

## **New Public Deposit Protection Program Takes Effect July 1**

**By: David Oliver, Georgia Bankers Association**

Beginning July 1, certain public deposit accounts will begin being protected from loss by a new program overseen by the Georgia State Treasurer. The program is called the Georgia Secure Deposit Program. You may hear about this soon from your bank if it is one of the mandatory or voluntary participants in the program. So, here's the key background and information you need to know.

In 2016, the Georgia General Assembly passed and Gov. Deal signed SB 283 authorizing a multibank contingent liability pledging pool to protect public deposits.

Through that legislation, all banks that accept public deposits in Georgia and also have total assets of more than \$50 billion are required to participate in this program. Program implementation is required to occur no later than July 1, 2017.

There are 10 institutions that are mandatory participants in the Secure Deposit Program at this time: Bank of America, Branch Bank and Trust Company (BB&T), CitiBank, Fifth Third Bank, JP Morgan Chase Bank, PNC Bank, Regions Bank, SunTrust Bank, U.S. Bank and Wells Fargo Bank.

Other banks accepting public deposits in Georgia may apply to the State Depository Board to voluntarily participate in the program. Thirteen such banks are being considered for approval, and a list of all the approved voluntary participants will be published soon by the State Treasurer.

In a nutshell, the key takeaway is that the banks participating in the new contingent liability pool will guarantee that 100 percent of public deposits in excess of FDIC insurance limits will be 100 percent protected.

While this concept is new to Georgia, contingent liability pools already exist to protect public deposits in many other states such as Florida, Alabama, Virginia, Tennessee, Arizona and Oregon to name a few.

Banks not participating in the Secure Deposit Program will continue to protect your deposits through either the direct-pledging method or the single-bank Georgia State Pledging Pool Program. Both of those programs require public deposits above FDIC insurance limits to be protected by pledging collateral valued at 110 percent of the amount of those deposits. Nothing has changed for those methods.

All three methods accomplish the same goal of protecting public depositors from loss. With the direct pledge and the single-bank pool pledge methods, the pledged collateral is sold to cover any loss. With the Secure Deposit Program, a combination of the liquidation of pledged collateral and a guarantee from all the other banks participating in the contingent liability pool will cover any loss exceeding FDIC insurance limits.

As part of the oversight of the Secure Deposit Program to ensure bank compliance and protection of public deposits, the Treasurer, through the Administrator of the program, will provide public reporting about the depositories participating in the program. The program Administrator is Georgia Bankers Association Services, Inc., which also administers the Georgia State Pledging Pool program for the Treasurer.

Reporting will include information about each participating bank's total deposits in the program, each bank's required collateralization level, the amount each covered bank is over or under its required collateralization amount and the pro-rata share of each bank's balance as a percent of the total amount of deposits in the program. Also, the Office of the State Treasurer will post monthly a list of depositors covered by the program on its website. This will just be a list of depositors that will not in any way identify the bank associated with the accounts or other sensitive data.

Banks that participate in the Secure Deposit Program are not allowed to use the direct pledging method or the single-bank Georgia State Pledging Pool Program.

If you have questions about the program, contact your bank representative.

### **Georgia Secure Deposit Program**

#### **Benefits to Public Depositors**

- Deposits fully protected
- Spreads risk among participating banks, in addition to depositor's bank, under the contingent liability agreement
- Compliance oversight and loss recovery by the Office of the State Treasurer
- Keeps more banks competing for public deposits

#### **Georgia Secure Deposit Program If There's a Default or Loss Event**

