

May 7, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: Revision to Policy R543, Commercial Banking Services

Issue

Policy R543, *Commercial Banking Services* has recently been reviewed by the Office of the Commissioner and USHE institutional representatives; this review is a part of the continuing review of all Regental policies. A result of this review is the recommendation to more effectively describe the policies and criteria for the selection and retention of commercial banking services for USHE institutions.

Background

The policy language dates back more than a decade. Updated language includes:

- The use of the word “bank” was replaced by “depository.” The use of the term “banking services” was retained.
- References to State of Utah and Laws of the State of Utah were changed to “State Money Management Act and Rules of the State Money Management Council”.
- The “Institutional Policy” section was moved from 3.3 to 3.2 where it seemed to be more appropriate.
- Section 3.2 has been updated to tie to the relevant Utah Code section governing multi-year contracts and the requirement to review them every five years as well as consider the need to seek requests for proposal (RFP’s) from other banking services providers.
- Section 5.1, Fee for Service was moved to 3.4 where it seemed to be more appropriate.
- Section 5.3, Investment Bidding was changed to say Investment Services and moved to 3.5 where it seemed to be more appropriate.
- In R543.4 “Qualifications” was changed to “Criteria.”
- Section 5.3, Primary Criteria was moved to 4.1.
- Sections 4.2.3 and 4.2.4 were added to clarify where funds could be deposited in conformance with the Money Management Act and Rules.
- Section 4.2, Service Capabilities was changed to be a straight forward direction for Boards of Trustees to establish services capabilities based on the varying needs of institutions, eliminating the list of capabilities that could be required in approved policies. The list is somewhat outdated in a changing market place.

- Items in section 5, Criteria for Selection and Retention of a Banking Service were moved to other sections of the policy as noted above.

Policy Changes

The proposed amendment to R543 is in compliance with Utah state statutes: Utah Code §53B-7-101 (9), Each Institution Handles Financial Affairs Under General Supervision of the Board and the Utah Code §63G-6a-1204 (Multiyear contracts).

Commissioner's Recommendation

The Commissioner recommends that the Regents approve the revisions to policy R543, *Commercial Banking Services*, effective immediately.

David L. Buhler
Commissioner of Higher Education

DLB/GLS/WRH/CRW
Attachment

R543, Commercial Banking Services¹

R543-1. Purpose: To establish policies and procedures criteria for the selection and retention of commercial banking services at for all USHE institutions within the System.

R543-2. References

2.1. Utah Code §53B-7-101(9) (Each Institution Handles Financial Affairs Under General Supervision of the Board)

2.2. Utah Code §63G-6a-(1204) (Multiyear contracts)

R543-3. General Policies

3.1. Deposits: ~~Only qualified depositories of the State of Utah may be used for primary banking services of member institutions. The institutions are encouraged to deposit all public funds, excluding duly authorized imprest bank accounts, into a single checking account if investment sweep services are not available. This will facilitate the investment on a daily basis of funds available in excess of immediate needs. A separate payroll account at the same bank as the general checking account is acceptable.~~ USHE institutions shall deposit funds into depositories as outlined by the requirements of the State Money Management Act (Utah Code 51-7) and the Rules of the State Money Management Council (Utah Administrative Code R628). Institutions may use separate accounts as appropriate to facilitate their daily operations per their banking policies as approved by their Boards of Trustees.

3.3.2. Institutional Policy: ~~Each institutional bBoard of tTrustees should adopt its own written policy relating to details of banking procedures within the parameters of this policy.~~ shall establish criteria for the selection and/or retention of commercial depositories providing banking services to their institution, and to prescribe requirements relating to the acquisition of new banking services and creation of new accounts. Policies should be structured to provide latitude and authority for those responsible to conduct daily operations that comply with the State Money Management Act, the Rules of the State Money Management Council, and this Board of Regents policy.

3.2.3. Requests for Proposal (RFP's): Institutions shall conduct at least every ~~six~~ five years an internal evaluation of the banking services provided by ~~its their current~~ primary bank depository and any other depositories pursuant to Utah Code §63G-6a-(1204) (Multiyear contracts) to determine that ~~if~~ the service capabilities and costs of service remain competitive and sufficient. ~~If the an~~ institution determines that the service capabilities and/or the cost of service provided by its ~~current primary bank service providers~~ may not be competitive or for any other reason as determined by the institution, ~~it may seek~~ requests for proposal (RFP's) ~~should be solicited only~~ from banking ~~institutions service providers that meeting~~ (a) the requirements of the State Money Management Act and the rules of the State Money Management Council, (b) the specific criteria established by the institution and (c) the requirements set forth in this policy.

5.1.3.4. Fee for Service: ~~The bank~~ Banks shall be compensated on a fee basis for services basis.

5.3.3.5. Investment Services Bidding: ~~Services Bids~~ for the investment of institutional operating funds, ~~excluding short term investment services, shall not be a part of the process of selecting a banking service~~

¹ Adopted May 20, 1980, amended September 12, 1996.

shall meet the requirements of the State Money Management Act and the Rules of the State Money Management Council.

R543-4. Qualifications ~~Criteria~~ for Selection and Retention ~~to Provide of~~ Banking Services ~~Providers~~

5.2.4.1. Primary Criteria: The primary criteria for bank depository selection and retention shall be its ability to provide the required banking services and/or short term investment services at a reasonable cost and/or competitive rates to the institution.

4.1.2. Minimum Requirements: In order to be eligible to be selected or retained to provide an institution's primary banking services, a bank depository should satisfy the following minimum qualifications:

~~4.1.2.1.~~ It must ~~be a qualified depository~~ qualify to receive public funds under the laws of the State ~~of Utah~~ Money Management Act and the Rules of the State Money Management Council.

~~4.1.3.2.2.~~ The bank depository selected must maintain an banking office readily accessible to the institution with the capability of providing all normal commercial banking services, ~~as well as investment assistance and advice for the institution~~

~~4.2.3.~~ Funds deposited should be held in a FDIC or NCUA insured account or:

~~4.2.4.~~ For daily balances greater than the FDIC or NCUA insurance limits, the depository is registered with the Department of Financial Institutions as being qualified to receive public funds that would be uninsured.

~~4.1.2.5.~~ In compliance with R543.3, when considering retention, the cost of services provided by the depository shall be competitive with costs charged by other service providers for similar services. ~~Costs~~ Anticipated costs of conversion associated with changing banks from one depository to another depository shall be a factor in determining cost competitiveness.

4.2. Service Capabilities: It is recognized that the institutions within ~~the System~~ USHE will have varying needs for banking services as offered by depository institutions. Service capability requirements should be set forth in their policies and approved by their respective Boards of Trustees. ~~capabilities of banks. Listed below are some capabilities which an institution may require of a candidate bank.~~

~~4.2.1.— Provide the number of checking accounts requested by the institution, and to process all deposit items received and checks issued.~~

~~4.2.2.— Provide for the currency and change requirements of the various auxiliaries and other departments.~~

~~4.2.3.— Provide compatible data processing service for prompt reconciliation of all bank accounts, and other data processing requirements related to maintenance of institution accounts.~~

~~4.2.4.— Provide investment services for the institution in the management of its short-term funds, including provision for:~~

~~4.2.4.1.— transfer of funds on a DVP (delivery versus payment) basis for the purchase of securities.~~

~~4.2.4.2. safekeeping of securities by a custodial bank or trust company.~~

~~4.2.4.3. repurchase agreements on a daily basis with securities as pledged collateral.~~

~~4.2.4.4. assistance with the purchase and transfer of commercial paper, time certificates of deposit, bankers acceptances, and other money market investments.~~

~~4.2.4.5. transfer of funds from one bank to another by wire transfer or other electronic transfers through the banking system.~~

~~4.2.5. Provide daily reports of account activity by electronic interface or other means.~~

~~4.2.6. Issue savings bonds in connection with payroll withholdings.~~

~~4.2.7. Act as depository for federal withholding and payroll taxes.~~

~~4.2.8. Provide periodic financial consultation.~~

R543-5. Criteria for Selection and Retention of a Banking Service

~~5.1. Fee for Service: The bank shall be compensated on a fee for service basis.~~

~~5.2. Primary Criteria: The primary criteria for bank selection and retention shall be its ability to provide the required banking and short term investment services at a reasonable cost and/or competitive rates to the institution.~~

~~5.3. Investment Bidding: Bids for the investment of institutional funds, excluding short term investment services, shall not be a part of the process of selecting a banking service.~~

R543, Commercial Banking Services¹

R543-1. Purpose: To establish policies and criteria for the selection and retention of commercial banking services at for all USHE institutions.

R543-2. References

- 2.1. Utah Code §53B-7-101(9) (Each Institution Handles Financial Affairs Under General Supervision of the Board)
- 2.2. Utah Code §63G-6a-(1204) (Multiyear contracts)

R543-3. General Policies

- 3.1. **Deposits:** USHE institutions shall deposit funds into depositories as outlined by the requirements of the State Money Management Act (Utah Code 51-7) and the Rules of the State Money Management Council (Utah Administrative Code R628). Institutions may use separate accounts as appropriate to facilitate their daily operations per their banking policies as approved by their Boards of Trustees.
- 3.2. **Institutional Policy:** Each institutional Board of Trustees shall establish criteria for the selection and/or retention of commercial depositories providing banking services to their institution, and to prescribe requirements relating to the acquisition of new banking services and creation of new accounts. Policies should be structured to provide latitude and authority for those responsible to conduct daily operations that comply with the State Money Management Act, the Rules of the State Money Management Council, and this Board of Regents policy.
- 3.3. **Requests for Proposal (RFP's):** Institutions shall conduct at least every five years an internal evaluation of the banking services provided by their primary depository and any other depositories pursuant to Utah Code §63G-6a-(1204) (Multiyear contracts) to determine if the service capabilities and costs of service remain competitive and sufficient. If an institution determines that the service capabilities and/or the cost of service provided by its service providers may not be competitive or for any other reason as determined by the institution, it may seek requests for proposal (RFP's) only from banking service providers that meet (a) the requirements of the State Money Management Act and the rules of the State Money Management Council, (b) the specific criteria established by the institution and (c) the requirements set forth in this policy.
- 3.4. **Fee for Service:** Banks shall be compensated on a fee basis for services.
- 3.5. **Investment Services:** Services for the investment of institutional operating funds, shall meet the requirements of the State Money Management Act and the Rules of the State Money Management Council.

R543-4. Criteria for Selection and Retention of Banking Services Providers

- 4.1. **Primary Criteria:** The primary criteria for depository selection and retention shall be its ability to provide the required banking services and/or short term investment services at a reasonable cost and/or competitive rates to the institution.

¹ Adopted May 20, 1980, amended September 12, 1996.

4.2. Minimum Requirements: In order to be eligible to be selected or retained to provide an institution's primary banking services, a depository should satisfy the following minimum qualifications:

4.2.1. It must qualify to receive public funds under the laws of the State Money Management Act and the Rules of the State Money Management Council.

4.2.2. The depository selected must maintain an office readily accessible to the institution with the capability of providing all normal commercial banking services.

4.2.3. Funds deposited should be held in a FDIC or NCUA insured account or:

4.2.4. For daily balances greater than the FDIC or NCUA insurance limits, the depository is registered with the Department of Financial Institutions as being qualified to receive public funds that would be uninsured.

4.2.5. In compliance with R543.3, when considering retention, the cost of services provided by the depository shall be competitive with costs charged by other service providers for similar services. Anticipated costs of conversion associated with changing from one depository to another depository shall be a factor in determining cost competitiveness.

4.2. Service Capabilities: It is recognized that the institutions within USHE will have varying needs for banking services as offered by depository institutions. Service capability requirements should be set forth in their policies and approved by their respective Boards of Trustees.