



# TENNESSEE BANK COLLATERAL POOL

KEVIN GENTRY, CPA  
DIRECTOR INVESTMENT OPERATIONS





# Bank Collateral Pool Program

Risk-sharing pool of collateral pledged by participating financial institutions to guarantee public deposits.



# Bank Collateral Pool Program

T.C.A. Title 9, Chapter 4, Part 5

## History

Tennessee's Bank Collateral Pool was authorized by the General Assembly in 1990 to allow banks and local governments statewide to participate in a pool designed to provide greater efficiency and a lower risk when collateralizing public funds.

- Launched by Treasurer in 1995
- T.C.A. Title 9, Chapter 4, Part 5
- Rules & Regulations Chapter 1700-04-01
- Today, over 92 banks participate



# Banking Partnership

Banks are essential business partners as they offer several services that are needed by public entities.

Electronic transfer of funds i.e., wire services and automated clearing house (ACH) processing, to transfer substantial sums of money to support daily operations.



# Banking Partnership

Bank participation in the collateral pool is voluntary

Banks must submit an application and be approved to participate in the collateral pool

- Participation benefits include the ability to pledge the required collateral in one convenient location
- Reduces the need to implement a separate complex solution
- No fees to depositors or banks





# Bank Deposits & Collateralization

- Statute requires public fund deposits held by banks to be protected by Federal Deposit Insurance Corporation (FDIC) coverage or collateral.
- FDIC coverage is limited to \$250,000; if your deposit balance at any bank exceeds that amount, the excess must be covered by collateral.



# Bank Collateral Pool Board

The Board is comprised of seven (7) members as follows:

- The State Treasurer
- The Commissioner of Financial Institutions
- One (1) representative of local government
- Four (4) representatives of the banking industry

All seven (7) members are voting members of the Board

The staff of the State Treasurer oversees administration



# Eligible Collateral

Depositories pledge eligible collateral having a market value of not less than the greater of the average daily balance or average monthly balance of public deposits held.

Eligible collateral is defined in Tenn. Code Ann. **§9-4-103**

- Letters of Credit
- Cash
- Certain Bonds

Treasury Bank Collateral Pool webpage ([Treasury.tn.gov](http://Treasury.tn.gov).)





# Bank Collateral Pool Program

- 11 Trustee Custodians
  - Who hold the collateral
- 3 Letter of Credit Issuers
  - FHLB OF DALLAS
  - FHLB OF ATLANTA
  - FHLB OF CINCINNATI
- Over \$13.5 Billion in collateral is pledged to the State of Tennessee in the collateral pool program.



# Local Government Benefits

Choosing a participating bank is strictly the choice of a local government official.

- The local government official no longer has to maintain safekeeping receipts for all pledged collateral
- The local government official no longer has to have the ability to monitor the daily market value of the collateral pledged
- All participating banks sign a contingent liability agreement guaranteeing that all public deposits in excess of FDIC insurance coverage are secured by the TN Bank Collateral Pool program



# Local Government Benefits

<u>Depositor Responsibility</u>	<u>Pool</u>	<u>Non-Pool</u>
– Confirm that bank is in the Pool	yes	n/a
– Execute depository agreement	yes	yes
– Execute trustee custodian agreement	no	yes
– Determine if collateral being pledged qualifies	no	yes
– Maintain an inventory of pledged collateral	no	yes
– Authorize the pledging , releasing and substitution of collateral	no	yes
– Reconcile collateral inventory to trustee custodian monthly	no	yes
– Daily pricing of collateral	no	yes



# Authorized Investment Options

Tenn. Code Ann. §5-8-301

- The statutes provides guidance to securely investing our funds
- Investment options are focused on safety and a degree of liquidity
- Local Government Investment Pool



# Questions?





# Treasury Contacts

Roger Henry	615-532-8722	roger.d.henry@tn.gov
Casey Wright	615-532-1163	casey.wright@tn.gov
Kevin Gentry	615-979-1946	keivn.l.gentry@tn.gov

## Website

<https://treasury.tn.gov/Investments/Investment-Management/Bank-Collateral-Pool>

This site contains the participant manual, historical rates, and historical portfolio listings