

UADA Policy 305.1

Bank Depositories Authorization and Collateralization

Purpose

The purpose of this policy is to establish who is authorized and what steps must be followed to authorize to open bank accounts in the name of the University of Arkansas System Division of Agriculture (UADA). This policy also establishes the minimum collateral requirements for cash funds on deposit that exceed coverage by the Federal Deposit Insurance Corporation (FDIC).

Scope

This policy applies to all bank accounts opened in any legal name of UADA for the purpose of deposit, investment, or operations.

Policy

General Overview

It is UADA's cash management goal to protect principal balances while maximizing investment income and minimizing non-interest earning balances. Whenever possible, UADA funds will be deposited in interest-earning accounts.

Authorization of Accounts

According to University of Arkansas System (UASYS) Board Policy 305.1, the System President or Vice President for Finance or Vice President for Administration of the University of Arkansas is authorized:

1. To open the necessary bank accounts, signify the appropriate signatures and, where required, to sign such other agreements as required by the depository in connection with opening an account.
2. To open the necessary accounts with investment or brokerage firms for the receipt, custody, transfer, or sale of securities owned by the University of Arkansas or the Board of Trustees of the University of Arkansas. A list of individuals and their titles, any two of which are jointly authorized to assign, sell, or otherwise dispose of any and all registered United States securities or securities for which the Treasury Department acts as transfer agency and any and all securities, including stocks and bonds, will be provided to the Vice President for Finance by the Chancellors and Directors and updated when authorized individuals change, or, at a minimum, on an annual basis.
3. To approve campus policies and procedures for the use of facsimile signatures for checks, the use of manual signatures for checks exceeding a certain amount, and policies regarding wire transfers to or from accounts of a bank, brokerage firm, and other financial institutions by designated officials at the campus level. This authority shall be exercised only following the UASYS President's or UASYS Chief Fiscal Officer's review of, and satisfaction with, campus policies, procedures, and controls regarding disbursement of funds and fiscal controls.

As such, UADA bank accounts will only be opened when the approvals required by UASYS Board Policy 305.1 have been obtained. Additionally, the UADA Associate Vice President for Finance and Administration (or equivalent) must approve the opening or closing of any account with a financial institution.

At a minimum, the following signatories will be established for any UADA bank account (additional signatories may be authorized depending on the purpose of the account):

- Associate Vice President for Finance and Administration (or equivalent)
- Assistant Vice President for Finance and Administration (at least one)

- Cash and Treasury Manager.

Subject to all other UADA and UASYS policies, the above officials given signature authority are authorized to endorse for collection, deposit to UADA accounts, or negotiate any and all checks, drafts, notes, bills of exchange, certificates of deposit and orders for the payment or transfer of money between university accounts at any bank or financial institution. Additionally, they may sign any and all checks, drafts, and orders drawn against any UADA accounts. Further, they are designated to make withdrawals and deposits, to facilitate payments to third parties that have been properly authorized under UADA procedures, and to give such instructions otherwise necessary for the normal and ordinary operation of any UADA account. They are designated to make withdrawals and deposits, to facilitate payments to third parties that have been properly authorized under UADA procedures to initiate transfers to another bank or other financial institution to the credit of UADA at that institution, and to give such instructions otherwise necessary for the normal and ordinary operation of the account.

Any other account signatories other than those listed above are only authorized to endorse for collection and deposit to UADA accounts and sign checks drawn against the specific UADA account for which they have been granted signatory authority.

Because of the imbedded control features present in UADA's Enterprise Resource Planning (ERP) system (Workday), digitized/electronic signatures have been deemed sufficient for all checks printed using the system. Any updates or changes to the digitized/electronic signature must be approved by the Associate Vice President for Finance and Administration (or equivalent) and must be the digitized/electronic signature for an authorized signatory for the applicable bank account.

Collateralization of Bank Accounts

UADA cash funds may only be deposited in bank accounts that are eligible for FDIC coverage. This requirement does not apply to funds invested through authorized investment vehicles available in or through the State of Arkansas, University of Arkansas System, the University of Arkansas Foundation, or the Arkansas 4-H Foundation.

Consistent with UASYS Board Policy 305.1, any banks holding UADA funds on deposit must furnish collateral for any deposits exceeding the maximum FDIC insurance amount. When funds on deposit at a financial institution are known or expected to exceed the maximum FDIC insurance amount, UADA must execute a Depository Collateral Agreement with the financial institution, governing the requirements regarding pledge of collateral above and beyond the maximum FDIC insurance amount. At a minimum, existing Depository Collateral Agreements must be reviewed and reauthorized if necessary every two years. Collateral pledged to secure deposits may be held only by a custodian that satisfies the following requirements:

1. A custodian may be a Federal Reserve Bank, a Federal Home Loan Bank, a bankers' bank, the trust department, or similar safekeeping function, of a commercial bank or a trust company primarily located within the State of Arkansas.
2. A bank or financial institution may not hold assets for safekeeping that it has pledged to UADA as collateral for a deposit. Collateral must be placed for safekeeping with a custodian that is unaffiliated with the financial institution.
3. To be considered "unaffiliated," all of the following conditions must be met:
 - a. The custodian, or an affiliate, does not possess, directly or indirectly, the power to direct or cause the direction of the management and policies of the bank or financial institution including, but not limited to, ownership of voting securities.

- b. The bank or financial institution, or an affiliate, does not possess, directly or indirectly, the power to direct or cause the direction of the management and policies of the custodian including, but not limited to, ownership of voting securities.
- c. The custodian and bank or financial institution are not owned directly or indirectly by the same parent corporation.
- d. Voting securities of up to 5% of the outstanding voting securities of the bank or financial institution or the custodian, being a de minimis interest, will be considered “unaffiliated” for the purpose of acting as a custodian for safekeeping collateral pledged to UADA.

All collateral is to be valued at fair value when determining the amount pledged. Current market prices or current market value is also referred to as fair value. Fair value is the price at which the collateral could be sold in an “arms-length” transaction. UADA requires the following minimum conditions for collateral:

- 1. Securities pledged as collateral shall be held by a third-party custodian that is unaffiliated with the bank or financial institution. UADA must act as the custodian for surety bonds, letters of credit, and private deposit insurance pledged as collateral.
- 2. Assets eligible to be pledged as collateral for deposits are those assets in which a bank or financial institution may invest without limitation as identified in Ark. Code Ann. §23-47401(a) and those set forth in Ark. Code Ann. §19-8-203. The total fair value of the pledged collateral must be at least equal to 105% of the total amount of cash funds on deposit with a bank or financial institution that is more than current FDIC insurance coverage.
- 3. The bank or financial institution must provide a periodic collateral report to UADA at the frequency outlined in the applicable Depository Collateral Agreement. At a minimum, this should be at each month’s end and upon the deposit of additional cash funds necessitating an increase in the amount of collateral pledged.

Monitoring of Pledged Collateral

UADA recognizes the importance of protecting funds entrusted to its care and the role pledged collateral above and beyond FDIC insured amounts plays in achieving this goal. To this end, the UADA Cash/Treasury Management function (or current equivalent) is responsible for the following relative to pledged collateral:

- 1. Maintaining a perpetual inventory of pledged assets. The inventory record shall contain the following information:
 - a. Pledging bank
 - b. Date pledged
 - c. Date released
 - d. CUSIP number, if applicable
 - e. Description
 - f. Interest rate, if applicable
 - g. Par value
 - h. Maturity date
 - i. Current market value as of the last business day of the previous month.
- 2. Updating the pledged asset inventory immediately upon notification that collateral has been pledged, released, or substituted.
- 3. Reconciling the inventory of pledged assets to the financial institution’s periodic collateral report.
- 4. Reviewing and verifying the current market value when collateral is pledged and during each monthly reconciliation. Consistent with State of Arkansas Financial Regulations published by the Department of Finance and Administration, acceptable sources of market values are:
 - a. Quotations published in the Wall Street Journal
 - b. Closing price on any national security exchange, if listed:
 - i. New York Stock Exchange

- ii. NASDAQ
- iii. Chicago Board of Trade
- c. Dealer bid price quoted by a recognized dealer
- d. Price quoted by a recognized pricing service
- e. Prudential American Securities Financial Information Center
- f. Standard & Poor's Financial Services
- g. Interactive Data Corporation
- h. Street Software Bond Pricing (www.sstbond.com/sst.aspx)
- i. MunicipalBonds.com (operated by Standard & Poor's Financial Services)
- j. Other reputable source, if necessary and approved by a UADA Associate or Assistant Vice President for Finance and Administration.

References

[UASYS Board Policy 305.1](#)

Revision Dates:

June 15, 2023