



Ohio Administrative Code

Rule 113-40-04 Bank monitoring and economic monitoring.

Effective: August 10, 2023

(A) All financial institutions (FIs) approved for a reduced collateral floor will be subject to ongoing monitoring of various individual financial criteria. If the financial standing of the FI changes, and no longer meets the required reduced collateral floor eligibility criteria as defined in rule 113-40-03 of the Administrative Code, the treasurer of state may impose a bank monitoring collateral requirement. The treasurer will use three descriptors within OPCS to identify a FI's reduced collateral monitoring status:

(1) Non-active: The FI has not applied, or has not been approved, for a reduced collateral floor.

(2) Active: The FI has been approved for a reduced collateral floor.

(3) Bank monitoring: The FI has an emerging individual financial concern or a deposit business concern.

(a) The treasurer will notify a FI when its reduced collateral monitoring status changes from active to bank monitoring within OPCS; OPCS will generate notifications to the affected public unit(s).

(b) A FI subject to a bank monitoring collateral requirement may be subject to an increase in its reduced collateral floor requirement, from the sum of its reduced collateral floor requirement plus ten per cent or more, up to a maximum of one hundred two per cent. Any increase will be reflected in the bank monitoring field in OPCS, as determined at the sole discretion of the treasurer.

(c) A FI subject to an increase in its reduced collateral floor due to bank monitoring status may be required to pledge additional collateral through one or more calls as follows:

(i) First collateral call will require a FI to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to ten per cent, within ninety calendar days.



(ii) Second collateral call will require a FI to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to twenty-five per cent, within sixty calendar days.

(iii) Third collateral call will require a FI to secure all uninsured public deposits at up to one hundred two per cent, within thirty calendar days.

(d) The treasurer may decide to engage a FI prior to changing its status from active to bank monitoring in order to identify any extenuating considerations. This decision will be made at the sole discretion of the treasurer.

(e) The treasurer may reduce a FI's collateral floor upon a change in its bank monitoring status from bank monitoring to active, as determined at the sole discretion of the treasurer.

(B) All FIs approved for a reduced collateral floor will be subject to economic monitoring protocols to identify potential macroeconomic or regional economic concerns.

(1) The treasurer will use two publicly available macroeconomic indicators to identify a potential concerning economic trend:

(a) The "Sahm Rule Recession Indicator" as published by the federal reserve bank, in which a negative trend is defined as a single instance of when the three-month moving average of the national unemployment rate rises by one half of a percentage point or more relative to its low during the previous twelve months; and

(b) The ten-year treasury constant maturity minus two-year treasury constant maturity, in which a negative trend is defined as five instances within a rolling thirty calendar day period of the two-year treasury constant maturity exceeding the ten-year treasury constant maturity using the daily treasury yield curve rates as published by the U.S. department of the treasury, federal reserve bank, or other industry recognized market data source.

(2) The treasurer will monitor a regional economic indicator, the noncurrent loans and leases to total loans and leases for Ohio as produced by the federal deposit insurance corporation, in which a



negative trend is defined as a single five per cent rate increase which is to be calculated by subtracting the indicator's average prior four quarters from the indicator's current quarter and then dividing by the indicator's average prior four quarters.

(3) If the treasurer identifies a potential macroeconomic or regional economic concern, then the treasurer may implement an economic monitoring collateral requirement for all or some of the FIs approved for a reduced collateral floor, at the sole discretion of the treasurer. A FI subject to an economic monitoring collateral requirement may be required to pledge additional collateral through one or more calls as follows:

(a) First collateral call will require a FI to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to ten per cent, within ninety calendar days.

(b) Second collateral call will require a FI to secure all uninsured public deposits at least equal to the sum of the reduced collateral floor requirement plus up to twenty-five per cent, within sixty calendar days.

(c) Third collateral call will require a FI to secure all uninsured public deposits at up to one hundred two per cent, within thirty calendar days.

(4) The treasurer may remove an economic monitoring collateral requirement from any FI at the treasurer's sole discretion.