



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

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BULLETIN NO. 16-07

TO: ALL STATE AND FEDERALLY CHARTERED BANKS, SAVINGS BANKS, CREDIT UNIONS, AND ASSOCIATIONS LOCATED IN THIS STATE AND ALL STATE AND FEDERALLY CHARTERED BANKS, SAVINGS BANKS, CREDIT UNIONS AND ASSOCIATIONS LOCATED IN ANOTHER STATE WITH A BRANCH OFFICE IN NEW JERSEY RECEIVING OR HOLDING OR ELIGIBLE TO RECEIVE OR HOLD PUBLIC FUNDS ON DEPOSIT.

FROM: RICHARD J. BADOLATO, COMMISSIONER

SUBJECT: THE GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT

The New Jersey Department of Banking and Insurance ("Department") is issuing this Bulletin in accordance with the Governmental Unit Deposit Protection Act ("GUDPA" or "Act"), N.J.S.A. 17:9-41 et seq. The purpose of this Bulletin is to remind financial institutions of their obligations under the Act and to advise those institutions of a certification required for the quarterly GUDPA filing mandated by N.J.A.C. 3:34-1.4, beginning with the first quarter of 2017 report generally due on or before April 30, 2017 or on or before May 4, 2017 for public depositories with international branches.

The Department emphasizes the importance of a financial institution's obligations under the Act, which since 1970 has provided protections for public funds of governmental units on deposit with financial institutions. The law mandates that all public funds deposited in GUPDA accounts are secured with the appropriate insurance or eligible collateral as established in the Act.

There are currently 113 financial institutions participating as public depositories in the GUDPA program. The total public funds on deposit at these institutions range from \$18 to \$20 billion at any particular time. GUDPA collateral requirements serve the clear and salutary purpose of providing additional protection to both the governmental units that deposit public funds and the public depositories that participate and bear the risks of an assessment pursuant to N.J.S.A. 17:9-45. The Department urges all financial institutions to make sure that all personnel are familiar with the requirements of GUDPA and the regulations adopted thereunder at N.J.A.C. 3:34-1.1 et seq.

It is imperative for financial institutions, and their employees and agents, to know what constitutes a "governmental unit" under GUDPA and "public funds." N.J.S.A. 17:9-41 provides that:

“Governmental unit” means any county, municipality, school district or any public body corporate and politic created or established under any law of this State by or on behalf of any one or more counties or municipalities, or any board, commission, department or agency of any of the foregoing having custody of funds.

“Public funds” means the funds of any governmental unit, but does not include deposits held by the State of New Jersey Cash Management Fund.

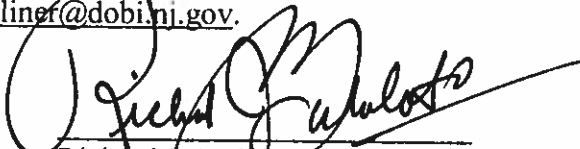
Examples of a governmental unit include not only a township or a county, but also a charter school, municipal housing authority, a water commission, a county soil conservation district, a county college, or a fire commission. GUDPA does not apply to the State or State agencies (such as a state university), non-profits, a volunteer fire department or rescue squad, or a private school. On an ongoing basis, financial institutions acting as a public depository should assess the performance of their internal processes for identifying public funds held to ensure that all such funds are properly reported and that adequate collateral is provided on a continuing basis.

Accordingly, please be advised that the format of the quarterly GUDPA filing mandated by the Department’s GUDPA rules at N.J.A.C. 3:34-1.4, which is to be submitted using the online form posted on the Department’s website, is to be modified for the filing for the first quarter of 2017. The first quarter 2017 filing, and subsequent filings, must include a certification that all public funds on deposit have been reported and sufficient eligible collateral is in place and that its valuation meets the requirements of the Act. This certification is in addition to the data on public funds held and other information required by the rules. The certification must be signed by a member of the public depository’s audit committee or their Chief Financial Officer or an equivalent officer.

The Department insists on strict compliance with all GUDPA requirements in order to protect the integrity of public funds, and may institute enforcement actions against non-compliant GUDPA public depositories, if necessary. Such enforcement actions may include barring an institution from participating in the GUDPA program and requiring the orderly return of all public funds on deposit at the institution, imposing fines, or referring violations of the Act to the New Jersey Attorney General’s office and other appropriate regulatory agencies.

The Department looks forward to continued cooperation with financial institutions accepting public funds on deposit. Questions regarding GUDPA, reporting requirements or any other aspects of the program can be referred to Richard Poliner, Chief Examiner, phone: (609) 292-7272 ext. 50062, email: Richard.Poliner@dobi.nj.gov.

11/16/16
Date


Richard J. Badolato
Commissioner