



May 2, 2018

Ms. Sarah A. Long
President, CEO and Treasurer
The Delaware Bankers Association
8 West Lookerman Street, Second Floor
Dover, DE 19903-0781

Dear Ms. Long:

The Office of State Treasurer (“OST”) has received the comment submitted on behalf of the Delaware Bankers Association (“DBA”) concerning the changes proposed to the deposit and investment guidelines (the “Guidelines”) proposed by the Cash Management Policy Board (the “Board”).

OST has considered and agrees with DBA’s recommendation concerning Section 5.3 of the Guidelines and the requirements related to call reports. OST will present the following changes to the Board’s Banking Subcommittee at the meeting set for May 9, 2018:

5.3 Call Reports. Each Cash Management Bank shall provide OST with a Consolidated Report of Condition and Income (FFIEC 031) with respect to such financial institution on a quarterly basis ~~by the last day of the month following the end of such calendar quarter unless such report is available publicly at~~ <https://cdr.ffiec.gov/public>.

OST views the foregoing changes as non-substantive within the meaning of 29 *Del. C.* § 10118(c). OST anticipates that the Guidelines, with revisions as proposed above, will be acceptable to the Banking Subcommittee and will be approved by the full Board at the meeting scheduled for May 14, 2018.

DBA also raised five other points for consideration and clarification, to which OST has the following responses:

1. Collateral Monitoring. OST, based on its own multi-state survey, is not convinced that most jurisdictions engage in active collateral monitoring and resetting on a daily basis. Further, active management requires resources and involves expenses that must be balanced against under-collateralization risks. OST and the Board have considered the relative burdens and risks and believe the Guidelines strike an appropriate balance. The Guidelines contemplate the minimization of end-of-day demand deposit account (“DDA”) balances and related credit risks through the use of sweep products. They set a floor for collateralization based on the prior month’s average closing ledger balance and permit OST to require additional collateral to protect against volatility. The Guidelines envision that any uninsured end-of-day DDA balances remaining at the end of any given business day will be fully secured.

2. Time Deposits. OST presently does not utilize time deposits and does not believe that such arrangements would be a good fit for the State's cash management system and daily cash needs.
3. Eligible Collateral. The defined term "Eligible Collateral" includes all U.S. Treasury and U.S. government agency securities listed in Sections 6.3.1 and 6.3.2.
4. LOC Timeframes. OST and the Board have not set timeframes for letters of credit ("LOCs"). OST has discretion under the Guidelines with respect to the terms of any LOCs posted to secure State deposits. OST presently envisions LOC terms of no shorter than one year but is open to considering whatever LOC terms a cash management bank may propose.
5. Federal Reserve Bank Reporting. OST and the Board are aware of the collateral reporting practices of the Federal Reserve Banks.

Please let me know if you would like to schedule a call to discuss the foregoing. We are available for a meeting or teleconference any time on Friday, May 4, 2018.

Very truly yours,



Stephen W. McVay
Cash Manager
Office of the State Treasurer
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Dover, DE 19904