



## Ohio Administrative Code Rule 113-40-01 Definitions and Public Records.

Effective: August 6, 2017

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(A) As used in this rule:

- (1) "Asset quality" means the component within the SCALE model that evaluates risk, controllability, adequacy of loan loss reserves, acceptable earnings, and the effect of off-balance sheet earnings and loss.
- (2) "Bank monitoring" means the SCALE model identifying an emerging individual financial concern or a deposit business concern for a financial institution.
- (3) "Bank monitoring collateral requirement" means an additional collateral requirement that may be imposed on a financial institution using a reduced collateral floor if the SCALE model identifies an emerging individual financial concern, or a deposit business concern.
- (4) "Capital adequacy" means the component within the SCALE model that measures a financial institution to determine if solvency can be maintained due to risks that have been incurred as a course of business.
- (5) "Collateral requirement calculation" means the mandatory amount of collateral for a financial institution participating in OPCP, as determined in OPCS based upon the following factors: account balances; federal deposit insurance corporation coverage as determined pursuant to paragraph (A)(2)(a) of rule 113-40-02 of the Administrative Code, which may deviate from actual federal deposit insurance corporation limits; statutory collateral requirement; reduced collateral floor; any bank monitoring collateral requirement(s); any economic monitoring collateral requirement(s); any public unit negotiated collateral requirement(s); and any cushion collateral requirement(s).
- (6) "Collateral sufficiency" means the determination made by the treasurer of state on whether a financial institution is adequately collateralized based upon the collateral requirement calculation and the collateral valuation.



(7) "Collateral valuation" means the market value of eligible collateral pledged by a financial institution.

(8) "Cushion collateral requirement" means an additional collateral requirement that may be imposed by the treasurer of state on a financial institution that is not in compliance with collateral sufficiency requirements, file submission requirements, or the operating policies.

(9) "Earnings" means the component within the SCALE model that determines the ability of a financial institution to increase capital through retained earnings, absorb loan losses, support the future growth of assets, and provide a return to investors.

(10) "Economic monitoring" means macroeconomic monitoring and regional economic monitoring under paragraph (B) of rule 113-40-05 of the Administrative Code.

(11) "Economic monitoring collateral requirement" means an additional collateral requirement that may be imposed on a financial institution using a reduced collateral floor if economic monitoring identifies a potential concerning economic trend.

(12) "Financial institution" means any institution designated as a public depository pursuant to section 135.01 of the Revised Code, and any institution which receives or holds any public deposits as defined in section 135.31 of the Revised Code, or which receives or holds any funds from a public depositor as defined in division (A)(2) of section 135.182 in the Revised Code.

(13) "Influencing variable" means a specific financial indicator used in the SCALE model, which has a benchmark within OPCS that does not need to be met by a financial institution in order to be initially approved for a reduced collateral floor, but a financial institution may be ineligible for a reduced collateral floor if it does not meet a certain number of influencing variables.

(14) "Liquidity" means the component within the SCALE model that measures what a financial institution requires if funding is interrupted and the financial institution must still be able to meet certain obligations, including its ability to repay depositors and other creditors without incurring excessive costs.



(15) "Ohio pooled collateral program" (OPCP) means the program, created by the treasurer of state pursuant to division (B)(1) of section 135.182 of the Revised Code, in which each financial institution that selects the pledging method prescribed in division (A)(2) of section 135.18 of the Revised Code or division (A)(2) of section 135.37 of the Revised Code, shall pledge to the treasurer of state a pool of eligible securities for the benefit of all public depositors at the public depository to secure the repayment of uninsured public deposits at the public depository, and, if applicable, collateral dedicated to a specific public depositor, provided that the total market value of the securities so pledged is at least equal to the amounts required by section 135.182 of the Revised Code.

(16) "Ohio pooled collateral system" (OPCS) means the system created and maintained by the treasurer of state to facilitate financial institution and public unit participation in OPCP via a publicly-available website and private portal access.

(17) "Operating policies" means the set of operational procedures, policies, and requirements for the use of OPCS, to be made available by the treasurer of state. All participation in OPCP and use of OPCS shall be subject to the operating policies, maintained at the sole discretion of the treasurer of state. The operating policies will be available at [www.tos.ohio.gov](http://www.tos.ohio.gov).

(18) "Pooling method" means the method of pledging a security or securities using OPCS, as prescribed in division (A)(2) of section 135.18 or division (A)(2) of 135.37 of the Revised Code.

(19) "Public deposits" means moneys of a public depositor as defined in division (A)(3) of section 135.182 of the Revised Code, but for the purposes of this chapter herein, does not include the moneys of metropolitan housing authorities, public or Indian housing agencies, or United States federal agencies.

(20) "Public unit" means the state or a subdivision thereof, as applicable, that deposits public deposits with a financial institution.

(21) "Public unit negotiated collateral requirement" means a collateral requirement negotiated by a public unit with its financial institution, which may differ from the statutory collateral requirement.



(22) "Reduced collateral floor" means a collateral requirement available to eligible financial institutions pursuant to division (B)(1)(b) of section 135.182 of the Revised Code. A financial institutions reduced collateral floor will be determined in accordance with rules 113-40-03 to 113-40-06 of the Administrative Code.

(23) "Required variable" means a specific financial indicator, used in the SCALE model, with a defined benchmark within OPCS that must be met by a financial institution in order to be initially approved for a reduced collateral floor.

(24) "SCALE model" means the model used to determine a financial institutions reduced collateral floor using the following components, as further defined herein: sensitivity to risk, capital adequacy, asset quality, liquidity, and earnings.

(25) "SCALE component" means an individual component within the SCALE model.

(26) "SCALE component variable" means an influencing or required variable for an individual SCALE component.

(27) "SCALE component score" means the calculation of a financial institutions individual and peer group based performance against required variables and influencing variables in a single SCALE component score.

(28) "SCALE composite score" means the calculation of a total score for a financial institution using a weighted average of the SCALE components, with weights assigned based on the reflective strength value the SCALE model has determined for each component.

(29) "Sensitivity to risk" means the component within the SCALE model that reflects the degree to which changes in interest rates, foreign exchange rates, commodity prices, equity prices, or other factors can adversely affect a financial institutions earnings or economic capital.

(30) "Specific pledge method" means the method of separately securing uninsured public deposits of each public depositor, as prescribed in division (A)(1) of section 135.18 of the Revised Code.



(31) "Specific pledge account" means an account containing a security or securities pledged for the benefit of one specific public unit by a financial institution participating in the pooling method. A financial institution may be permitted to use a specific pledge account if: the charter for the public unit requires use of the specific pledge method; United States federal law designates the specific pledge method for the public unit; or it is permitted at the discretion of the treasurer of state. Under this method, the financial institution will secure all uninsured deposits at least equal to the requirement for the specific pledge method.

(32) "Statutory collateral requirement" means the amount of collateral required for financial institutions in OPCP pursuant to section 135.182 of the Revised Code.

(B) The treasurer of state will release public records pursuant to public records law.