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Proposed Regulation Agency Background Document

Agency name	Treasury Board
Virginia Administrative Code (VAC) Chapter citation(s)	1 VAC75-20
VAC Chapter title(s)	Virginia Security for Public Deposits Act Regulations
Action title	Amend Virginia Security for Public Deposits Act Regulations After Periodic Review
Date this document prepared	

This information is required for executive branch review and the Virginia Registrar of Regulations, pursuant to the Virginia Administrative Process Act (APA), Executive Order 14 (as amended, July 16, 2018), the Regulations for Filing and Publishing Agency Regulations (1VAC7-10), and the *Form and Style Requirements for the Virginia Register of Regulations and Virginia Administrative Code*.

Brief Summary

Provide a brief summary (preferably no more than 2 or 3 paragraphs) of this regulatory change (i.e., new regulation, amendments to an existing regulation, or repeal of an existing regulation). Alert the reader to all substantive matters. If applicable, generally describe the existing regulation.

Significant changes were made to the Security for Public Deposits Act, *Code of Virginia* §§ 2.2-4400 et seq, in 2009 and 2010. The SPDA regulations have not been amended to reflect these changes. In addition, changes will be made to further safeguard Virginia public funds held as deposits in Virginia financial institutions. These include changes to the types of securities eligible to be pledged as collateral, valuation of certain types of securities (“haircuts”), the creation and formalization of minimum eligibility and compliance requirements for banks to become and remain QPDs and escrow agents, and actions the Treasury Board may take in response to compliance failures.

Acronyms and Definitions

Define all acronyms used in this form, and any technical terms that are not also defined in the “Definitions” section of the regulation.

COV = Code of Virginia
 SPDA = Security for Public Deposits Act
 Board = Treasury Board
 QPD = Qualified Public Depository
 Pooled = QPDs utilizing the pooled collateral method per COV § 2.2-4403 and 1 VAC75-20 § 30
 Dedicated = QPDs not utilizing the pooled collateral method per COV § 2.2-4404
 Haircut = 10-20% reduction applied to current market value of municipal securities pledged as collateral

Mandate and Impetus

Identify the mandate for this regulatory change and any other impetus that specifically prompted its initiation (e.g., new or modified mandate, petition for rulemaking, periodic review, or board decision). For purposes of executive branch review, “mandate” has the same meaning as defined in Executive Order 14 (as amended, July 16, 2018), “a directive from the General Assembly, the federal government, or a court that requires that a regulation be promulgated, amended, or repealed in whole or part.”

The regulation meets the criteria set out in Executive Order 14 (2018) as it is necessary for the protection of public health, safety and welfare of the citizens of the Commonwealth, and is clearly written and easily understandable. This regulatory change is mandated by COV § 2.2-4405 Powers of Treasury Board relating to the administration of this chapter and § 2.2-2416 Powers and duties of Treasury Board, and approved by the Board at its August 19, 2020 meeting following a periodic review.

Legal Basis

Identify (1) the promulgating agency, and (2) the state and/or federal legal authority for the regulatory change, including the most relevant citations to the Code of Virginia and Acts of Assembly chapter number(s), if applicable. Your citation must include a specific provision, if any, authorizing the promulgating agency to regulate this specific subject or program, as well as a reference to the agency’s overall regulatory authority.

The Board's regulatory authority for this action can be found at: COV §§ 2.2-4400 et seq, Virginia Security for Public Deposits Act (specifically § 2.2-4405 Powers of Treasury Board relating to the administration of this chapter) and § 2.2-2416 Powers and duties of Treasury Board.

Purpose

Explain the need for the regulatory change, including a description of: (1) the rationale or justification, (2) the specific reasons the regulatory change is essential to protect the health, safety or welfare of citizens, and (3) the goals of the regulatory change and the problems it’s intended to solve.

Significant changes were made to the Security for Public Deposits Act, *Code of Virginia* §§ 2.2-4400 et seq, in 2009 and 2010. The SPDA regulations have not been amended to reflect these changes. In addition, changes will be made to further safeguard Virginia public funds held as deposits in Virginia financial institutions. The regulation is essential to protect the financial stability of the Commonwealth and citizens by ensuring public deposits of the Commonwealth of Virginia and its counties, cities, towns and other public entities are adequately protected against economic consequences of a failure of a financial institution holding public funds. Certain changes are being made to improve the types, values and ease of liquidation of required collateral and establish minimum requirements banks must meet to become and

remain QPDs and escrow agents, with the intent of strengthening the SPDA program and better protecting Virginia public funds.

Substance

Briefly identify and explain the new substantive provisions, the substantive changes to existing sections, or both. A more detailed discussion is provided in the “Detail of Changes” section below.

The Board will amend the regulation to revise the statutory authority, which has changed from COV Title 2.1 (repealed in 2001) to Title 2.2 (replaced Title 2.1 in 2001); bring the regulatory language in line with the SPDA as amended in 2009 and 2010 and the newly approved Board guidelines; make certain changes to the types of securities eligible to be pledged as collateral and their valuation; establish formal eligibility criteria for banks to become and remain QPDs and escrow agents; and other changes determined to be necessary to better administer the SPDA to accommodate the needs of Virginia’s banking community and public institutions while ensuring the protection of public funds.

Issues

Identify the issues associated with the regulatory change, including: 1) the primary advantages and disadvantages to the public, such as individual private citizens or businesses, of implementing the new or amended provisions; 2) the primary advantages and disadvantages to the agency or the Commonwealth; and 3) other pertinent matters of interest to the regulated community, government officials, and the public. If there are no disadvantages to the public or the Commonwealth, include a specific statement to that effect.

The primary advantage to the public is the enhanced safety of public funds deposits. The primary disadvantage would be to Pooled QPDs that pledge municipal securities as collateral, as the revision would subject these securities to a haircut. This means that some QPDs may have to pledge more or different collateral. The primary advantage to public agencies and the COV is the enhanced safety of public funds deposits; a possible disadvantage would be if a QPD decided to leave the SPDA program because of the new requirements, meaning public agencies banking at the QPD would need to close their accounts at that QPD and open new accounts at a different QPD.

Requirements More Restrictive than Federal

Identify and describe any requirement of the regulatory change which is more restrictive than applicable federal requirements. Include a specific citation for each applicable federal requirement, and a rationale for the need for the more restrictive requirements. If there are no applicable federal requirements, or no requirements that exceed applicable federal requirements, include a specific statement to that effect.

There are no requirements that exceed applicable federal requirements.

Agencies, Localities, and Other Entities Particularly Affected

Identify any other state agencies, localities, or other entities particularly affected by the regulatory change. “Particularly affected” are those that are likely to bear any identified disproportionate material impact which would not be experienced by other agencies, localities, or entities. “Locality” can refer to either local governments or the locations in the Commonwealth where the activities relevant to the regulation or

regulatory change are most likely to occur. If no agency, locality, or entity is particularly affected, include a specific statement to that effect.

Other State Agencies Particularly Affected

No other state agencies are particularly affected.

Localities Particularly Affected

No localities are particularly affected.

Other Entities Particularly Affected

No other entities are particularly affected.

Economic Impact

Pursuant to § 2.2-4007.04 of the Code of Virginia, identify all specific economic impacts (costs and/or benefits), anticipated to result from the regulatory change. When describing a particular economic impact, specify which new requirement or change in requirement creates the anticipated economic impact. Keep in mind that this is change versus the status quo.

Impact on State Agencies

<p><i>For your agency:</i> projected costs, savings, fees or revenues resulting from the regulatory change, including: a) fund source / fund detail; b) delineation of one-time versus on-going expenditures; and c) whether any costs or revenue loss can be absorbed within existing resources</p>	<p>Possible:</p> <ul style="list-style-type: none"> - one-time cost of changing QPDs if a QPD left the SPDA program - higher fees at new QPD - loss of interest income if new QPD's rates are lower
<p><i>For other state agencies:</i> projected costs, savings, fees or revenues resulting from the regulatory change, including a delineation of one-time versus on-going expenditures.</p>	<p>Possible:</p> <ul style="list-style-type: none"> - one-time cost of changing QPDs if a QPD left the SPDA program - higher fees at new QPD - loss of interest income if new QPD's rates are lower
<p><i>For all agencies:</i> Benefits the regulatory change is designed to produce.</p>	<p>Enhanced protection of public funds</p>

Impact on Localities

<p>Projected costs, savings, fees or revenues resulting from the regulatory change.</p>	<p>Possible:</p> <ul style="list-style-type: none"> - one-time cost of changing QPDs if a QPD left the SPDA program - higher fees at new QPD - loss of interest income if new QPD's rates are lower
<p>Benefits the regulatory change is designed to produce.</p>	<p>Enhanced protection of public funds</p>

Impact on Other Entities

<p>Description of the individuals, businesses, or other entities likely to be affected by the regulatory change. If no other entities will be affected, include a specific statement to that effect.</p>	<p>Pooled QPDs pledging municipal securities would be subject to the haircuts other QPDs are currently subject to. This would require them to either increase their collateral, or pledge different types of securities.</p>
<p>Agency's best estimate of the number of such entities that will be affected. Include an estimate of the number of small businesses affected. Small business means a business entity, including its affiliates, that:</p> <ul style="list-style-type: none"> a) is independently owned and operated and; b) employs fewer than 500 full-time employees or has gross annual sales of less than \$6 million. 	<p>As of the month ended 6/30/21, three Pooled QPDs would be affected by this change.</p> <p>Of the current total of 57 Pooled QPDs, approximately 20-25 fit this criteria for a small business and could potentially be impacted at some time.</p>
<p>All projected costs for affected individuals, businesses, or other entities resulting from the regulatory change. Be specific and include all costs including, but not limited to:</p> <ul style="list-style-type: none"> a) projected reporting, recordkeeping, and other administrative costs required for compliance by small businesses; b) specify any costs related to the development of real estate for commercial or residential purposes that are a consequence of the regulatory change; c) fees; d) purchases of equipment or services; and e) time required to comply with the requirements. 	<p>Potential costs would be having to either pledge additional securities, or change the types of securities pledged, as collateral. Cost would depend upon their chosen solution.</p>
<p>Benefits the regulatory change is designed to produce.</p>	<p>Strengthen the pledged collateral pool to reduce potential losses to other Pooled QPDs should a Pooled QPD fail.</p>

Alternatives to Regulation

Describe any viable alternatives to the regulatory change that were considered, and the rationale used by the agency to select the least burdensome or intrusive alternative that meets the essential purpose of the regulatory change. Also, include discussion of less intrusive or less costly alternatives for small businesses, as defined in § 2.2-4007.1 of the Code of Virginia, of achieving the purpose of the regulatory change.

COV §§ 2.2-4400 et seq. requires the Board to adopt regulations to protect Virginia public deposits held in financial institutions. Revision of the existing regulations is the least burdensome alternative. The intent of these revisions is to bring the regulatory language fully in line with the SPDA and current Treasury Board guidelines for administration of the SPDA.

Regulatory Flexibility Analysis

Pursuant to § 2.2-4007.1B of the Code of Virginia, describe the agency's analysis of alternative regulatory methods, consistent with health, safety, environmental, and economic welfare, that will accomplish the objectives of applicable law while minimizing the adverse impact on small business. Alternative regulatory methods include, at a minimum: 1) establishing less stringent compliance or reporting requirements; 2) establishing less stringent schedules or deadlines for compliance or reporting

requirements; 3) consolidation or simplification of compliance or reporting requirements; 4) establishing performance standards for small businesses to replace design or operational standards required in the proposed regulation; and 5) the exemption of small businesses from all or any part of the requirements contained in the regulatory change.

We believe the compliance and reporting requirements in the SPDA regulations are necessary to protect public funds. Less stringent requirements for reporting and compliance would not ensure the protection of public funds. These are the minimum requirements for ensuring the protection of public funds. Proposing a haircut on certain securities (municipal) pledged as collateral by Pooled QPDs is less stringent than eliminating municipal securities as a type of eligible collateral, which was considered. By strengthening the collateral pool, the QPDs participating in the pool are better protected from losses incurred by other QPDs in the pool. There is a joint liability across all Pooled QPDs should a Pooled QPD fail and public funds are lost. Though there may be some cost to Pooled QPDs impacted by the proposed changes, overall, QPDs in the collateral pool are better protected from losses that may occur with the failure of a Pooled QPD sometime in the future.

**Periodic Review and
Small Business Impact Review Report of Findings**

If you are using this form to report the result of a periodic review/small business impact review that is being conducted as part of this regulatory action, and was announced during the NOIRA stage, indicate whether the regulatory change meets the criteria set out in Executive Order 14 (as amended, July 16, 2018), e.g., is necessary for the protection of public health, safety, and welfare; minimizes the economic impact on small businesses consistent with the stated objectives of applicable law; and is clearly written and easily understandable.

In addition, as required by § 2.2-4007.1 E and F of the Code of Virginia, discuss the agency’s consideration of: (1) the continued need for the regulation; (2) the nature of complaints or comments received concerning the regulation; (3) the complexity of the regulation; (4) the extent to which the regulation overlaps, duplicates, or conflicts with federal or state law or regulation; and (5) the length of time since the regulation has been evaluated or the degree to which technology, economic conditions, or other factors have changed in the area affected by the regulation. Also, discuss why the agency’s decision, consistent with applicable law, will minimize the economic impact of regulations on small businesses.

N/A

Public Comment

Summarize all comments received during the public comment period following the publication of the previous stage, and provide the agency response. Include all comments submitted: including those received on Town Hall, in a public hearing, or submitted directly to the agency. If no comment was received, enter a specific statement to that effect.

Commenter	Comment	Agency response
	No comments were received.	

Public Participation

Indicate how the public should contact the agency to submit comments on this regulation, and whether a public hearing will be held, by completing the text below.

The Treasury Board is providing an opportunity for comments on this regulatory proposal, including but not limited to (i) the costs and benefits of the regulatory proposal, (ii) any alternative approaches, (iii) the potential impacts of the regulation, and (iv) the agency's regulatory flexibility analysis stated in that section of this background document.

Anyone wishing to submit written comments for the public comment file may do so through the Public Comment Forums feature of the Virginia Regulatory Town Hall web site at: <https://townhall.virginia.gov>. Comments may also be submitted by mail, email or fax to:

Kristin Reiter

PO Box 1879

Richmond, VA 23218-1879

Email: Kristin.reiter@trs.virginia.gov Fax: 804-225-2231

In order to be considered, comments must be received by 11:59 pm on the last day of the public comment period.

A public hearing will be held following the publication of this stage, and notice of the hearing will be posted on the Virginia Regulatory Town Hall website (<https://townhall.virginia.gov>) and on the Commonwealth Calendar website (<https://commonwealthcalendar.virginia.gov/>). Both oral and written comments may be submitted at that time.

Detail of Changes

List all regulatory changes and the consequences of the changes. Explain the new requirements and what they mean rather than merely quoting the text of the regulation. For example, describe the intent of the language and the expected impact. Describe the difference between existing requirement(s) and/or agency practice(s) and what is being proposed in this regulatory change. Use all tables that apply, but delete inapplicable tables.

If an existing VAC Chapter(s) is being amended or repealed, use Table 1 to describe the changes between existing VAC Chapter(s) and the proposed regulation. If existing VAC Chapter(s) or sections are being repealed and replaced, ensure Table 1 clearly shows both the current number and the new number for each repealed section and the replacement section.

Table 1: Changes to Existing VAC Chapter(s)

Current chapter-section number	New chapter-section number, if applicable	Current requirements in VAC	Change, intent, rationale, and likely impact of new requirements
1VAC75-20 §60		Allows corporate notes to be pledged as collateral	Exclude corporate notes from eligible collateral types for consistency with the Treasury Board's guidelines for Dedicated QPDs. Very little impact to

			QPDs; one QPD pledges two corporate notes.
1VAC75-20 §70		Vague language regarding haircuts to certain security types pledged as collateral to protect public deposits.	Specify haircuts currently in force: 20% on mortgage-backed pass-through securities pledged as collateral, which applies to both Pooled and Dedicated QPDs; for Dedicated QPDs, there is also a 10% haircut on Virginia municipal securities; and a 20% haircut on non-Virginia municipal securities pledged. This change will apply municipal security haircuts to Pooled QPDs. This will provide consistency to the program, and better protect public deposits at Pooled QPDs by requiring them to either increase their pledged collateral, or pledge different securities types that are more easily valued and liquidated in the event of a QPD failure. Currently, three Pooled QPDs would either need to pledge more securities, or substitute other security types for municipal securities, in order to maintain sufficient collateral.
1VAC75-20 §130		Vague language only states Treasury Board may establish criteria for determining the continuing eligibility of QPDs to accept public deposits	Establish specific minimum qualifications to become a QPD and compliance requirements for continued eligibility. The requirements for continued eligibility are currently in force, but they are not spelled out in the Regulations. This will impact banks and savings institutions that want to become QPDs. There is no additional impact to current QPDs.
1VAC75-20 §140		Vague language merely states Treasury Board will outline requirements for escrow agents in an agreement to be executed between the escrow and Treasury Board	Establish specific minimum qualifications to become an escrow agent, and update compliance requirements for continued eligibility to reflect current practice. This will impact banks and trust companies that want to become escrow agents under the SPDA. There is no impact to current escrow agents. Current escrow agents will be grandfathered in as escrow agents.
1VAC75-20 §160		States public depositors shall notify the State Treasurer of any unresolved discrepancy between quarterly reports provided them by QPDs and the depositors' records	Add requirement for public depositors to verify their public fund account balances using the Department of the Treasury's public fund search feature on Treasury's website after the end of each quarter to ensure their accounts are being properly reported to Treasury Board by the QPDs. This will catch any public fund accounts not reported to Treasury Board by QPDs so corrections can be made.

			Many public depositories are already doing this; no impact expected.
1VAC75-20 Entire Document			***Housekeeping changes follow; no impact expected to depositories or escrow agents***
1VAC75-20 Entire Document		Code of Virginia § 2.1-359 et seq.	Code of Virginia § 2.2-4400 et seq. These changes reflect the repeal and replacement of § 2.1 with § 2.2 in 2001.
1VAC75-20 Entire Document		Bank, banks, bank's, banks'	Replace bank, banks, bank's and banks' with depository, depositories, depository's and depositories' to conform to COV definition.
1VAC75-20 Entire Document		State Treasurer	Treasury Board Specifies the Treasury Board's authority, with many duties delegated to the State Treasurer to act on the Board's behalf.
1VAC75-20 Entire Document		Banking day	Day Change banking day to day
1VAC75-20 §10		"If a depositor is unable..." "...purposes of the Act, he should obtain..."	"If a depositor or a depository is unable..."; "...purposes of the Act, they should obtain..." Add "or a depository"; replace "he" with "they".
1VAC75-20 §10		"...the essential details..."	"...information about the purpose of the account, the custodian of the account, and under what authority the account was established..." Outline specific actions to be taken; previous language too vague.
1VAC75-20 §10		"...by the use of a notice of election form."	Delete; this form is no longer in use.
1VAC75-20 §10		n/a	"A final determination will be made by the State Treasurer's office with the assistance of the Office of the Attorney General, if needed." Sentence added to clarify determination of whether an account is a public deposit will be made with OAG assistance as needed.
1VAC75-20 §20		Effective Date.	Repealed
1VAC75-20 §30		"Required Collateral for Banks."	"Collateral requirements for qualified public depositories." Title change as §30 (Banks) and §40 (Savings Institutions) are being combined in §30 as collateral requirements are now the same for both types of QPDs.
1VAC75-20 §30		"The required collateral ...purposes not less than:"; "1. Fifty percent. ..."	Replace with: "A. The Treasury Board shall establish...requirements in advance of their effective dates." Instead of collateral requirements being

			stipulated in the regulations, they are now determined by resolutions and guidelines approved by the Board. The collateral calculation for Pooled QPDs changed to a tiered method in 2009.
1VAC75-20 §30		"2. Seventy-five percent. In the event a bank's average daily public deposits for the immediately preceding month exceed one-fifth of its average daily total deposits, the required collateral will be 75% of the actual public deposits held at the close of business on the last banking day of the immediately preceding month, or 75% of the average balance of public deposits for the immediately preceding month, whichever is greater;"	Replace with: "B. In the event a depository's average daily public deposits for the immediately preceding month exceed one-fifth of its average daily total deposits for that month, the required collateral will be in accordance with the Treasury Board's established collateral requirements with the added stipulation that no public deposit be collateralized at less than 75% of the actual public deposits held at the close of business on the last day of the immediately preceding month, or no public deposit be collateralized at less than 75% of the average balance of public deposits for the immediately preceding month, whichever is greater."
1VAC75-20 §30		"3. One hundred percent. In the event...the required collateral will be 100% of the actual public deposits held at the close of business on the last banking day of the immediately preceding month, or 100% of the average balance of public deposits for the immediately preceding month, whichever is greater."	Replace with: "C. In the event...the required collateral will be no less than 100% of the actual public deposits held at the close of business on the last day of the immediately preceding month, or no less than 100% of the average balance of public deposits for the immediately preceding month, whichever is greater."
1VAC75-20 §30		"In the event a bank has violated the pledging statutes and regulations or for other reasons deemed sufficient, such as the financial condition of the bank or the reasons referred to in 1VAC75-20-130, the Treasury Board may increase the bank's ratio of required collateral to 100% of its actual public deposits."	Replace with: "In the event a depository has violated the Security for Public Deposits Act, these regulations, Treasury Board guidelines relating to the Security for Public Deposits Act or for other reasons deemed prudent by the Treasury Board, such as the deteriorating financial condition of the depository or the failure to meet compliance requirements established by the Treasury Board pursuant to §130, the Treasury Board may increase the depository's collateral requirement."
1VAC75-20 §40		Required collateral for savings institutions.	Repealed: §30 (Banks) and §40 (Savings Institutions) are being combined in §30 as collateral requirements are now the same for both types of QPDs.

1VAC75-20 §50		"...insured by federal deposit insurance."	"...insured by the Federal Deposit Insurance Corporation." Specify FDIC coverage to denote the actual insuring entity.
1VAC75-20 §60		"Obligations of Virginia counties, cities, etc."	"Obligations of Virginia counties, cities, and other public bodies." Reduce vagueness of "etc."
1VAC75-20 §60		"...State of Virginia..."	"...Commonwealth of Virginia..." Change State to Commonwealth for consistency.
1VAC75-20 §60		"...rated BBB or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation."	"...rated Baa2 or better by Moody's Investors Service, Inc. or BBB or better by Fitch Ratings, Inc. or Standard & Poor's Financial Services LLC." Correct Moody's rating and S&P's name; add Fitch.
1VAC75-20 §60		"Obligations of the International Bank for Reconstruction and Development, African Development Bank, and Asian Development Bank."	Delete title due to redundancy.
1VAC75-20 §60		"...rated A or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation."	"...rated A2 or better by Moody's Investors Service, Inc. or A or better by Fitch Ratings, Inc. or Standard & Poor's Financial Services LLC." Correct Moody's rating and S&P's name; add Fitch.
1VAC75-20 §60		"Any additional securities approved by the Treasury Board pursuant to § 2.1-364(d) of the Code of Virginia for which written notification to qualified public depositories from the State Treasurer will be provided."	"Any additional securities approved by the Treasury Board pursuant to § 2.2-4405.4 of the Code of Virginia." Delete written notification requirement as it's implied.
1VAC75-20 §60		n/a	"Federal Home Loan Bank letters of credit issued in accordance with guidelines promulgated by the Treasury Board are eligible as collateral." FHLB LOCs became eligible as collateral in Chapter 640 in 2010.
1VAC75-20 §60		"Written notification of securities excluded will be provided to qualified public depositories by the State Treasurer."	Delete written notification requirement as it's implied.
1VAC75-20 §70		n/a	"Weekly, qualified public depositories that have elected the dedicated method of collateralization must additionally report current market values as of the close of business on Friday of the immediately preceding week." Add Opt-out weekly reporting requirement.

1VAC75-20 §70		"...as defined in 1VAC75-20 §§30, 1VAC75-20-40 and 1VAC75-20-80 of this chapter."	"...as defined in §§30 and 80 of this chapter." Update regulation references due to repeal of §40.
1VAC75-20 §70		"Business day is defined as the close of a commercial business at 5 p.m."	"Business day is defined as any day other than a Saturday, Sunday, a legal holiday or a day in which banking institutions are authorized or required by law or other governmental action to be closed." Redefine Business Day to use FDIC definition.
1VAC75-20 §80		"...pursuant to 1VAC75-20-30 or 1VAC75-20-40 , whichever is applicable, utilizing the qualified public depository's actual public deposits held at the close of business on the banking day such deposit is received in lieu of those held at the close of business on the last banking day in the immediately preceding month. Banking day is defined as the financial institution's close of business at 2 p.m."	"...pursuant to 1VAC75-20-30, utilizing the qualified public depository's actual public deposits held at the close of business on the day such deposit is received." Update regulation references due to repeal of §40; removed "in lieu of those held...immediately preceding month" for clarification; change banking day to day.
1VAC75-20 §80		"At the time... needs to be liquidated."	Delete paragraph; we no longer accept registered securities as collateral.
1VAC75-20 §90		"...and deliver the original to the escrow agent and a copy to..."	"...and provide it to the escrow agent and to..." Delete references to original and copy; this is done by email now.
1VAC75-20 §100		"Current public deposits are defined as the amount of public deposits held at the time of withdrawal of collateral. If a qualified public depository cannot determine the amount of current public deposits when collateral is to be withdrawn, the depository shall request an exception to this provision from the State Treasurer stating why the depository cannot comply and how it intends to determine the current public deposit balance under this provision. The request for exception must be in writing and formally approved by the State Treasurer. The escrow agent shall not permit the qualified public	"Current public deposits for this purpose are the amount of public deposits held at the time of withdrawal of collateral. The escrow agent shall not permit the qualified public depository to withdraw collateral without the prior written approval of the Treasury Board." Clarify definition of current public deposits and that written approval must be prior to collateral withdrawal. Delete sentences; we no longer grant exceptions for this purpose.

		depository to withdraw collateral without the written approval of the State Treasurer."	
1VAC75-20 §110		"Within 10 business days after the end of every month..."	"Within 10 calendar days after the end of the month..." Change business days to calendar days to agree to Code.
1VAC75-20 §110		"...submit to the State Treasurer a written report, under oath, signed by an authorized officer of the financial institution indicating the total amount..."	"...submit to the Treasury Board an electronic report of such data required by the Treasury Board, certified as to its accuracy by an authorized official of the qualified public depository. The report shall include the total amount..." Update to reflect change from written to electronic reporting requirements.
1VAC75-20 §110		"...the average balance of all bank deposits..."	"...the average daily balance of all bank deposits..." Add "daily" to clarify.
1VAC75-20 §110		"...total current market value of collateral for the immediately preceding month. Included..."	"...total current market value of collateral at the close of business on the last day in the immediately preceding month; and the average daily collateral balance. Included..." Clarify date of CMV valuation; add average daily collateral balance.
1VAC75-20 §110		"...debt rating by Moody's Investors Services, Inc. or Standard & Poor's Corporation,..."	"...debt rating by Moody's Investors Services, Inc., Fitch Ratings, Inc. or Standard & Poor's Financial Services LLC,..." Correct S&P's name; add Fitch.
1VAC75-20 §110		n/a	"Qualified public depositories selecting the dedicated method to collateralize their public deposit balances shall also submit reports similar to those outlined in A. each week for the immediately preceding week to meet the weekly reporting requirements." Add new paragraph with opt-out weekly reporting requirements.
1VAC75-20 §110		"At the request of any public depositor for which it holds deposits, within 10 business days after the end of any month, the qualified public depository..."	"At the request of a public depositor for which a qualified public depository holds deposits, within 10 calendar days after the end of a month, the qualified public depository..." Change "it" to "qualified public depository" for clarity.
1VAC75-20 §110		"Within the first 10 business days of each calendar quarter, every qualified public depository shall submit to the State Treasurer a report indicating the account number, type of account, amount of federal deposit insurance applied, total amount on deposit and total amount on deposit to	"Within the first 10 calendar days of each quarter, qualified public depositories shall submit to the Treasury Board an electronic report by public deposit account to include the account number, type of account (demand or savings), full name of account, name of public entity, custodian name and title, federal tax identification number, amount on deposit in the account, amount on deposit secured by federal

		<p>be secured by its pledged collateral or a combined listing containing the same information as an attachment to the "Public Depository Monthly Report" as of the close of business on the last banking day of the calendar quarter being reported. At the same time every qualified public depository shall submit to each public depositor for whom it holds public deposits, a report indicating the account number, type of account, and total account amount to be secured by its pledged collateral."</p>	<p>deposit insurance, and amount of deposit secured by pledged collateral. Qualified public depositories shall also within the first 10 calendar days of each quarter provide to each public depositor for whom it holds public deposits, a schedule detailing the public deposit accounts reported to the Treasury Board for that depositor, indicating the account name and number, type of account, amount on deposit secured by federal deposit insurance, and total account amount to be secured by its pledged collateral." Change business days to calendar days and calendar quarter to quarter to be consistent with monthly reporting requirements. Update to reflect change from written to electronic reporting requirements; more specifically identify currently required information. Replace old sentence with new sentence to clarify required information.</p>
<p>1VAC75-20 §110</p>		<p>"With the submission...depositories shall attach an annual certification... previous fiscal year."</p>	<p>"By the tenth calendar day of July, qualified depositories shall submit an annual certification... previous fiscal year in accordance with the instructions issued by the Treasury Board." Annual audit certification due independently of June 30 monthly report; add reference to Treasury instructions.</p>
<p>1VAC75-20 §120</p>		<p>"The State Treasurer shall report to the auditors of any public depositor, upon their written request, the status of any qualified public depository's collateral account and its compliance with the reporting requirements of the Act. The State Treasurer shall notify any public depositor that maintains accounts with any bank or savings institution of any irregularities, including, but not limited to, the late filing of the required monthly reports or deficiencies in the qualified public depository's eligible collateral at any time. The Treasury Board shall be notified of the sending of any reports of irregularities required herein no later than at its next regularly scheduled meeting."</p>	<p>"The State Treasurer shall make available to public depositors and their auditors reports of compliance irregularities of public depositories including, but not limited to, undercollateralization and repeated late filings of required compliance reports. The Treasury Board shall be notified of compliance irregularities during its regularly scheduled meetings." Update to reflect that this information is now available in the SPDA website.</p>

1VAC75-20 §130		Compliance Requirements.	Eligibility criteria and compliance requirements for qualified public depositories. Change title
1VAC75-20 §130		"By formal request, ... regarding their depository."	Delete sentences; requirements now formalized in regulations.
1VAC75-20 §140		Criteria for the Selection of Escrow Agents.	Eligibility criteria and compliance requirements for escrow agents. Change title to include both eligibility and compliance requirements.
1VAC75-20 §140		"Pursuant to the powers granted to the Treasury Board by § 2.1-362 of the Code of Virginia, the State Treasurer has determined that the selection of an escrow agent or agents is consistent with administration of the Act and the State Treasurer shall define all escrow agent criteria under an agreement labeled "Public Deposit Security Agreement" to be signed and sealed by an authorized officer for the escrow agent, depository and State Treasurer. A depository may have no more than one escrow agreement in effect at any given time period. Each depository and escrow agent is responsible for providing a written notification and executing new agreements upon their name change. Every qualified public depository shall comply with this section within 60 days of the effective date of this chapter."	"All escrow agent requirements shall be outlined under a "Master Custodial Agreement" to be signed by an authorized officer for the escrow agent and the State Treasurer, acting on behalf of the Treasury Board. A depository may have no more than one escrow agreement in effect for Virginia public deposits at any given time period. The escrow agent is responsible for providing a written notification and executing new agreements upon its name change." Update to reflect change to Master Custodial Agreement. Delete 60-day requirement for QPDs, as this section now deals only with eligibility criteria and compliance requirements for escrow agents.
1VAC75-20 §140		"The escrow agent must sign...Treasury Board."	Delete; replaced Public Deposit Security Agreement with Master Custodial Agreement.
1VAC75-20 §140		"...one public depository, the collateral must be accounted for in a manner that will allow separate reporting by account and public depository."	"...one public depository, a separate account must be opened for each depository." Specify separate escrow accounts for each depository.

1VAC75-20 §140		"The escrow agent must be able to ascertain... is eligible in accordance with 1VAC75-20-60. The escrow agent shall distribute... to the depository and shall be payable..."	"The escrow agent must be able to ascertain... is eligible collateral in accordance with 1VAC75-20-60. The escrow agent shall distribute... to the depository and such income shall be payable..." Add "such income" to clarify.
1VAC75-20 §140		"The escrow agent shall allow...to the depository."	Delete 5. because escrows no longer hold physical securities.
1VAC75-20 §140		"The escrow agent shall price securities...substitution of collateral and from the close of business on the last banking day of the month for monthly reporting purposes."	"The escrow agent shall price securities...substitution of collateral, as of the close of business on the last day of the month for monthly reporting purposes, and as of the close of business Friday for weekly reporting purposes for depositories using the dedicated method." Add opt-out weekly requirement.
1VAC75-20 §140		"The escrow agent shall adhere to the reporting requirements as detailed in the "Public Deposit Security Agreement."	"The escrow agent shall adhere to the reporting requirements as detailed in the "Master Custodial Agreement" and the "Public Deposit Security Agreement." Add Master Custodial Agreement requirement.
1VAC75-20 §140		"The State Treasurer, ...agent can meet the criteria...executing the "Public Deposit Security Agreement."	The State Treasurer,...agent is eligible based upon the criteria...executing the "Master Custodial Agreement" and the "Public Deposit Security Agreement." Add Master Custodial Agreement requirement.
1VAC75-20 §140		"In the event...of the "Public Deposit Security Agreement,"...all terms of the agreement."	"In the event...of the "Master Custodial Agreement" and the "Public Deposit Security Agreement,"...all terms of the agreements." Add Master Custodial Agreement requirement.
1VAC75-20 §140		"This statement must be acceptable to the State Treasurer, who will monitor adherence to it. If the escrow agent fails to provide a statement or adhere to it or violates the agreement three times within a two-year period, the State Treasurer will classify such an escrow agent as "disqualified" as an escrow agent under the provisions of the Act and notify all parties. Qualified public depositories shall have 90 days to select a new escrow agent after such a disqualification."	"This statement must be acceptable to the State Treasurer, who will monitor adherence to it. If the escrow agent fails to provide a statement or adhere to its remediation plan or continues to violate the agreements, the Treasury Board may take disciplinary action, up to and including termination of the "Master Custodial Agreement". Qualified public depositories shall select a new escrow agent after such a disqualification in accordance with Treasury Board instructions." Update and simplify language and remove 90 day requirement.

1VAC75-20 §140		"In the event an escrow agent is classified as "disqualified," the term of suspension shall be for one year from the date of disqualification. After "disqualification," an escrow agent must request from the Treasury Board approval to be reinstated as an eligible escrow agent."	"After "disqualification," an escrow agent may request approval from the Treasury Board to be reinstated as an eligible escrow agent if correction of prior deficiencies is demonstrated." Update and remove one year suspension term; gives Treasury Board more flexibility as to what action they take.
1VAC75-20 §150		"For failure to comply with the Act or the regulations, the Treasury Board may rescind the authority of a qualified public depository to receive further public deposits in accordance with 1VAC75-20-130."	"For failure to comply with the Act, these regulations or Treasury Board guidelines, the Treasury Board may rescind the authority of a qualified public depository to open new public deposit accounts or accept new deposits into existing public deposit accounts in accordance with 1VAC75-20-130." Update to include Treasury Board guidelines, opening new public deposit accounts, and update regulation section reference. To better clarify what "to receive further public deposits" means.
1VAC75-20 §160		Exception reports by public depositors	Exception reporting by public depositors Change title
1VAC75-20 §160		"...as stated in 1VAC75-20-110..."	"...as outlined in 1VAC75-20-110..." Wording change
Forms (1VAC75-20)		Public Deposit Security Agreement (and relevant exhibits), #1001. Notice of Election to Require Security for Public Deposit, #1004.	Public Deposit Security Agreement, effective April 20, 2011. Master Custodial Agreement, effective April 20, 2011.