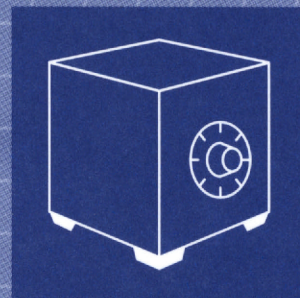
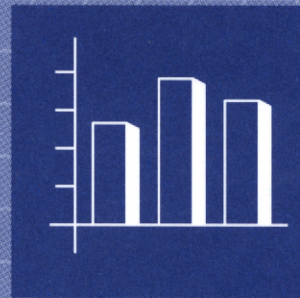


State Depository Handbook



May 2001

Carole Keeton Rylander
Texas Comptroller

State Depository Handbook



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State Depository Requirements

Under Section 404.021 of the Texas Government Code, if you are a state or national bank, a savings and loan association, or a credit union doing business in Texas through a main office or one or more branches, you may apply to be a depository to hold state funds. ***Branch institutions cannot apply. The parent institution must apply and be approved if money is to be held in any of its branch locations.***

To qualify, you must agree to:

- Make your books and accounts open at all times to the inspection of the State Comptroller of Public Accounts (the “Comptroller”) or the Comptroller’s authorized representatives.
- Maintain acceptable levels of eligible collateral pledged to the Comptroller and held by an independent, third party safekeeping agent (custodian).
- Certify compliance with Texas Unclaimed Property laws, Texas Property Code Sec. 72.001, et. seq. and with all rules and regulations promulgated pursuant to that law.
- Pay the rate of interest established by the Comptroller on the average daily balance of time deposits.
- Comply with all provisions of the law relating to state depositories and perform all duties specified, as well as comply with all the rules and regulations of the Comptroller.
- Complete and submit the State Depository Application/Agreement (the “Agreement”) form to the Comptroller’s Office for review and approval by the Comptroller.
- Pay a \$25 application fee to cover the costs of processing the Agreement.

NOTE: A depository currently holding on deposit any of the following types of state funds must reapply for the next depository period to continue to hold these monies: time deposits which include open time, linked and BidTX deposits; highway retainage; rapid deposit (concentration) funds and/or NOW accounts. Any depository currently safekeeping securities pledged to the State of Texas must reapply in order to continue serving as a custodian.

State Depository Application Process

STEP	RESPONSIBILITY	ACTION
1.	Cash and Securities Management Staff (“CSM” Staff)	Mail the Agreement to the Financial Institution.
2.	Financial Institution	Complete the Agreement.
3.	Financial Institution	Mail the completed form by <u>August 1, 2001</u> to: Texas State Comptroller — Treasury Operations Rusk State Office Building, Rm. 448 Cash & Securities Mgmt. Division P.O. Box 12608 Austin, Texas 78711-2608
4.	CSM Staff	Review and verify the Agreement.
5.	CSM Staff	Present the Agreement to the Comptroller.
6.	Comptroller	Either approve or reject the Agreement.
7.	CSM Staff	Notify the Financial Institution of the Comptroller’s decision by sending an “Approval Letter” designating the Financial Institution as a state depository.
8.	Financial Institution	If interested, Financial Institution calls the Investment Division of the Comptroller’s Office to request an open time deposit (direct placement of \$98,000) or the depository can bid on time deposits at our monthly BidTX auction.

**Instructions for the
State Depository
Application/Agreement Form**

State Depository Application/Agreement Form

State Depository Application/Agreement

Please attach \$25 application fee.

State Depository ("Depository") application procedures are established under Chapter 404 of the Texas Government Code. **This application is for the period beginning September 1, 2001 and ending August 31, 2003.**

Section I must be completed by all Depository applicants.

Section II must be completed by those financial institutions applying for **\$98,000 or less in state deposits.**

Section III must be completed by those financial institutions requesting **more than \$98,000 in state deposits.**

Section IV must be completed by all Depository applicants.

Section V is an application checklist.

Section I General Information / Terms and Conditions

General Information

The undersigned bank, savings and loan association or credit union which is doing business in Texas through its main office or one or more branches ("Financial Institution") requests to become a Depository and submits this Depository Application/Agreement (the "Agreement") for approval by the Comptroller of Public Accounts ("Comptroller").

Full Financial Institution name: 

Paid-up capital stock is: \$  _____ (Must agree with amount shown on Statement of Condition)

round to thousands

Surplus (or for credit unions, undivided earnings) is: \$  _____ (Must agree with amount shown on Statement of Condition)

round to thousands

The maximum amount of state time deposit funds requested is: \$  _____ (Time deposits include open time, linked, and BidTX deposits.)

round to thousands

NOTE: Time deposits, which include open time, linked and BidTX deposits, are limited to the maximum amount approved by the Comptroller which cannot exceed two times the Financial Institution's capital stock and surplus if the requested amount is above the federally insured limit. Highway retainage, rapid deposit (concentration) funds, and/or NOW accounts are not subject to this maximum, but require collateralization as do all state deposits in excess of federal deposit insurance coverage.

Terms and Conditions

Upon designation as a Depository, the Financial Institution agrees to the following terms and conditions:

Collateral: If the Financial Institution requests approval for state deposits in excess of \$98,000, the Financial Institution will execute the Resolution and the Security Agreement / Pledge of Collateral ("Security Agreement") and will pledge to the Comptroller and deposit with an authorized Custodian eligible investment securities acceptable to the Comptroller in an amount not less than the amount of state funds deposited with the Financial Institution.

Records: The Financial Institution will maintain separate and complete records related to all collateral necessary to secure state deposits. Such collateral records shall be regularly monitored by the internal auditor of the Financial Institution and shall be reconciled to the records of the Custodian quarterly. The books, accounts and collateral records of the Financial Institution shall be open at all times to the inspection of the Comptroller or authorized representatives.

Interest: The interest rate paid by the Financial Institution on state time deposits shall be the rate of interest established by the Comptroller. The Comptroller shall collect interest as described in the State Depository Handbook. Any modifications to this process may be made with 30 days prior notice. If, for any reason, the Comptroller requests that its deposits, or a portion thereof, be returned prior to maturity, any resulting early withdrawal penalty shall be waived by the Financial Institution. In the event the Financial Institution does not remit the maturing principal on the maturity date of a time deposit that has not been renewed by the Comptroller, the Financial Institution agrees to compensate the Comptroller for the period held after maturity at the current time deposit interest rate.

The Financial Institution authorizes the Comptroller to initiate Automated Clearing House (ACH) debit entries, as described in the State Depository Handbook, to a designated Depository account, and hereby agrees to accept and post such debit entries to the designated account.

The account number assigned by the Financial Institution for such debit entries shall be provided in the "Required Information" Section on page 5 of this Agreement. If no account number is assigned, the debit entries shall be initiated by the Comptroller to an account number consisting of a series of the number "9" and the Financial Institution shall post the debit entries manually.

State Depository Application/Agreement Form

Each item listed corresponds with the matching number on the Agreement.

1. FULL FINANCIAL INSTITUTION NAME:
Enter your financial institution's full legal name.
2. PAID-UP CAPITAL STOCK IS:
Enter the total of paid-up capital stock rounded to the nearest thousand. If applicant is a mutual savings and loan or credit union, enter a zero (0) here.
3. SURPLUS IS:
Enter your surplus rounded to the nearest thousand. Do not include retained earnings. If applicant is a mutual savings and loan, enter a zero (0) here. For credit unions, enter UNDIVIDED EARNINGS rounded to the nearest thousand.
4. MAXIMUM AMOUNT OF STATE TIME DEPOSIT FUNDS REQUESTED IS:
A depository can apply for approval to the extent that it desires to hold time deposits which include open time, linked and BidTX deposits. This amount, however, cannot exceed two times the institution's capital stock and surplus if the requested amount is above the federally insured limit. Highway retainage, rapid deposit (concentration) funds and/or NOW accounts are not subject to this approval amount, but require collateralization as do all state deposits in excess of the federal deposit insurance coverage.

State Depository Application/Agreement Form

CRA Ratings: As required under Sec. 404.0212 of the Texas Government Code, banks and savings and loans designated as Depositories must report their most recent Community Reinvestment Act (CRA) ratings to the Comptroller annually, by August 1st. **A bank or savings and loan cannot be designated as a Depository if its CRA rating is below “outstanding” or “satisfactory.”** Any change in a Depository’s CRA rating must be reported to the Comptroller within 30 days. If the rating changes to below “outstanding” or “satisfactory,” the Comptroller will then take immediate action to transfer all state deposits from that Depository. **The CRA rating reported for any out-of-state institution doing business through one or more Texas branches must be the CRA rating for the Texas region.**

Agreement and Termination: This Agreement, upon execution by the Financial Institution and approval by the Comptroller, shall be binding upon all parties thereafter. All state deposits held by the Financial Institution shall be governed by the terms and conditions of this Agreement. This Agreement shall remain in full force and effect until either party has received 30 days prior written notice of termination of this Agreement from the other party and 45 days after all state funds have been returned to the Comptroller.

Reports: The Financial Institution shall provide all reports required by the Comptroller including statements of condition, account statements and confirmations showing the amounts deposited, as described in the State Depository Handbook.

Unclaimed Property Compliance: The Financial Institution certifies that it has complied with Chapters 72-74, Texas Property Code, relating to unclaimed property and with all rules and regulations promulgated pursuant to these statutes (the “Unclaimed Property laws”) as required by 34 TAC Sec. 172.1. The Financial Institution understands that compliance with the Unclaimed Property laws is a condition precedent for qualification as a Depository. The Financial Institution further understands and hereby agrees that failure to comply with the Unclaimed Property laws is a sufficient basis for forfeiting its designation as a Depository.

Deposit Insurance: The Financial Institution must be federally insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund.

Successor Institutions: If a successor Financial Institution succeeds to the interest of the Financial Institution or if the Financial Institution is adjudged bankrupt or insolvent, or a receiver, liquidator or conservator of the Financial Institution, or of its property, is appointed, or if any public officer takes charge or control of the Financial Institution, or its property, then the successor financial institution, receiver, liquidator, conservator, or public officer shall, without any further act, be bound by and vested with all rights, powers, duties and obligations of the Financial Institution, including all collateral obligations, under this Agreement.

Venue: This Agreement shall be governed by and construed in accordance with the laws of the state of Texas, is performable in Travis County, Texas, and venue for any dispute related to this Agreement shall be in Travis County, Texas.

Compliance with Laws: The Financial Institution shall comply with all provisions of the law and all rules and regulations relating to State Depositories, shall perform all the duties therein specified and shall execute any and all documents and instruments necessary to fully implement this Agreement.

Section II

Approval for \$98,000 or Less in State Deposits

Any eligible Financial Institution that requests to hold state deposits in an aggregate amount not to exceed \$98,000 may complete this section in lieu of Section III. A Resolution by the Board of Directors or the Loan Committee and a Security Agreement are not required for approval under this section.

NOTE: The total of state deposits [time deposits which include open time, linked and BidTX deposits; highway retainage; rapid deposit (concentration) and/or NOW accounts] at an approved state depository cannot, at any time, exceed \$98,000 if the depository is approved under this section. To receive more than \$98,000, a depository must submit a new depository application and complete Section III of the Application/Agreement.

The Financial Institution agrees to comply with all provisions of the Terms and Conditions set out in Section I of this Application/Agreement, except those provisions relating to collateral, and requests approval as a Depository to hold not more than an aggregate amount of \$98,000 in state deposits. It is understood that upon approval of the Financial Institution as a Depository under this section the Financial Institution is eligible to receive up to a maximum of \$98,000 in state deposits. The President or any Vice President, or the Cashier of the Financial Institution must sign below.

5 _____ 6 _____
Signature Date

7 _____
Printed name and Title

State Depository Application/Agreement Form

Each item listed corresponds with the matching number on the Agreement.

5. **SIGNATURE:**
Signature of President, or any Vice President or the Cashier of the Financial Institution.

6. **DATE:**
Enter the date this section was signed.

7. **PRINTED NAME AND TITLE:**
Print the name and title of officer who signed this section.

State Depository Application/Agreement Form

Section III

Approval for State Deposits in Excess of \$98,000

Any eligible Financial Institution requesting to hold state deposits in excess of \$98,000 must execute the following Resolution and Security Agreement. Before deposits in excess of \$98,000 can be placed with the Financial Institution, the Comptroller must approve this application and acceptable collateral must be pledged.

NOTE: The Resolution set out below must be adopted by the Financial Institution's Board of Directors or Loan Committee. If the Resolution is adopted by the Loan Committee, ratification by the Board of Directors at its next meeting is required. Evidence of such ratification must be provided to the Comptroller's office. The Resolution and this Agreement, including the Security Agreement, must be entered upon the records of the Financial Institution.

Resolution by the Board of Directors or the Loan Committee

(Please check the appropriate box above.)

At a duly convened meeting of the Board of Directors or the Loan Committee of _____,
 Name of Financial Institution
 _____ held in its offices at _____ on the day of
 City, State Location Address
 _____, _____ at which a quorum was present, among other business transacted, the following resolution upon motion duly made and seconded, was adopted and entered upon the minutes of the Financial Institution.

WHEREAS, it is the purpose of this Financial Institution to make application to the Comptroller to be designated by the Comptroller as a State Depository for the period beginning September 1, 2001 and ending August 31, 2003, and

WHEREAS, State law requires that all State Depositories pledge eligible investment securities to secure state deposits in excess of federal deposit insurance limits.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors or the Loan Committee of this Financial Institution that a pledge of securities owned by the Financial Institution in an amount equal to or exceeding any state deposits in excess of federal deposit insurance limits is approved.

BE IT RESOLVED FURTHER, that the President or any Vice President, or the Cashier (the "Officers") of this Financial Institution are hereby authorized and directed as follows:

1st. To prepare and present, fully, in the manner and form required by the Comptroller, an application on behalf of this Financial Institution to become a State Depository and which application upon acceptance by the Comptroller, shall become a binding agreement.

2nd. To execute on behalf of this Financial Institution a Security Agreement, and any and all contracts which may be lawfully required by the Comptroller, should this Financial Institution be designated a State Depository; and further

3rd. To deliver and pledge to the Comptroller such securities owned by this Financial Institution free and clear of all other liens and claims and approved by the Comptroller to be received and held by the Comptroller as pledged securities to guarantee and secure the payment by the Financial Institution of state deposits as required by law. The Officers are further authorized and directed, from time to time, to deposit other and additional securities whenever required by the Comptroller. The Officers may, with the consent of the Comptroller, substitute any pledged securities. The Officers are also hereby fully empowered to execute for this Financial Institution any contract or instrument, evidencing a pledge of any, or all pledged securities, which contract gives to the Comptroller powers of sale and disposition of the pledged securities and of the net proceeds of sale thereof after deducting necessary commissions and expenses, as may be required by the Comptroller.

BE IT RESOLVED FURTHER, that the Agreement, the Security Agreement, and the pledge of securities approved by this Resolution, shall be an official record of this Financial Institution.

The undersigned Secretary of the Board of Directors or Loan Committee of _____ does hereby
 Name of Financial Institution
 certify that the foregoing is a Resolution duly adopted by the Board of Directors or the Loan Committee at a meeting held on the aforementioned date, at which a quorum of the Directors or Committee members were present and does further hereby certify that the Resolution has not been altered, amended, repealed or rescinded and is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and, if available, affixed the seal of this
 Name of Financial Institution
 day of _____, _____.



 Secretary's signature

 Printed name


State Depository Application/Agreement Form

Each item listed corresponds with the matching number on the Agreement.

8. NAME OF FINANCIAL INSTITUTION:
Enter your financial institution's full legal name.
9. CITY, STATE:
City and State in which your financial institution's main office is located.
10. LOCATION ADDRESS:
Enter the address where the meeting was held at which the Agreement was approved.
11. ON THE _____ DAY OF:
Date on which the meeting was held.
12. NAME OF FINANCIAL INSTITUTION:
Enter your financial institution's full legal name.
13. NAME OF FINANCIAL INSTITUTION:
Enter your financial institution's full legal name.
14. _____ DAY OF _____ :
Enter the date the Resolution was signed.
15. SECRETARY'S SIGNATURE:
Signature of Secretary of Board of Directors or Loan Committee.
16. PRINTED NAME:
Print name of Secretary who signed above.
17. SEAL:
Place financial institution seal, if available.

State Depository Application/Agreement Form

Security Agreement / Pledge of Collateral

WHEREAS,  _____ is making application to be designated a State

Name of Financial Institution

Depository, under the general laws of Texas, and if approved by the Comptroller as a State Depository, the Financial Institution in order to perfect the Comptroller's security interest in securities pledged by the Financial Institution from time to time to secure state deposits covenants, agrees and binds itself as follows:

The Financial Institution agrees to comply with all of the Terms and Conditions set out in Section I of the State Depository Application/Agreement which is incorporated into this Security Agreement for all purposes.

The Financial Institution, in order to secure funds in excess of the funds insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUA insurance coverage), grants to the Comptroller a security interest in securities acceptable to the Comptroller. Securities with a market value not less than the amount of state deposits to be secured will be delivered to the Comptroller or an independent third party custodian in accordance with Section 404.031, Texas Government Code, to be held by or for the Comptroller, as security for all funds belonging to the State of Texas which may be placed on deposit in the Financial Institution, together with interest thereon. Currently, the Comptroller requires 105% collateralization of all state deposits in excess of FDIC and NCUA insurance coverage and 125% collateralization for any securities pledged to the state that have a declining principal balance.

The Financial Institution hereby represents that it shall pledge as security for state deposits only those securities in which it is the legal and actual owner, free and clear of all other liens or claims.

The Financial Institution agrees to pledge additional securities immediately whenever necessary to ensure the full collateralization of state deposits.

Should the Financial Institution fail at any time to immediately pay and satisfy upon presentment, any check, electronic funds transfer, or draft lawfully drawn upon any state funds deposited with the Financial Institution, whenever due, the Comptroller, shall have the right and power any time thereafter to recover the entire amount of money belonging to the State of Texas, then on deposit in said Financial Institution, together with all accrued interest, by sale of the collateral pledged. The Financial Institution hereby agrees to fully cooperate and to execute any documents necessary or appropriate in order for the Comptroller to conduct the sale of the collateral pledged. The sale may be public or private, may be made in Austin, Texas, or elsewhere at the direction of the Comptroller, and shall convey the securities absolutely to the purchaser thereof. No notice of the sale shall be necessary.

Should the Comptroller elect to initially sell less than the entire amount of the pledged securities and the sale shall fail to produce sufficient money to pay the state the entire amount of money it has on deposit in the Financial Institution with all interest thereon, then the Comptroller may exercise such power of sale as often thereafter as may be necessary to produce sufficient money for such purposes.

It is hereby fully understood that all usual and necessary expenses and commissions incurred by the Comptroller in connection with the sale or sales of pledged securities may be deducted from the proceeds of the sale. Any funds resulting from the sale or sales in excess of the amount necessary to pay the Comptroller the entire amount of the state's deposit and the expenses of the sale or sales shall be remitted by the Comptroller to the Financial Institution.

All powers conferred upon the Comptroller may be exercised with respect to any additional or substituted securities which may be delivered by the Financial Institution to the Comptroller under the provisions of this Security Agreement, or the laws of Texas.

The Financial Institution shall maintain this Security Agreement among its official records continuously until such time as this Security Agreement is terminated and all state deposits have been properly paid out.

By signing their name below, the authorized designee of the Board of Directors or the Loan Committee shall cause the Depository to enter into this SECURITY AGREEMENT / PLEDGE OF COLLATERAL.

 19

Name of Financial Institution

By  20

Signature

 21

Printed name

 22

Title

 23

Date

State Depository Application/Agreement Form

Each item listed corresponds with the matching number on the Agreement.

18. NAME OF FINANCIAL INSTITUTION:
Enter your financial institution's full legal name.
19. NAME OF FINANCIAL INSTITUTION:
Enter your financial institution's full legal name.
20. SIGNATURE:
Signature of authorized designee of the Board of Directors or the Loan Committee.
Must be the President, any Vice President or the Cashier.
21. PRINTED NAME:
Printed name of person signing above.
22. TITLE:
Enter the title of person signing above.
23. DATE:
Enter the date this Security Agreement was signed.

State Depository Application/Agreement Form

Each item listed corresponds with the matching number on the Agreement.

24. **TRANSIT AND ROUTING NUMBER:**
Enter your financial institution's assigned nine-digit transit and routing number.
25. **FINANCIAL INSTITUTION NAME:**
Enter your financial institution's full legal name.
26. **ADDRESS:**
Enter your financial institution's mailing address.
27. **CITY:**
Enter the name of the city in which your financial institution's **main office** is located.
28. **COUNTY:**
Enter the name of the county in which your financial institution's **main office** is located.
29. **STATE:**
Enter the state where your financial institution's **main office** is located.
30. **ZIP CODE:**
Enter your financial institution's *nine-digit* ZIP code.
31. **PHONE NUMBER:**
Enter your financial institution's phone number, with area code.
(preferably a phone number that can be accessed from 8 a.m. to 5 p.m.)
32. **PRESIDENT:**
Enter your president's or C.E.O.'s name. (first name, middle initial, last name and title)
33. **TEXAS CONTACT FOR TIME DEPOSITS:**
Enter the name of the contact for time deposits.
34. **PHONE NUMBER:**
Enter a phone number for the time deposit contact.
35. **E-MAIL ADDRESS:**
Enter the e-mail address of the time deposit contact. If your institution does not have Internet access for e-mail, please indicate here.
36. **HOLDING COMPANY NAME:**
If your institution is a member of a bank holding company, enter your holding company's full legal name.

37. TEXAS CRA RATING:

If a bank or savings and loan, enter your *current* Community Reinvestment Act (CRA) rating. If applicant is an out-of-state institution with one or more branches in Texas, enter the CRA rating for the Texas region, not the institution's overall rating.

O - Outstanding **S** - Satisfactory **I** - Needs improvement **N** - Substantial non-compliance

NOTE: Per Sec. 404.0212, Texas Government Code, the Comptroller cannot select as a depository a bank or savings and loan that has a CRA rating that is below "outstanding" or "satisfactory." If a depository's CRA rating changes at any time, the depository must report such change to the Comptroller within 30 days. If the rating changes to below "outstanding" or "satisfactory," the Comptroller will then take immediate action to transfer all state deposits from that depository.

38. TAXPAYER IDENTIFICATION NUMBER OF THE PARENT FINANCIAL INSTITUTION:

Enter your primary 9-digit taxpayer identification number, the one under which any unclaimed property is reported. If the applicant is an out-of-state institution, enter the taxpayer ID of the Texas branch under which any unclaimed property is reported.

39. ACH INFORMATION:

Enter up to a 15 digit account number to indicate the account at your institution to be charged for any ACH debits initiated by the Comptroller for time deposit interest collection. This field will be filled with all "9s" if you indicate no account number and will have to be handled manually when the ACH debit is transferred to your institution.

40. CAPITAL STOCK:

Enter the total of paid-up capital stock rounded to the nearest thousand. If the applicant is a mutual savings and loan or credit union, enter a zero (0) here.

41. SURPLUS:

Enter your surplus rounded to the nearest thousand. Do not include retained earnings. If the applicant is a mutual savings and loan, enter a zero (0) here. For credit unions, enter UNDIVIDED EARNINGS here, rounded to the nearest thousand.

42. MAXIMUM AMOUNT OF STATE TIME DEPOSITS REQUESTED (rounded to the nearest thousand):

A depository can apply for approval to the extent that it desires time deposits which include open time, linked and BidTX deposits. This amount, however, cannot exceed two times the institution's capital stock and surplus if the requested amount is above the federally insured limit. Highway retainage, rapid deposit (concentration) funds and/or NOW accounts are not subject to this approval amount, but require collateralization as do all state deposits in excess of federal deposit insurance coverage.

43. MINORITY OWNED:

Enter "Y," if 51% of your stockholders are of a minority class (e.g., female, black, hispanic). Otherwise, enter "N."

-
44. APPLICATION PREPARED BY:
Enter name and title of the person who prepared the application.
 45. PHONE NUMBER:
Enter phone number of the person who prepared the application.
 46. E-MAIL ADDRESS:
Enter the e-mail address of the person who prepared the application.

Statement of Condition

NOTE: MUST ACCOMPANY AGREEMENT

You are required to return to the Comptroller a **current statement of condition** (e.g., a quarterly published report, financial statement, or a daily call report) dated no earlier than March 31, 2001. The application package includes the same report of conditions required by the FDIC for banks, the Savings and Loan Commissioner for savings and loans and the NCUA for credit unions. Prepare these forms in the same manner that you would prepare forms for these regulatory offices.

Reporting Requirements for State Comptroller Open Time and Link Deposits

1. It is a requirement that each state depository holding an open time placement of \$98,000 or a linked deposit placement(s) must furnish the Comptroller a monthly statement of account balances with that financial institution. The statements should reflect the principal balances held by the institution.
2. Each statement should reflect the name and address of the institution as well as the 9-digit transit and routing number of the institution. This number is vital because it is a key element in the confirmation process.
3. All statements should reflect the previous month's ending principal balance, e.g. a statement mailed in February should reflect the ending principal balance on January 31.
4. These statements are verified each month and any differences must be reconciled. Comptroller personnel will contact each institution to resolve any discrepancies. A correct statement will be requested by the Comptroller's Office as a permanent record, in compliance with state auditor requirements.
5. If an institution has more than one Comptroller account, it is necessary to send a statement for each individual account.
6. All statements and confirmations should be addressed as follows:

**Texas State Comptroller — Treasury Operations
Treasury Accounting Division
P.O. Box 12608
Austin, Texas 78711-2608**

7. Any questions concerning statement requirements, confirmations or account balances should be directed to the Treasury Accounting Division of the Comptroller's Office at (512) 463-5912.

Reporting Requirements for State Comptroller BidTX Investment Placements

Approximately three (3) months after placing funds in a state depository, under the BidTX program, the State Comptroller will generate a confirmation letter to the financial institution for verification. It is a requirement that the institution verify all information, sign and return the confirmation to the State Comptroller.

Depository Collateral Explanation

- Depository collateral is required to protect any and all state deposits that exceed the \$100,000 FDIC deposit insurance amount or the \$100,000 NCUA deposit insurance amount for credit unions.
- Protection is in the form of pledged eligible securities or “Collateral.”
 1. Depository financial institutions (or successor institutions) place eligible securities in “Trust” with the Comptroller or with an independent third party custodian which includes a state or national bank designated as a custodian by the Comptroller, any Federal Reserve Bank, any Federal Home Loan Bank, or the Texas Treasury Safekeeping Trust Company, as defined by Texas Government Code 404.031. The Custodian can act alone or through a “permitted institution” as defined by the Texas Government Code 404.031 (g). **Collateral receipts must note the location of securities if held at a “permitted institution.”**
 2. The Custodian will guarantee the safety and negotiability of all pledged collateral and will hold such collateral pending instructions from the Comptroller. *Securities **cannot be safekept by a custodian that is a member of the same holding company as the depository institution.***
 3. Currently the Comptroller requires 105% collateralization of all State deposits in excess of FDIC or NCUA insurance coverage. 125% collateralization is required for any securities pledged to the state that have a declining principal balance.
- Valuation of collateral is based on current market quotations.
 1. New or incoming pledges are valued based upon the previous day’s closing market quotations.
 2. All securities held in trust are revalued at least twice weekly.

Eligible Collateral

In accordance with Texas Government Code Sec. 404.0221 and 34 TAC Sec. 171.1 only the following securities with fixed stated rates are deemed acceptable as collateral for state funds:

1. United States Treasury obligations.
2. Federal National Mortgage Association discount notes and primary debt instruments or debentures and only those mortgage-backed securities with a remaining maturity of 15 years or less.
3. Federal Home Loan Bank system consolidated bonds and discount notes issued in book-entry form.
4. Federal Farm Credit Banks consolidated system-wide bonds and discount notes issued in book-entry form.
5. Government National Mortgage Association securities.
6. Federal Home Loan Mortgage Corporation discount notes and primary debt instruments or debentures and mortgage-backed securities with a remaining maturity of 15 years or less.
7. State of Texas bonds issued by the various state agencies and four year educational institutions of the State of Texas.
8. Municipal bonds issued by political subdivisions of the State of Texas. By way of illustration, and not limitation, the governmental entities include independent school districts, incorporated cities, certain road districts, certain municipal water and/or utility districts, hospital districts (excluding health facility bonds), and water and air pollution control districts, as well as junior college revenue bonds.

Procedures for *Pledging Collateral*

STEP	RESPONSIBILITY	ACTION
1.	Financial Institution	To pledge collateral, call the Comptroller's Office at (512) 463-6069 or 1-800-531-5441 extension 3-6069 to request "Deposit of Securities Application form" (deposit form) or go to: http://www.window.state.tx.us/taxinfo/taxforms/00-132.pdf .
2.	CSM Staff	Fax or mail deposit form to the Financial Institution.
3.	Financial Institution	Complete the form according to the instructions.
4.	Financial Institution	Fax one copy to (512) 463-5900 or mail the original and three copies to: Texas State Comptroller — Treasury Operations Cash & Securities Mgmt. Division Rusk State Office Building, Rm. 232 P.O. Box 12608 Austin, Texas 78711-2608
5.	CSM Staff	Review, verify and approve the forms or notify the Financial Institution of reason forms cannot be processed.
6.	CSM Staff	Fax the deposit form(s) to the Custodian. The Custodian must return the signed deposit form(s) and safekeeping receipt(s) to the Comptroller's Office.
7.	CSM Staff	Mail a copy of the "Custodian Transmittal" and securities confirmation to the Financial Institution. The Financial Institution should review the list of securities pledged to the Custodian and notify the Comptroller's Office of any discrepancies. This acknowledges receipt of collateral forms.
8.	Custodian	Verify and sign the deposit form(s).
9.	Custodian	Issue a "Safekeeping Trust Receipt" by fax to (512) 463-5900 with the original mailed to the Comptroller for documentation of the collateral transaction.
10.	Custodian	Fax one copy of deposit form to the Comptroller's office. The Custodian will keep one copy and send a completed copy to the Financial Institution for its records.

Procedures for *Releasing Collateral*

STEP	RESPONSIBILITY	ACTION
1.	Financial Institution	To release pledged collateral, call the Comptroller's Office at (512) 463-6069 or 1-800-531-5441 extension 3-6069 to request "Withdrawal of Securities Application" (withdrawal form) or go to: http://www.window.state.tx.us/taxinfo/taxforms/00-131.pdf .
2.	CSM Staff	Fax or mail the withdrawal form to the Financial Institution.
3.	Financial Institution	Complete the form according to the instructions.
4.	Financial Institution	Fax one copy to (512) 463-5900 or mail the original and three copies to: Texas State Comptroller — Treasury Operations Cash & Securities Mgmt. Division Rusk State Office Building, Rm. 232 P.O. Box 12608 Austin, Texas 78711-2608
5.	CSM Staff	Review, verify and approve the forms or notify the Financial Institution of reason withdrawal cannot be processed.
6.	CSM Staff	Fax the withdrawal form(s) to the Custodian. The Custodian must return the signed withdrawal form(s) to the Comptroller's Office
7.	CSM Staff	Mail a copy of the "Custodian Transmittal" and securities confirmation to the Financial Institution. The Financial Institution should review the list of securities pledged to the Custodian and notify the Comptroller's Office of any discrepancies.
8.	Custodian	Verify and sign the withdrawal form(s).
9.	Custodian	Fax one copy of withdrawal form to the Comptroller's Office. The Custodian will keep one copy and send a completed copy to the Financial Institution for its records.

Computation and Collection of Interest on State Time Deposits

BidTX Deposits:

- The floor rate for the BidTX auction is based on prevailing market conditions, not to fall below the yield on the comparable US Treasury maturity.
- The rate charged is each depository's winning bid from the most recent BidTX auction.
- Interest accrues from settlement day through and including the day before maturity. Interest does not accrue on the maturity date.
- Institutions that receive deposits through the BidTX auction **will not** be required to send monthly statements to confirm the balances and **will not** pay interest monthly. Principal and interest will be payable at maturity.
- Upon the maturity of BidTX deposits, separate principal and interest wires will be sent to the Comptroller. The wiring instructions will be included in a maturity notice e-mailed by Grant Street Group prior to maturity and should be followed explicitly.
- The Comptroller will send a confirmation letter to each depository three (3) months after the BidTX auction settlement date. A representative of the institution should verify the statement, making note of any discrepancies and return it to the Comptroller within one (1) week. An institution that has more than one BidTX deposit will be required to verify each deposit individually.
- Interest due to the Comptroller is based on the average daily balance and the rate in effect for the deposit.
- Interest is computed on a 365-day year.
- Additional information can be found at: www.bidtx.com.

Open Time Deposits:

- The interest rate for open time deposits (direct placements) is the average rate established from the most recent monthly BidTX auction.
- Interest is collected monthly and at maturity by an Automatic Clearinghouse (ACH) debit transaction initiated by the Comptroller for the amount of interest due.
- Interest accrues from settlement day through and including the day before maturity. Interest does not accrue on the maturity date.
- Financial institutions that hold open time deposits (direct placements) must submit a monthly statement to the Comptroller verifying the amount of deposits held at their institution.

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- Interest due to the Comptroller is based on the average daily balance and the rate in effect for the deposit.
 - Interest is computed on a 365-day year.

Linked Deposits:

- The interest rate on linked deposits is the current market rate of a US Treasury bill or note of comparable maturity minus two hundred basis points (2%) with a minimum rate of 1.5 %.
- Interest is collected monthly and at maturity by an Automatic Clearinghouse (ACH) debit transaction initiated by the Comptroller for the amount of interest due.
- Interest accrues from settlement day through and including the day before maturity. Interest does not accrue on the maturity date.
- Financial institutions that hold linked deposits must submit a monthly statement to the Comptroller verifying the amount of deposits held at their institution.
- Interest due to the Comptroller is based on the average daily balance and the rate in effect for the deposit.
- Interest is computed on a 365-day year.

Frequently Asked Questions

Q. What is meant by time deposits, highway retainage funds, rapid deposit (concentration) accounts and NOW accounts?

- Time deposits include three categories of deposits: open time deposits, linked deposits and BidTX deposits. Open time deposits are direct placements of \$98,000. A depository may request an open time deposit by contacting the Investment Division in Treasury Operations. If a depository has an open time deposit, it is not eligible to receive BidTX deposits as well. The interest rate for an open time (direct placement) is based on the average of the most recent BidTX auction and the maturity date is set by the Comptroller. Currently interest is collected monthly as accrued and at maturity through Automated Clearing House (ACH) debits.
- Linked deposits are time deposits that are placed under two Linked Deposit programs that the Comptroller administers jointly with the Texas Department of Agriculture and the Texas Department of Economic Development to encourage economic diversification. Interest rates are less than a standard time deposit as an incentive for depositories to make loans under these programs. Currently interest is collected monthly as accrued and at maturity through Automated Clearing House (ACH) debits.
- BidTX deposits are time deposits (\$100,000 minimum, bid in increments of \$100,000) that are bid on by approved state depositories at a monthly auction. Winning bidders pay the interest rate on the bids awarded. Principal and interest is collected by wire transfer at maturity. (See the following four questions and answers for additional BidTX information.)
- Highway retainage funds are funds that are held in retainage for highway contractors at approved depositories through a tri-party agreement between the Texas Department of Transportation, an approved state depository and a highway contractor. Since these funds are considered state deposits until paid to the contractor at the end of a project, the Comptroller is responsible for monitoring these funds for collateralization purposes.
- Rapid Deposit (concentration) accounts are set up by the Comptroller's Office for state agencies to use to expedite their deposits. They are either interest bearing NOW accounts or non-interest bearing demand accounts. These accounts are used primarily by agency field offices so that deposits can be made in the local field area and then swept into the Comptroller's Office electronically, usually the next day.
- NOW accounts are interest bearing demand accounts.

Q. Who determines whether bidders are eligible to participate in BidTX auctions?

The State Comptroller of Public Accounts approves all BidTX bidders.

Q. Do bidders need special software or equipment to use BidTX?

No. The BidTX website can be accessed using any competent Internet service provider and any popular browser, e.g. Internet Explorer or Netscape Navigator.

Q. What steps must bidders take to participate in BidTX auctions?

In order to participate in BidTX auctions, bidders must:

1. Be an approved state depository.
2. Complete registration form accessible from the “Home Page” at: www.bidtx.com.
3. Request admission to bid in specific BidTX auctions by clicking the "Request Admission" button on the “Selections Page.”
4. Answer all questions on “Acknowledgement Page” affirmatively.

Q. Where can I find more information about BidTX auctions?

Additional information can be found at: www.bidtx.com.

Q. What happens to time deposits at a state depository that later becomes a branch of another state depository?

Time deposits at a branch will remain at the branch until maturity, at which time federal deposit insurance coverage expires. At maturity, the institution will be contacted by the Comptroller’s Office about transferring the time deposit(s) to the parent institution if sufficient collateral has been pledged and the depository’s approval limit has not been exceeded.

Q. What amount of collateralization is required to cover state deposits held by an approved depository?

Currently the Comptroller requires 105% collateralization for all funds at an institution that exceed federal deposit insurance coverage. 125% Collateralization is required for any securities that are pledged to the state that have a declining principal balance.

Q. Once deposit and/or withdrawal forms for pledged collateral securities are submitted to the Comptroller what is the processing time?

The forms are processed and forwarded to the designated custodian normally on the same day they are received at the Comptroller’s Office. Incomplete forms will be returned to the depository. A deposit is not considered completed until a fully executed safekeeping trust receipt has been returned by the custodian to the Comptroller’s Office, usually about a one week process.

Q. May securities be pledged by a depository and held in safekeeping by more than one custodian?

Yes. However, separate sets of pledge forms are to be submitted to the Comptroller for each custodian. For faster processing, we recommend the use of only one custodian.

Q. Are custodians permitted to release pledged securities by verbal or telephone authorization by the Comptroller's Office?

No. In accordance with the terms of controlled trust receipts, custodians will exchange, substitute, or release securities from custody only on receipt of completed, signed withdrawal forms.

Q. When withdrawal forms are submitted to obtain the release of pledged collateral securities, is it necessary to furnish the trust receipt number of the securities to be released?

Yes. The Comptroller monitors pledged securities by using a unique identifier which is the trust receipt number assigned by the Custodian.

Q. Is the CUSIP number necessary on deposit and/or withdrawal forms for pledged collateral securities?

Yes. The Comptroller uses CUSIP numbers to verify descriptions of pledged collateral.

Q. What happens when pledged securities are requested to be released from one custodian and the replacement pledge of collateral securities is to be held in safekeeping by another custodian?

After the collateral transaction is approved by the Comptroller, the deposit and withdrawal forms are sent to the proper custodians. If the completion of the withdrawal of pledged securities would result in an under collateralization of the account, the withdrawal forms will be held by the Comptroller pending the deposit completion.

Q. What is the procedure for moving pledged securities from one custodian to another?

The depository should submit both withdrawal and deposit forms to the Comptroller. The withdrawal forms (indicating the custodian to which the securities are to be released) will describe the same securities as those listed on the deposit form. After the transaction is approved by the Comptroller, the forms will be sent to the appropriate custodians with necessary instructions.

Q. What determines which securities are acceptable as collateral for state deposits?

Sec. 404.0221 of the Texas Government Code states what is eligible to be pledged as collateral for state deposits.

The Comptroller then determines what will be accepted as collateral. The Comptroller has final authority to determine the acceptance of any collateral pledged as security.

Q. What happens if the market value of pledged securities declines resulting in undercollateralization of the State's deposits?

The depository is contacted by the Comptroller's Office and is asked to pledge additional securities immediately or to return deposits in the amount needed to bring the depository back within prescribed collateral limits.

Whom at the Comptroller's Office can I contact for depository information?

All phone numbers are within the 512 area code. E-mail addresses are as follows:

first name.last name@cpa.state.tx.us (e.g. linda.camarillo@cpa.state.tx.us)

State Depository Applications/Agreements

Linda CamarilloCash & Securities Management463-5906
Juanita GonzalesCash & Securities Management463-6002
Carolyn TurneyCash & Securities Management463-5908
Fax number.....463-6040

Request for Time Deposits

Eddie Willis.....Investment Division.....463-5907
Susan Anderson.....Investment Division.....475-2360
Fax number.....463-6040

Account Balance Inquiry, Interest Calculations, ACH Account Information, Change of President, Bank Name or Address

Judy Miller.....Treasury Accounting463-5916
Fax number.....463-1258

Pledge and Release of Collateral

Wolf BouldinCash & Securities Management463-6069
Larry SchroederCash & Securities Management463-5902
Fax number.....463-5900

Concentration Programs

Doug BrownBanking & Electronic Processing Division.....463-1697
Tom SmelkerBanking & Electronic Processing Division.....463-1698

Legal

Lita GonzalezTreasury Operations475-1125

Executive Staff

Mike DoyleTreasury Operations Director305-9112

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