan Bank Letter of Credit, and evidenced by a security agreement. The Security Agreement must (a) be in writing, (b) be approved by the financial institution's Board of Directors pursuant to the bylaws of the institution and recorded in the appropriate minutes, and (c) maintained continuously as an official record of the institution. The securities pledged must at all times have a market value, as determined by Treasury equal to at least 105% of the amount of Treasury deposits and/or investments (including accrued interest), and be held by a third-party Financial Institution Custodian. The Treasurer may allow for reductions to the collateralization requirement by the amount of the appropriate federal insurance, not to exceed \$250,000 per institution in cases where Investment Accounting can track the accrued interest on deposits and the market value of the pledged securities.

In order to be eligible to accept deposits and/or investments of Treasury Funds, a Financial Institution must have on file with the State Treasurer and executed copy of the following documents:

- (a) Security Agreement for Funds Held in Deposit,
- (b) Certificate of Corporate Resolution,
- (c) Custodial Services Agreement,
- (d) Certificate of Good Standing,
- (e) ACH Agreement,
- (f) Certification of Capital Base, Arkansas Loans, and Arkansas Deposits,
- (g) Designation of Main Office or Branch,
- (h) Designation of Authorized Representatives.

Additionally, if institution is an out of state bank:

- (i) Proof of Certificate of Authority

The State Treasurer may approve or disapprove a financial institution as a Custodian based upon the institution's ability to comply with the terms and conditions set forth in the Custodial Services Agreement.

Failure by a financial institution to comply with the terms and conditions as set for the in the Security Agreement shall, at the discretion of the State Treasurer, make all deposits and/or investments with the institution subject to immediate withdrawal with interest being due and payable at the date of withdrawal.

This policy shall supersede all previous Board policies concerning the Collateralization of Treasury Funds and shall be subject to amendments as the Board may see necessary from time to time.