

COLLATERALIZATION OF STATE DEPOSITS

If the State of Delaware deposits any funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

- A. Collateralize the State's total average monthly ledger balance(s) if, for any quarter during the most recent eight quarters, the bank has not met both of the following two criteria:
 - Return on total average assets of 0.50 percent or greater.
 - Average capital ratio (total equity to total assets) of 5.00 percent or greater.
- B. If either criterion in paragraph V-A is not satisfied collateral must be pledged and shall consist of one or more of the following securities:
 - U.S. Government securities.
 - U.S. Government agency securities.
 - Federal Home Loan Board letters of credit.
 - State of Delaware securities.
 - Securities of a political subdivision of the State of Delaware with a Moody's rating of "A" or better.
- C. Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 102 percent (102%) of the total average monthly ledger balance(s) (net of FDIC insurance limits) held in all accounts. The financial institution is required to make any necessary collateral adjustments by the third business day of the following month.
- D. Ensure that securities pledged as collateral are housed at the Federal Reserve Bank.
- E. Provide reports on a monthly basis to the State Treasurer's Office detailing the collateral pledged.
- F. Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the State Treasurer's Office.