



OHIO POOLED COLLATERAL SYSTEM (OPCS): PUBLIC UNIT BEST PRACTICES

Ohio Treasurer Robert Sprague has tasked his OPCS team to conduct trainings and outreach to system users, including public units. As part of that outreach, the Treasurer's team recommends best practices when utilizing OPCS. Those recommendations are presented below.

OVERVIEW

In the past, a financial institution (FI) collateralized its public unit (PU) customers individually (known as "specific pledge") or in a self-managed pool and issued quarterly reports. That meant there could be one or more instances during the quarter when a PU's uninsured account balances were under-collateralized and the PU was not aware of it.

State law was changed to authorize another option. In 2017, the Ohio pooled collateral program was created in accordance with Ohio Revised Code § 135.182. A FI can now choose to collateralize all its public deposits as part of a pool pledged to the Ohio Treasurer. OPCS is an automated system that facilitates the daily operation of the Ohio pooled collateral program.

Participating FIs send daily files to the Ohio Treasurer's office containing all PU account balances and contact information for the prior day. OPCS performs a comparison of the FI file to the collateral the Ohio Treasurer's office holds. The OPCS team reviews the resulting calculations so that any under-collateralization can be addressed immediately with the FI. The most common reasons for under-collateralization are an unexpected increase in a PU account balance or a decrease in the value of the pledged collateral.

In the event that an FI's collateral is deficient, OPCS notifies the FI of the deficiency by approximately 10:00 A.M. A FI must remediate the deficiency by the close of business on the date of the notification. Based on the circumstances of the deficiency, the Ohio Treasurer's office may use OPCS to send notifications to the affected PUs of the collateral deficiency.

BEST PRACTICE FOR SYSTEM-GENERATED NOTIFICATIONS

Each PU should navigate to the "Settings" page in OPCS, review all the "Email Notification" types, and ensure that each Email Notification type the PU wishes to receive is toggled-on. At a minimum, the PU profile should be set to receive both email and in-system notifications for four situations:

1) Notify PU of Deficiency; 2) Notify PU of Deficiency Remediation; 3) PU Attestation Kickoff; and 4) PU Attestation Reminder to Attest.

IMPORTANT NOTE: If a PU has optionally selected to receive the "Sufficiency Email Notification" type, the PU must also be sure to toggle-on the "FI Daily Sufficiency Opt-In" under the "Global Notifications". This will trigger OPCS to send an email for that specific notification type to all users registered for that Portfolio/Tax ID.

GUIDELINES FOR PUBLIC UNITS

1. The PU is responsible for making sure all its accounts are sufficiently collateralized. This can be done by:
 - a. Signing into OPCS frequently (daily is optimal) to confirm its accounts are sufficiently collateralized;
 - b. Confirming that the accounts and balances reported in the FI's daily file match the PU's records; and
 - c. Ensuring that the FI has accurate contact names and email addresses so that the appropriate parties will receive notification from OPCS when any of the PU's accounts are under-collateralized.
2. A PU must take action on an under-collateralized account whether noted when checking OPCS or notified through a system-generated email. This action should be initiated with the PU's FI as soon as possible within the same business day that OPCS has reported under-collateralization. The PU should:
 - a. Immediately contact their bank representative (by telephone or email) to inform them that the PU's account was under-collateralized per OPCS.
 - b. Sign into OPCS at the end of the day or on the next business day to confirm that the under-collateralization has been resolved. This step is not necessary if the PU has received a system-generated notification that the deficiency has been remediated.
 - c. Retain all communications in an electronic folder to substantiate that immediate steps were taken by the PU to remedy the under-collateralization. Document conversations held over the telephone and save in the electronic folder.
3. The PU is responsible for ensuring its accounts are collateralized at the percentage(s) negotiated with the FI.
4. The PU is responsible for keeping PU contact information up-to-date with the FI and ensuring the contact information is being transmitted accurately in the FI's daily file to OPCS. The PU should contact its FI directly to make corrections.
5. The PU is responsible for making sure that the appropriate and proper number of staff have access to OPCS for daily view and performance of the above best practices.
6. The PU is responsible for providing its FI advance notice when the PU expects a large increase in its account balance. Failure to do so may not only result in under-collateralization of the PU's account(s), but also under-collateralization of accounts for other PUs held at that FI.
7. The PU is required to perform an annual attestation in OPCS as of a specific date set by the Ohio Treasurer's office via OPCS. This attestation requires the PU to confirm account details including deposit balances and collateralization percentages as of the selected date, as well as PU contact information. Failure to perform this attestation within the allotted timeframe will result in a negative affirmation, which cannot be corrected or reversed. **NOTE:** The annual attestation is a separate occurrence and does not replace the best practice of daily review of the accounts.

