STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
STATE HOUSE
CN-002
TRENTON, NEW JERSEY 08625

FEATHER O'CONNOR
STATE TREASURER

September 1, 1988

Policy Statement:

Collaterization Requirements for State Held Deposits

State policy for collateralizing State accounts in order to comply with New Jersey Statute 52:18-16.1 for accounts directly under the control of the State Treasurer is as follows:

Working Banks

Working banks are defined as banks who accept deposits of 15 million dollars or more each month for State of New Jersey accounts.

The amount of collateral required will be 120% of the average balance on deposit in the bank during each calendar quarter. In other words, the amount of collateral for April, May and June will be based on the average balance of January, February and March. If direct obligations of the U.S. Treasury or the State of New Jersey are used, the collateral is to be valued at par value.

The following obligations will be acceptable as required collateral for all State accounts which are directly under the control of the State Treasurer in working banks:

I. Direct Obligations of or guaranteed by the United States including:

U.S. Treasury Bills, Bonds and Notes
Federal Home Loan Bank
Federal Land Bank
Federal Intermediate Credit
Federal Farm credit
Bank for Cooperatives
GNMA
Public Housing Administration
Federal Housing Administration

II. Direct Obligations of or guaranteed by the State of New Jersey.

III. General Obligation Bonds issued by New Jersey:

School Districts
Counties
Municipalities

IV. Direct General Obligation Bonds and Notes issued by the following New Jersey Authorities:

Hackensack Meadowlands Development Commission
New Jersey Building Authority
New Jersey Casino Reinvestment Development Authority
New Jersey Education Facilities Authority
New Jersey Expressway Authority
New Jersey Health Care Facilities Financing Authority
New Jersey Highway Authority
New Jersey Housing and Mortgage Finance Agency
New Jersey Sports and Exposition Authority
New Jersey Transportation Trust Fund Authority
New Jersey Turnpike Authority
New Jersey Wastewater Treatment Trust
New Jersey Water Supply Authority
South Jersey Port Corporation
Rutgers, the State University

FNMA has not been included in paragraph I above, nor have obligations of the Economic Development Authority been included as acceptable State obligations. Also, local New Jersey government obligations are limited to General Obligation Bonds. Obligations of local New Jersey government authorities such as sewer authorities and similiar authority obligations are not acceptable as collateral.

If any of the obligations listed in paragraphs III or IV are used, the collateral should be valued at market value and an additional 10% margin should be added to the 120% requirement. A certification from the bank must be sent to Treasury, Cash Accounting, every three months for the market value of all collateral other than U.S. Treasury or State direct obligations.

Non Working Banks

Non working banks are defined as those banks who have less than 15 million dollars of deposits each month for State of New Jersey Accounts.
Demand or Checking Accounts require 100% coverage (par value) of the highest daily balance of the preceding month.

Par value is used because the State is not in a position to calculate market value; therefore, the State relies on the bank to select, within the framework of the general outline of acceptable collateral, securities with sufficient value to cover all deposits in the bank.

Acceptable collateral to be pledged by non working banks will be securities and/or obligations as enumerated in paragraphs I and II above.

All Banks - Time Deposits or Certificates of Deposit

Time Deposits or Certificates of Deposits require 120% coverage (par value) of the total amount deposited or of the face value of the Certificate of Deposit after the amount insured by FDIC or FSLIC is deducted.

Acceptable collateral to be pledged by banks for time deposits or certificates of deposit will be direct obligations of or guaranteed by the Federal Government or the State of New Jersey (paragraphs I and II above).

Approval by the Treasurer or the Treasurer's designee is required prior to any increase in collateral or release of any collateral pledged for the Treasurer's accounts.

If you have any questions concerning the above, please contact Supervisor, Cash Accounting, Office of Management and Budget, CN 224, Trenton, New Jersey 08625 or call 609-984-3496.

Feather O'Connor
State Treasurer