



THE HONORABLE CURTIS M. LOFTIS, JR.  
State Treasurer

**POLICY**  
**Designation of a “Qualified Public Depository”**  
**July 1, 2016**

**Purpose:** To prescribe the process for the designation of a “qualified public depository” to serve the banking needs of a State entity (e.g., agency, university, college) for which the State Treasurer is custodian of the funds pursuant to State statute. The process also pertains to situations where an entity may request a change in the designation of its depository.

**Authority:**

§ 11-13-120

“All state departments, boards, bureaus, commissions or other state agencies charged with the collection of any taxes, licenses, fees, interest or any income to the State shall, with ordinary business promptness, deposit the same when collected with or to the credit of the State Treasurer, either at his office in the State Capitol or in such bank or banking institution within the State as shall be designated by the State Treasurer....”

§ 11-13-125.

“All funds received by any department or institution of the state Government shall be deposited and maintained in appropriate accounts in the State Treasury except such funds as may be authorized by the State Fiscal Accountability Authority to be maintained in departmental or institutional bank accounts for regular operating purposes or for other justifiable circumstances, such accounts to be maintained in such banks or banking institutions as shall be designated by the State Treasurer.”

**Definition:**

§11-13-60 (E)

“ ‘Qualified public depository’ means any national banking association, state banking association, federal savings and loan association, or federal savings bank located in this State, and any bank, trust company, or savings institution organized under the law of this State that receives or holds state funds that are secured pursuant to this chapter.”

**General Policy:** Through established arrangements with various financial institutions located in the State of South Carolina, the State Treasurer intends to designate one or more of those institutions as the most appropriate qualified public depository to meet the needs of the entity.

Designation of a depository will consider the following criteria:

- Safety of deposited funds, to include required FDIC insurance and collateralization if applicable
- Convenience to the entity, to include location of the institution’s branches
- Availability of responsive customer service appropriate to the complexity of the entity’s operations
- Availability of all services offered by the institution and compatibility of the services to the entity’s business and technical requirements
- Capability to meet any technical specifications associated with interfacing with the State Treasurer’s Office to accommodate any necessary transaction reporting
- Capacity of the depository to accommodate daylight overdraft requirements that may be associated with services being provided to the entity, and overall to the State Treasurer

- The number and types of accounts required (e.g., general deposit account and/or composite reservoir accounts; zero balance accounts and/or stand-alone accounts)
- Fees and costs, if any, that may accrue directly to the entity
- Impact on the overall costs accruing to the State Treasurer’s Office, specifically as the costs pertain to the monthly service analysis fees
- Acceptable negotiation of State’s terms and conditions to be contained in any written agreements for services

Consideration of fees accruing to the State Treasurer’s Office (STO):

In accordance with established policy, the STO negotiates the schedule of fees that each eligible qualified public depository may charge the STO for services provided to all entities being serviced by the institution. Such fees are established in accordance with usual and customary fees levied for a state government, taking into account:

- The number of entities being serviced
- The volume of transactions conducted on a monthly basis across all entities being serviced
- The prominence of particular types of transactions that are applicable to the entity
- The earnings credit rate (ECR) afforded balances that may be in the account(s), considering any Federal Reserve Bank reserve requirement adjustment that may or may not be applied

The above factors may result in each qualified public depository (financial institution) being categorized into multiple tiers, generally based upon the overall number of transactions.

**Process for requesting the designation or change in designation**

An entity may request the designation or change in designation of its authorized public depository for various reasons, to include:

- Current depository is merging with another institution
- A new banking service is needed for which the current depository cannot provide (at all, or to the degree desired)
- Desire to increase or improve the convenience element noted above
- Desire to increase or improve the responsive customer service noted above
- Other business case justification

In the case a requested change is due to the desire to increase or improve the responsive customer service, the requesting entity must first engage the State Treasurer’s Office in a process of attempting to resolve any service elements that need to be addressed with the current depository.

Submission of request to the State Treasurer

The request for designation or change in designation must be in writing to the STO.

The request must include the following:

- Recommendation of at least two potential financial institutions that may be compatible with the entity’s needs (A first preference may be noted)
- A document describing the “Scope of Services” needed to meet the entity’s operations. Examples of services may include deposit services, check disbursements, ACH disbursements, positive pay, wire transfers, etc. Estimated transaction volumes must be included.
- Other information that supports the entity’s request

Consultation with State Treasurer’s Office

The STO may request additional information and/or engage in conversations with the entity’s staff to fully understand the banking needs of the entity.

Designation of Qualified Public Depository by STO

The State Treasurer will evaluate the entity's request in accordance with the criteria stated herein and select from among the several eligible financial institutions deemed to best meet the banking needs of the entity. If deemed beneficial, designation of more than one depository to provide the various accounts needed may be made.

**Specialized Services Requiring a Procurement Process**

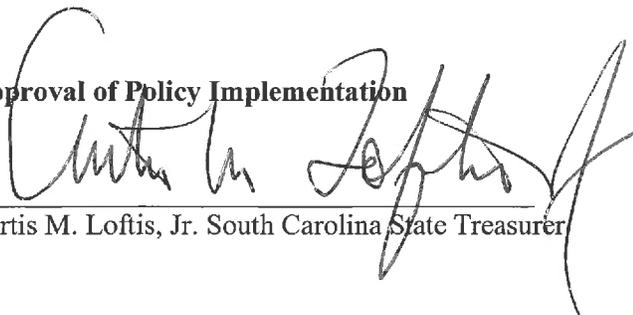
Designation of an official public depository described herein may be separate or in conjunction with a specialized service that an entity may need. Specialized services are typically those services that are not considered general banking services for which the State Treasurer's Office pays, but accrue to the benefit of a particular entity and are paid for by the entity. The specialized service may be provided by a bank solely, or by a vendor requiring the services of a specific bank.

Specialized services fall into two categories:

- Services provided under a statewide contract pursuant to the procurement requirements of the State Fiscal Accountability Authority (SFAA), for example:
  - Merchant card processing service
  - Purchasing card / Payment card service
- Services unique to the entity, procured through a procurement process, for example:
  - Prepaid debit card service
  - Payment gateway service
  - Service authorized by a specific statute

The selection of a bank or vendor for a specialized service must be approved by the State Treasurer to ensure compatibility with any of the State Treasurer's involved processing requirements.

**Approval of Policy Implementation**



Curtis M. Loftis, Jr. South Carolina State Treasurer