

BF4011 - Bank Accounts

Issued: May 12, 2017

Responsible Official: Executive Vice President and Chief Operating
and Financial Officer

Responsible Office: Controller

POLICIES

Policy Statement

Depository or bank accounts shall be established for the deposit of funds received by the University. Only the President has the authority to establish bank accounts for the University.

Purpose

This policy on the deposit of funds shall apply to all funds, regardless of source, which are received by the University. All depositories which provide deposit or custody services shall agree to comply with the terms of this policy, and with the requirements of Chapter 4 of Title 9 Tennessee Code Annotated as amended, and the latter provisions shall control in the event of conflict. Words and phrases used in this policy shall have the same definition and meaning as in Chapter 4 of Title 9 Tennessee Code Annotated.

Definitions

Collateral Security - means securities which may be accepted as collateral for deposits.

Compensating balances - means the amount of funds allowed to remain in an account.

Default - may include but is not limited to:

- The failure of any qualified public depository to return any public deposit, including earned interest in accordance with the terms of the deposit contract.
- The failure of any qualified public depository to pay any properly payable check, draft or warrant drawn by the public depositor.
- The failure of any qualified public depository to honor any valid request for electronic transfer of funds.
- The failure of any qualified public depository to account for any check, draft, warrant, order, deposit certificate or money entrusted to it.
- The issuance of any order of any court or the taking of any formal action by any supervisory authority, which has the effect of restraining a qualified public depository from making payments of deposit liabilities.
- The appointment of a conservator or receiver for a qualified public depository; or
- Any other action which the treasurer determines to place public deposits in jeopardy.
- Failure to provide the required collateral.

Deposit Insurance - means the insurance provided by the Federal Deposit Insurance Corporation.

Eligible Collateral - shall have the meaning set forth in T.C.A. § 9-4-103. For savings institutions securing local government deposits, eligible collateral shall also include securities described in T.C.A. § 9-1-107(a)(2) under such additional conditions as the treasurer deems appropriate.

Loss - includes but is not limited to:

- The principal amount of the public deposit;
- All accrued interest through the date of default;
- Additional interest at the rate the public deposit was earning on the total of the principal amount of the public deposit and all accrued interest through the date of default, through the day of payment by a liquidator or other third party or through the date of sale of eligible collateral by the treasurer or his agent; and
- Attorney's fees incurred in recovering public deposits.

Market Value - means current market price.

Depository - means any bank, savings and loan association or savings bank (collectively referred to as savings institutions)

located in the state of Tennessee which is under the supervision of the Department of Financial Institutions, the United States Comptroller of the Currency, or the Office of Thrift Supervision, and which has been appropriately designated to hold public deposits by a public depositor.

Required Collateral - means eligible collateral, excluding accrued interest, having a market value equal to or in excess of the greater of the average daily balance or average monthly balance of public deposits multiplied by the qualified public depository's collateral-pledging level as required by the board. (T.C.A. § 9-4-502)

Trust Receipts - means a receipt issued by the trustee custodians in lieu of the actual deposit of eligible collateral, it is subject in all respects to the claims and rights of the institution to the same extent as though such collateral had been physically deposited with the institution.

Trustee Custodian - means a financial institution designated to hold eligible collateral on behalf its institutions and a qualified public depository pursuant to T.C.A. § 9-4-108.

Procedures

I. Depository or Bank Accounts

A. The University shall maintain one general operating account and one payroll account at an authorized depository for the regular operating and payroll functions of the University. Bank accounts will be established only upon written approval of the President. All requests for bank accounts should be submitted through the Controller.

B. All checks, drafts, or other methods of withdrawing funds from an account must be co-signed by the President and the Chief Financial Officer; provided that facsimile signatures may be used on checks, drafts, or other methods of withdrawals; and provided that any request for payment or withdrawal of funds exceeding one million dollars (\$1,000,000) shall bear the original or electronic signature of the President or the Chief Financial Officer or designee approved by the President.

C. The President is authorized to establish one or more checking accounts for the deposit and disbursement of petty cash funds within the Bursar's Office.

D. Written requests to the Controller for the establishment of a bank account should contain at least the following:

1. Purpose for which account is needed.
2. Volume of activity anticipated in both number of transactions and dollar amounts.
3. Proposed title of account.
4. Proposed bank location.

E. All bank accounts will be formally reconciled at least monthly and be subject to audit. The reconciliation should be performed timely, normally no more than 30 days after the month end. When the number of accounts and/or staffing issues prevent the timely completion of the reconciliations on a regular basis, an exception to allow longer time frame to complete reconciliations may be granted. The request for an exception must be in writing, include the justification and expiration date, and be approved by the Controller.

F. Bank accounts which are not University controlled (such as accounts of student organizations) should not contain "University of Memphis" or "The U of M" in the title in a manner that would imply University control.

G. No accounts shall be authorized or established which are complimentary non-interest bearing accounts. When using compensatory balances, the amount of funds allowed to remain in any checking account should be reasonably related to the number of transactions to be processed through the account during any month, and other servicing costs, if any.

II. Collateral

A. All depositories must provide collateral security for deposits and accrued interest in all accounts, including checking, savings, and certificates of deposit. Securities which may be accepted as collateral for deposits shall be limited to those specified in T.C.A. § 9-4-103.

B. The required collateral accepted as security for deposits at financial institutions that do not participate in the collateral pool shall be collateral whose market value is equal to one hundred five percent (105%) of the value of the deposit and secured thereby; less so much of such amount as is protected by the

Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. The required collateral accepted as security for deposits at financial institutions participating in the collateral pool will be set by the Department of Treasury.

C. At the time of designation as an institution's depository or at any time thereafter, additional collateral with a market value of one hundred thousand dollars (\$100,000) shall be required where the capital to asset ratio of a savings and loan association, savings bank, or bank is less than five percent (5%). This additional collateral shall be in addition to the collateral required by other provisions of this policy.

D. The market value of required collateral shall be evaluated by the University annually and more frequently if required by unusual market conditions. Any depository not providing collateral with a market value as specified in section II.B above must provide additional, adequate collateral within two working days of a request by the University. Failure to provide the additional collateral may be considered an act of default.

E. In the case of a checking account, the market value of the collateral accepted as security for deposits shall be the amount specified in Section II.B based on the highest daily depository book balance in the account for the preceding month excluding large deposits covered below. The amount of the depository balance must be determined on or before the fifth day of the month in question. Large deposits, such as registration receipts, which may result in insufficient collateral, either should be invested immediately or additional collateral should be in place. (If the investment is in a certificate of deposit, the certificate must be collateralized.) Alternatively, depositories may be allowed to post collateral daily to cover the current depository book balance.

F. Any loss to the University due to a depository's default shall be satisfied out of collateral pledged by the depository to whatever extent possible. The collateral security shall be liable for any loss, including and not limited to the principal amount of the deposit, for accrued interest through the date of default, for additional interest through the date of recovery on the principal and accrued interest at the rate the deposit was earning, and for attorney's fees incurred in recovering deposits and other losses.

G. The University must either be provided the actual securities pledged as collateral for deposits, or trust receipts from trustee custodians for the collateral in lieu of the actual delivery of the securities. A trustee custodian is one which meets the requirements of T.C.A. § 9-4-108. When any trustee custodian holds collateral for the University's depository which is related to the custodian through shared ownership or control, such collateral shall be held in a restricted account at a Reserve Federal Bank or branch thereof or at a Federal Home Loan or branch thereof.

H. In lieu of the actual deposit of eligible collateral, the University is authorized at its option to accept trust receipts therefore.

1. Trust receipts shall be issued by trustee custodians in a form acceptable to the University following the deposit of eligible collateral with the trustee custodian by the University's depository.
2. Eligible collateral deposited with a trustee custodian shall be subject in all respects to the claims and rights of the University to the same extent as though such collateral had been physically deposited with the University.
3. Each trust receipt shall be nonnegotiable and irrevocable and shall continue in full force and effect until surrendered by the issuing trustee custodian with the release of the University endorsed thereon.
4. The University may present the trust receipt at any time to the issuing trustee custodian and upon delivery thereof shall be entitled to receive any and all collateral represented thereby from the trustee custodian, and such collateral shall thereafter be held by the University as if deposited with the University by the depository as collateral, without further liability on the party of the trustee custodian.
5. Following delivery of the collateral to the University, the University is permitted to register such collateral in the name of the University and to hold it on behalf of the depository.

I. The University will not be responsible for monitoring the collateral securities pledged if the depository institutions participate in the collateral pool administered by the Department of Treasury. As provided in T.C.A. § 9-4-501 through 9-4-523,

the Department of Treasury will monitor the collateral securities pledged.

III. Depository Institutions

A. Subject to the other requirements of this policy, accounts may be authorized and established at depositories which are either under the supervision of the Department of Financial Institutions, the United States Comptroller of the Currency or the Federal Home Loan Bank Board.

B. Before a depository may be used by the University for the deposit of funds in a checking account, it must provide documentation verifying the following:

1. That the depository is supervised by the Department of Financial Institutions of the State of Tennessee, the United States Comptroller of the Currency, or the Federal Home Loan Bank Board;
2. The capital to asset ratio of the depository as of the current date and the date of the last audited financial statements of the depository;
3. That the depository can comply with the collateral security requirements for all accounts;
4. The names of the members of the board of directors and officers of the depository;
5. The name of the holding company of the depository, if applicable; and
6. The names of the owners of ten percent (10%) or more of the stock of the depository.

C. The University shall identify the nature and level of services which must be provided by a depository before a checking account is established. Such services should include but are not limited to the minimum services in the standard request for proposals for depository services as set forth in guidelines established pursuant to this policy. Some or all of these services may be required without charge to the University.

D. The University shall solicit proposals from all qualified depositories with physical offices within a reasonable distance from the campus, and shall determine those depositories which can provide the nature and level of services for accounts as required by the University on a competitive basis. The agreement with the depository cannot exceed 5 years.

IV. Depositing Funds

A. Each University department will deposit funds at the Bursar's Office when \$500 in funds has been accumulated. In all cases, a deposit must be made at least once each work week (Monday - Friday) if there are any funds to be deposited, regardless of amount. All funds must be adequately secured.

B. The \$500 is considered in excess of the established change fund amount.

V. Exceptions

The President or his or her designee may approve exceptions to the requirements of this policy in appropriate cases.

Links

**Assistant Vice President for
Finance Office**

<http://bf.memphis.edu/finance/>

Revision Dates

BF 4001 – Revised June 4, 2020
BF4001 supercedes UM1680
UM1680 -- Revised May 12, 2017
UM1680 - Issued: June 26, 2007 supercedes policy number
2D:01:01B

Subject Areas:

Academic	Finance	General	Human Resources	Information Technology	Research	Student Affairs
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
