

**NORTH CAROLINA DEPARTMENT OF STATE TREASURER**  
**BANKING OPERATIONS GLOSSARY**  
**Revised October 2004**

**Absentee Insurance Fund** – Fund administered by the NCDST’s Banking Operations Section pursuant to G.S. 28C. Provides for a portion of the estate of an individual who had been declared “absentee” by the court, to be paid into the fund as an insurance premium, for possible claim in the event of the reappearance of the individual after the estate has been distributed.

**Account Analysis** – Monthly statement provided a corporate customer by a financial institution evaluating the adequacy of compensating balances maintained by the customer to offset services paid. Elements contained include *average collected balance* for the period, *earnings credits*, and *service charges*. Service charges in excess of the earnings credits normally require a payment to the financial institution.

**Account Reconciliation** – The act of a bank customer, or a State agency having a disbursing account with the State Treasurer, inspecting its monthly rendered statement to determine if there are any discrepancies on the statement. Agencies are required to reconcile its statement within 15 days of receipt, pursuant to the NC Administrative Code (20 NCAC 1C.04102), and report the reconciliation to the State Treasurer through the online Core Banking System (CB\$).

**Adjustment** – Refers to a transaction where a bank deposit is corrected due to the deposit ticket being prepared incorrectly (e.g., addition error or missing item). Also refers to a correcting entry made to an agency disbursing account due to a posting error of a State warrant presented for payment (i.e., due to the wrong account being debited initially, or to the warrant being encoded for the wrong amount by the *bank of first deposit*).

**Affidavit and Indemnity Bond** – A legal document executed by the intended recipient of a State warrant (check) which has either been stolen or lost. The intended recipient basically affirms that the warrant has not been negotiated by him/her, in order to seek a replacement warrant. The instrument is executed whenever there is an alleged forgery.

**Agency Transfer** – A type of transaction an agency may initiate on the Cash Management Control System (CMCS), effecting a transfer of funds between budget codes. There are both *intra-agency transfers* (budget codes within the same agency) and *inter-agency transfers* (budget codes belonging to different agencies).

**Alleged Forgery** – The event where the intended recipient of a State warrant (check) alleges that he/she did not endorse a warrant that has been negotiated and presented to the State Treasurer for payment. The intended recipient is normally required to provide the issuing agency an affidavit and indemnity bond before issuing a replacement warrant. The NCDST’s Banking Operations Section processes alleged forgeries by attempting to collect reimbursement from the “bank of first deposit” through the financial system. The statute of limitation for an alleged forgery is three years (G.S. 25-4-111).

**American Bankers Association (ABA) Transit Routing Number** – The number encoded in magnetic ink on the bottom of checks (and State warrants), assigned by the ABA, to specify the bank (or other financial end point) that the check/warrant may be presented to for collection. The State Treasurer’s ABA transit routing number is 053110594.

**American National Standards Institute (ANSI)** – Nonprofit organization that sponsors industry standards for information management and financial communication. The American Bankers Association has responsibility for the ANSI financial industry standards committee (ANSI-X9). State warrants (checks) must meet the ANSI-X9 standards regarding MICR encoding and printing.

**Appropriation** – A budgetary term representing the amount of funds that an agency is authorized to spend during a fiscal year, as specified by the North Carolina General Assembly. The details are outlined in the “appropriations bill.” Some agencies have funds available for expenditure that are not “appropriated,” due to the agency having the authority to disburse funds from its “receipts.” Funds are appropriated by the General Assembly at the beginning of a fiscal year, and then are “allotted” by the Office of State Budget and Management (OSBM) to the agency throughout the year as needed. Once allotted, the agency can “requisition” the funds from the Office of State Controller (OSC) to be expended from a disbursing account maintained with the State Treasurer.

**Automated Clearing House (ACH)** – Organization housed within the Federal Reserve Bank (FRB) that acts as a clearing house for all ACH payments (a form of EFT), serving the function of exchanging ACH transactions among member financial institutions, and providing for the settlement of the funds. ACH transactions include “ACH Credits” (direct deposit payments) and “ACH Debits” (electronic drafts). All transactions are subject to the NACHA Operating Rules.

**Available Balance** – See “Collected Funds.”

**Bad Check** – Any check dishonored by a paying bank for wrong endorsement, lack of endorsement, insufficient funds, account closed, stale date, etc. Also referred to as a “return item.”

**Bank Account Recon Unit** – Organizational unit within the NCDST’s Financial Operations Division responsible for reconciling the various depository bank accounts maintained in the State Treasurer’s name, (which reflect agency bank deposits). The unit researches and resolves deposit discrepancies between deposit amounts reported by the agencies through CMCS and those reported by the depository banks.

**Bank of Entry** – Refer to “Originating Financial Depository Institution” (OFDI).

**Bank of First Deposit** – The financial institution that is first in the collection process for a check (or State warrant) that has been negotiated and presented for payment through the banking system. The check may be routed through other financial institutions, including the Federal Reserve Bank before being presented to the payer bank. Certain liabilities are placed on the *bank of first deposit* under the Uniform Commercial Code (UCC) regarding the negotiation of the check/warrant (e.g., endorsement verification).

**Bankers Administration Institute (BAI) File** – An electronic file downloaded daily by the NCDST Banking Operations Section from each of the six cash concentration depository banks. The file reflects the details of the prior day’s agency deposits by agency location number, and is used for reconciliation purposes.

**Bank Secrecy Act** – Federal law requiring any financial institution’s customer who deposits or withdraws more than \$10,000 in currency, to complete a *currency transaction report* for the IRS, allowing Federal authorities to identify possible money laundering.

**Beneficiary** – The name of an individual, company, or governmental agency that is the intended recipient of a wire transfer.

**Bloomberg Trade Order Management** – Online system used by NCDST’s Banking Operations to provide securities delivery instructions (fixed income) to the custodian bank, The Bank of New York, with notification also being provided to the master custodian bank, State Street Bank.

**Book Entry Security** – Security represented by an account entry on the records of a depository, instead of a physical certificate. Examples of depositories include the Federal Reserve Bank, the Depository Trust Company (DTC), and a commercial bank (for certificates of deposit).

**Carolinas Check Clearing Association (CCCA)** – Association comprised of various financial institutions in both North and South Carolina that have developed a set of Standard Operations Rules for members, with the rules pertaining to the exchange of cash letters among each other. The association normally meets every other month at the Federal Reserve Bank (FRB) in Charlotte. The NCDST joined the association as an associate member in 1999 upon subscribing to FRB’s check image/truncation services.

**Cash Concentration Bank** – One of six depository banks providing a service to the State Treasurer, where a BAI file is downloaded each day, containing the details of deposits made the previous day by various State agencies across the State. All deposits made to a cash concentration are automatically swept to the State Treasurer’s main account each night, as the account is designated as a “zero balance account” (ZBA).

**Cash Letter** – Group of checks and/or warrants generally prepared by a financial institution (sometimes by a large depositor) for presentment either to the Federal Reserve Bank (FRB), a payer bank, a correspondent bank, or a depository, for collection. The checks are pre-encoded and are contained in bundles, with a “cash letter listing” of all checks contained within the bundle being attached (sometimes wrapped). Financial institutions present cash letters containing warrants to the FRB daily. The NC Department of Revenue deposits cash letters with six Raleigh depository banks daily.

**Cash Management Control System (CMCS)** – System operated by the State Controller’s Office, providing State agencies a mechanism to report their daily deposit of receipts to official depositories, to requisition funds for disbursement, and to transfer funds between budget codes. The NCDST interfaces with the system daily, allowing for the various transactions to be posted to the NCDST’s Core Banking System (Flexcube). The NCDST’s Banking Operations Section maintains CMCS’s database of depository bank accounts.

**Cash Management Improvement Act of 1990** – Federal law requiring the State to tract and remit any interest earned on federal funds on deposit with the State Treasurer to be remitted to the federal government. The amount owed is offset by any interest lost by the State as a result of the State advancing funds prior to being reimbursed by

the federal government. Settlement is made March 1 of each year. The responsibility for the State's compliance is with the State Controller's Office.

**Cash Management Plan** – Plan required of all State agencies to be filed with the State Controller's Office pursuant to G.S. 147-86, outlining the agency's procedures for the deposit and disbursement of funds, in order to maximize interest earnings on funds coming into the hands of the agency. The individual plans are to be in compliance with the master Cash Management Plan promulgated by the State Controller's Office.

**Cash Management Program** – Program operated by the NCDST to provide for the earliest deposit of funds collected by State agencies, the latest disbursement of the agencies' funds, and the investment of the funds while on deposit with the NCDST.

**Certificate of Deposit (CD)** – Receipt for a "time deposit" issued by a financial institution for a stated time period and normally paying a stated interest rate. Maturity must be at least seven days. On behalf of the Short-term Investment Fund, the NCDST may purchase CDs from North Carolina banks and savings institutions with six-month maturities.

**Certificate of Incumbency** – A document obtained from the Secretary of State's Office certifying the name and signature of a public office holder or government official. Used by the NCDST when endorsing certificates representing securities being assigned to another party (i.e., the State's custodian bank).

**Certification of Deposit** – Refers to an electronic document prepared by and submitted by a State agency on CMCS, "certifying" that funds have been deposited with an official depository. The certification specifies the bank account the funds were deposited into, and the budget code or STIF account at the NCDST to which the funds are to be credited.

**Chargeback** – Refers to a credit card transaction that has been refused by the cardholder's bank, resulting in the merchant's bank debiting its customer's bank account. Chargebacks for disputed transactions can be made up to 90 days after the initial credit.

**Check Hold** – Number of days a bank can legally hold uncollected funds before crediting deposited funds to a customer's account, pursuant to Regulation CC. (A one-day hold may be applied to a State warrant.)

**Collateralization of Public Deposits Program** – Program operated by the NCDST's Banking Operations Section pursuant to G.S. 147-79(a) and the NC Administrative Code (20 NCAC 7) regarding the pledging of collateral by financial institutions to secure public deposits that are in excess of any FDIC insurance coverage. Functions include accounting and monitoring.

**Collected Funds** – Refers to funds deposited to a financial institution, where the funds are available for either withdrawal or investment. Collected funds are generally either cash, Federal funds, checks that are drawn on the financial institution, or checks drawn on another financial institution that have been deposited for a sufficient amount of time (at least one day) allowing for an exchange of checks and settlement between the financial institutions. Also referred to as "good money."

**Collection Item** – A check or other negotiable instrument (including a State warrant) that is not credited to the presenter's account until payment has been received from the payer bank (or State Treasurer). State warrants are sometimes presented to the NCDST by a financial institution (bypassing the Federal Reserve Bank) in certain situations (e.g., indemnified photocopies). Bad checks are returned to depositing agencies as collection items, seeking reimbursement, as opposed to charging the items back against the State Treasurer's bank account.

**Community Bank** – Refers to one of the 70+ depositories the State Treasurer maintains a demand account with, to accommodate State agencies' depository needs. Does not include one of the six "cash concentration banks" that provides the NCDST a cash concentration service. Funds deposited by an agency to a community bank are withdrawn by the NCDST by ACH debit.

**Core Banking System** – Refers to a system operated by a financial institution to accommodate the accounting for the institution's general ledger accounts, as well as the accounts belonging to its customers (i.e., savings accounts and checking accounts, etc.) In July 2003, the NCDST installed a similar system to accommodate its GL accounts, and the budget code accounts and disbursing accounts belonging to State agencies. The State Treasurer's in-house software is called Flexcube. The online banking component utilized by the various agencies is known as flex@, but referred to by the agencies as CB\$.

**CUSIP** – The Committee on Uniform Securities Identification Procedures number assigned by the CUSIP Service Bureau for U.S. and Canadian companies. It consists of nine alpha-numeric characters, and is used to identify securities issued by the companies.

**Daily Deposit and Reporting Law** – Refers to G.S. 147-77, requiring all agencies to both “deposit” and “report” on a daily basis any receipts that may be received by the agency.

**Daylight Overdraft** – Refers to the incident where a bank account experiences an overdraft during the banking day but has a balance at the end of the banking day. Generally results from funds being withdrawn from the account by wire transfer during the day, prior to an anticipated wire transfer being received, or prior to an over-the-counter deposit being posted to the account during the nightly posting cycle. Banks generally limit the amount that an account can be in daylight overdraft, based upon the customer’s assigned credit risk. A bank can incur a daylight overdraft at the Federal Reserve Bank (FRB) if it transfers funds in excess of its “reserve account balance.” Each bank is assigned a limit of how much of an overdraft it may incur, based upon its asset size. Since 1994, the FRB has assigned banks a processing fee for daylight overdrafts.

**Debt Service** – Refers to payments required to pay for maturing principal and interest coming due on issued bonds (municipal securities). The NCDST remits payments for bonded debt to the State’s paying agent on a timely basis, thereby assisting in maintaining the State’s AAA credit rating.

**Dedicated Method** – One of two methods under 20 NCAC 7 that a financial institution can select to secure its public deposits (State and local units of government). The financial institution calculates how much collateral is required for each of the units (public depositors), and then pledges sufficient collateral with a third party escrow agent, in the name of each of the public depositors. The other method is known as the *Pooling Method*.

**Delegation of Disbursing Authority** – Document executed by the chief fiscal officer of a State agency who the State Controller has authorized to open a disbursing account with the State Treasurer, pursuant to the Executive Budget Act. Specifies the conditions of the operation of the disbursing account as required by the State Controller.

**Depository Trust Company (DTC)** – Corporation owned by various brokers, dealers, and custodian banks, that serves as a central depository for securities held by the owners/members, allowing the securities to be held in book entry form. The NCDST’s custodian bank is an owner/member, allowing its securities to be held at the DTC in book entry form.

**Direct Deposit** – Refers to a type of electronic funds transfer (EFT) payment (e.g., payroll or vendor payment). Also known as an Automated Clearing House (ACH) credit transaction.

**Disbursing Account Services Unit** – Organizational unit within the NCDST’s Banking Operations Section responsible for the maintenance of disbursing and STIF accounts for State agencies. Agencies have access to the accounts through the online Core Banking System (CB\$). The unit interacts with the Federal Reserve Bank to process MICR files (presented warrant data). The unit processes special transactions relating to the accounts, such as stop payments, forgeries, and account adjustments.

**Dishonor** – Refusal of a payer bank (or State Treasurer) to honor a check (State warrant) presented for payment, usually due to a stop payment being placed on the item, or the item not being on the agency’s positive pay issuance file (e.g., counterfeit, or stale dated). Regarding handling by the FRB, there are two categories: dishonor returns, and dishonor adjustments, depending upon which FRB department handles the dishonor.

**Document Identification Number (DIN)** – A number assigned by the Federal Reserve Bank during its imaging capture process of State warrants that are presented for payment. The DIN, along with the DIN Date, serves as a unique number used to identify the image of a warrant.

**Don’t Know (DK)** – Refers to the act exercised by a custodian bank or broker/dealer when refusing to pay for securities when “delivered versus payment” because it does not have instructions to receive the securities, or because it does not agree with the payment amount being requested.

**EastPay** – A trade group comprised of various financial institutions in several southeastern states, having the primary purpose of promoting electronic payments.

**Electronic Benefits Transfer (EBT)** – Refers to the system utilized by DHHS’s Food Stamp Program, whereby recipients of food stamp benefits are provided a “debit card,” allowing them to use the cards at authorized food stamp merchants to purchase food. While some states have added “cash benefits” to EBT cards, currently North Carolina only utilizes EBT to distribute food stamp benefits.

**Electronic Data Interchange (EDI)** – Refers to data exchanged electronically between companies, governments, and financial institutions. Data is created in standard formats specified by the Automated Clearing House (ACH), and is generally transmitted through the ACH. Data can be transmitted along with electronic funds transfer (EFT) transactions (in the form of addendum records), or separate from the EFT transactions.

**Electronic Federal Tax Payment System (EFTPS)** – Refers to the system provided by the IRS allowing taxpayers to remit their Federal tax payments to the IRS electronically. The system utilizes the ACH debit payment method, providing the taxpayer the ability to communicate with the IRS’s third party data collection center to authorize an ACH debit against its bank account.

**Electronic Funds Transfer (EFT)** – Refers to payments made electronically. There are two basic types of EFT payments, “wire transfers” and “Automated Clearing House (ACH)” payments (direct deposit).

**Electronic Warrants** – Feature offered by the NCDST’s Banking Operations Section, allowing State agencies to issue “warrants” electronically (online) against its disbursing or STIF account. The feature is provided through the CB\$ System. Payments are limited to those that are sizable amounts, repetitive in nature, and time sensitive (e.g., debt service payments, Federal withholding tax payments, and payroll funding payments).

**Encoding Error** – Refers to an error normally made by the *bank of first deposit* (but could be a subsequent bank in the collection process) where the amount field on a presented check (or State warrant) is encoded for the incorrect amount. This results in the check/warrant being charged to the customer’s/agency’s account incorrectly. This is a common error in the banking industry, which is one of the reasons why customers/agencies should reconcile their statements upon receipt.

**Endorsement** – The act of placing (either writing, stamping, or typing) verbiage on the reverse side of a check or State warrant, in order to make it a negotiable instrument. Endorsement legally transfers ownership to another party. Normally contains the name of the payee reflected on the front of the instrument. Checks deposited by State agencies should be endorsed with the restrictive endorsement “For Deposit Only – NC State Treasurer – By (name of agency).” Endorsements are governed by the Uniform Commercial Code (UCC) and by Regulation CC. An alternate spelling is “indorsement.”

**Escheat** – Refers to the transferring of abandoned or unclaimed property to the State. The State’s escheats program is administered by the NCDST’s Unclaimed and Abandoned Property Section.

**Escrow Agent** – A financial institution performing a third-party role of holding securities to accommodate the collateralization of public deposits, pursuant to 20 NCAC 7. The Federal Reserve Bank and the Federal Home Loan Bank are also eligible escrow agents.

**Executive Budget Act** – Refers to G.S. 143, which specifies the requirements regarding the disbursements of funds from the State Treasurer through the warrant system, which includes the involvement of the State Controller.

**FCAT** – Refers to the Flexcube administrator who administers security for the online portion of the Core Banking System (CB\$), known internally as flex@.

**Federal Deposit Insurance Corporation (FDIC)** – A governmental agency that secures deposits of member financial institutions. While deposits of individuals are insured up to \$100,000 total, deposits of public depositors are insured up to \$100,000 for *time* deposits, and a separate \$100,000 for *demand* deposits.

**Federal Reserve Bank (FRB)** – One of 12 regional banks in the Federal Reserve System. The NCDST deals with the Charlotte Branch of the FRB of Richmond. The FRB provides the NCDST a warrant truncation imaging service, allowing the FRB to be the “point of presentment” for all State warrants.

**Federal Reserve System** – Refers to the central banking system in the United States, established by the Federal Reserve Act of 1913, and comprised of 12 district banks and a seven member Board of Governors. State warrants (checks) are “payable at par through the Federal Reserve System.”

**Flexcube** – Software system installed by the NCDST in the spring/summer of 2003, being the official Core Banking System utilized by NCDST. Software was provided by the vendor, iflex solutions, ltd. The companion software known as flex@ is the agency online banking component, which is referred to by the agencies as CB\$.

**Float** – Refers to the time between the issuance of a check (or State warrant) and the clearing of the item at the paying bank (State Treasurer in the case of a State warrant). There is a financial benefit resulting from the interest earned on the float. In the case of State warrants, the State is the beneficiary of any float, as funds representing balances in disbursing accounts are in an invested status until the warrants are presented for payment at the Federal Reserve Bank.

**Foreign Check** – A check that is drawn on a bank other than one that can be cleared through the Federal Reserve System, even if “payable in US funds.” Foreign checks are not to be deposited by an agency, but must be submitted to its depository to be entered for collection.

**Good Money** – See “Collected Funds.”

**Holder in Due Course** – Legal term referred to in the Uniform Commercial (UCC), referring to the party who becomes the good faith holder of a negotiable instrument (e.g., check or State warrant), for value received without knowledge of any claims against it, or that the instrument was dishonored when presented for payment, or in any way defective.

**Immediately Available Funds** – Refers to funds that have been deposited to a financial institution that are available for either withdrawal or investment the same day deposited. Immediately available funds are generally either cash, Federal funds, or checks that are drawn on the financial institution.

**InfoImage System** – System utilized by the NCDST, providing for the storage of the warrants’ images from the system’s jukeboxes (containing optical platters). The system interfaces with the Core Banking System to accommodate retrieval of images.

**Inform** – Online system used by NCDST to access Bank of New York’s custodial accounts.

**InfoView** – System used by Financial Operations to view Business Objects reports, related to the Core Banking System. Also referred to as WebIntelligence.

**Insight** – Online system used by NCDST to access State Street Bank’s custodial accounts.

**Institutional Trust Funds** – Funds belonging to a State university, pursuant to G.S. 116-36.1. Such funds are required to be deposited with the State Treasurer in a STIF account. These STIF accounts are the only STIF accounts maintained on the Office of State Controller’s CMCS (as zero-type budget codes).

**Land Title Assurance Fund** - Fund administered by the NCDST’s Banking Operations Section, pursuant to G.S. 43-49. Provides for funds to be paid into the fund in lieu of acquiring title insurance or performing title searches. Land is conveyed from owner to purchaser by means of a Certification of Registration rather than by deed. Also referred to as the Torrens Fund (name for the Australian, Sir Robert Torrens).

**Late Return** – A State warrant that the NCDST returns through the banking channels, after the 24 hour time frame specified for returns by the UCC has passed. Late returns are generally returned on a “collection basis.” Collection attempts for late returns may or may not be honored by the presenting bank, or *bank of first deposit*. Per FRB’s rules, late returns less than \$100 cannot be denied by the presenting bank.

**Legal Amount** – Refers to the amount on a check (or State warrant) that is written, instead of the numeric amount indicated. In the case of a discrepancy, the written amount is the legal amount.

**Letter of Credit (LOC)** - An obligation issued by a bank on behalf of a bank customer to a third party. There are many different kinds of letters of credit. The most common type is a standby letter, which is a bank promise to pay the third party in the event of some defined failure by the bank’s customer, usually, but not always, a failure to pay. LOCs issued by the Federal Home Loan Bank are eligible security for the collateralization of public funds.

**Local Education Agency (LEA)** – One of 117 “local school administrative units” providing public education in NC, pursuant to G.S. 115C, and being supported by the Department of Public Instruction.

**Local Government Commission (LGC)** – A commission housed within the NCDST’s State and Local Government Finance Division, created pursuant to G.S. 159. The LGC has fiscal oversight responsibilities for local units of government, and is responsible for approving bonded debt issuance, for the State as well as for local units of government.

**Lock Box Service** – Cash management service provided by a depository bank to its corporate/government customers, where payments are remitted to a post office box, where they are picked up several times during the day by the bank. The service speeds up the collection of the funds, and allows the bank to capture the remittance data accompanying the payment and transmit it electronically to the customer, for automated updating of its accounts receivable system. There are two basic types of lock box services – retail and wholesale. The fees for any lock box services utilized by State agencies are paid for by the agency, not the State Treasurer.

**Magnetic Ink Recognition Character (MICR)** – Refers to the data encoded with magnetic ink along the bottom of a check (including State warrants). The MICR fields include serial number, ABA transit routing number, account number, and amount. Also used to describe the data file received from the FRB daily.

**Next-day Funds** – Refers to items deposited with a financial institution where the funds are not immediately available for either withdrawal or investment, but will be the following banking day. Such funds are generally checks drawn on another financial institution, and the collection process will take one day to accomplish (either through the Federal Reserve Bank or with the paying bank directly). Next-day funds are characteristic of checks contained in a “mixed cash letter.”

**North Carolina Accounting System (NCAS)** – Accounting System maintained by the State Controller’s Office for State agencies. Some agencies perform all of its accounting through NCAS, while others perform separately but interface with NCAS through a summary mode.

**North Carolina Bankers Association** – A trade group comprised of most North Carolina banks.

**North Carolina Capital Management Trust (NCCMT)** – An organization providing an investment program (mutual fund investments) for local units of government, certified by the Local Government Commission.

**Official State Depository** – Refers to a financial institution designated by the NCDST for a particular State agency to deposit its daily receipts, pursuant to G.S. 147-78. Such accounts are in the name of the State Treasurer, and funds deposited by the agencies are withdrawn daily for use by the NCDST (i.e., to fund disbursements made from disbursing accounts or to be invested).

**On-us Cash Letter Deposit** – A deposit made with a depository financial institution, where the deposit consists entirely of checks drawn on the depository. This results in the funds being “collected funds” on the same day deposited (immediately available). The NC Department of Revenue makes (prepares and delivers) an “on-us cash letter deposit” with each of six Raleigh depository banks each day.

**Operating Circular 3** – Circular issued by the Federal Reserve Bank of Richmond pursuant to various Federal laws, including the Expedited Funds Availability Act and Regulation CC. Pertains to the “Collection of Cash Items and Returned Checks.” The NCDST adheres to the circular’s requirements in its processing of State warrants (checks).

**Originating Financial Depository Institution (OFDI)** – The financial institution that initiates an ACH payment (direct deposit) on behalf of a payroll center or other issuing agency. Sometimes referred to as the “bank of entry.” The ACH transaction is remitted through the Automated Clearing House to a “Receiving Financial Depository Institution” (RFDI).

**Over-the-counter Deposit** – Refers to a deposit made at a bank’s teller window, usually consisting of cash and/or checks, accompanied by a bank deposit ticket. Such deposits are not posted to the account until the nightly bank posting cycle, provided the deposit was made prior to the end of the banking day (2:00 p.m.).

**Payer Bank** – The financial institution that checks are drawn on. In the case of State warrants, the State Treasurer is the “payer bank.”

**Pooling Method** – One of two methods under 20 NCAC 7 that a financial institution can select to secure all of its public deposits (State and local units of government). The financial institution calculates how much collateral is required to secure the units’ accounts, and then pledges sufficient collateral with a third party escrow agent, in the name of the State Treasurer, on behalf of all the units. The other method is known as the *Dedicated Method*.

**Positive Pay System** – System operated by the NCDST’s Banking Operations Section, providing certain agency disbursing accounts a service similar to one offered by certain commercial banks to detect counterfeit checks. The issuing State agency daily provides the NCDST with a file of its issued State warrants, allowing the NCDST to match presented warrants (serial number and amount) with the warrants presented for payment through the Federal Reserve Bank (FRB).

**Post Dated Check** – A check (or State warrant) payable on a future date. Checks issued with a future date cannot be honored by the banking industry until that date. There is no legal prohibition against writing a post dated check. Post dated warrants are normally not released until the date specified on the warrant.

**Prenote** – Term used to describe a “zero amount” ACH transaction submitted through the Automated Clearing House system as a “test” transaction, as required by the ACH Operating Rules. The transaction tests the ABA transit-routing number and account number. Prenotes are generally submitted at least ten days prior to the first “live” transaction.

**Proof Encoding** – The process the “bank of first deposit” goes through to verify the dollar amounts of checks contained in a customer’s deposit, as well as placing the amount on the MICR line (to accommodate the presentment of the item for collection). It is during this process, that a bank may discover errors in a customer’s deposit. Since

this process is not normally performed until several hours after a deposit is made, the bank account receives “provisional credit,” until the deposit is verified and payment is received from the payer bank.

**Receiving Financial Depository Institution (RFDI)** – The financial institution that receives an ACH payment from an “Originating Financial Depository Institution” (OFDI). The RFDI is normally the bank of the customer that is the recipient of an ACH transaction.

**Regulation E** – Federal Reserve regulation pertaining to electronic funds transfer (EFT) and credit card / debit card transactions.

**Regulation CC** – Federal Reserve regulation implementing the Expedited Funds Availability Act of 1987, setting endorsement standards on checks, and addresses “holds” that may be placed on the funds of checks.

**Requisition** – Refers to the process a State agency utilizes to request the State Controller to transfer funds from a budget code into the agency’s disbursing account, in order to allow the agency to disburse funds. The process is accommodated through the Cash Management Control System (CMCS). A requisition (the transaction) is sometimes referred to as a “transfer warrant.”

**Rejects** – Refers to checks (or State warrants) that cannot be processed on bank sorting equipment due to a problem with data on the MICR line. Problems include unreadable or missing MICR, incorrect account number or ABA transit-routing number. Inferior check stock can cause high reject rates.

**Repetitive Wire Transfer** – A wire transfer that is reoccurring to the same payee, allowing a “template” to be set up with the sending bank. The associated wiring instructions for the recipient (i.e., bank name, ABA transit-routing number, account name, and account number) are associated with the template number. Repetitive wire transfers can be initiated through the Core Banking System’s *Electronic Warrant Feature*.

**Return** – Refers to a bank transaction (or the item itself) where an item previously deposited or presented is returned due to non-collection. Examples of returns include bad checks, and dishonored checks/State warrants included in a cash letter. Returns are governed by the Federal Reserve Bank’s Circular 3.

**Same Day Funds** – Funds that can be withdrawn or invested the same day deposited because they are “collected funds.” See “immediately available funds.”

**Security Agreement** – A two-party agreement required to be executed between a public depositor and a depository, pursuant to the Collateralization Rules (20 NCAC7) and the Uniform Commercial Code (UCC), in order to ensure the “perfection” of pledged collateral for public deposits.

**Setback** – Refers to the “effective date” posting of a CMCS “certification of deposit,” setting back the date to the prior month. Setbacks are accomplished by utilizing the “record date” field. While the State Controller’s Office recognizes setbacks, the NCDST’s system does not.

**Settlement Account** – An account maintained at a financial institution for the purpose of “clearing” certain types of transactions for a payroll center, or other agency. The most common use is to accommodate the funding of direct deposit of payroll and for the payment of Federal withholding taxes.

**Short-term Investment Fund (STIF) Account** – An account an eligible entity may open with the State Treasurer pursuant to G.S. 147-69.3(b), G.S. 116-36.1, or G.S. 147-86.11(e)(1a). The account operates similar to an interest-bearing checking account. STIF accounts are maintained on the NCDST’s Core Banking System. Some STIF accounts are mandatory, while others are voluntary.

**Signature Card** – Card executed by a customer upon opening an account with a financial institution. The card contains the signature(s) of the individual authorized to sign checks drawn against the account. Chief fiscal officers of State agencies are required to execute signature cards for State disbursing and STIF accounts.

**Specialized Banking Unit** – Organizational unit within the NCDST’s Banking Operations Section responsible for processing certain banking transactions, including counter deposits, EFT receipts, outgoing wire transfers, and ACH collection processing. The Unit is also responsible for downloading BAI files received from each of the six cash concentration banks, processing investment transactions, monitoring the Collateralization of Public Deposits Program, and performing the daily cash flow calculations through the State Treasurer’s official depositories.

**Stale Date** – Reference to the time period after which a check is no longer valid. The UCC (G.S.25-4-404) specifies that a bank may refuse to accept a check after six months, but is not required to do so. The stale date period for a State warrant is one year, per joint policy issued by the State Controller and State Treasurer.

**Stop Payment** – A request by an agency for the NCDST’s Banking Operations Section to dishonor a warrant that the agency has issued, should the warrant be presented for payment. Stop payments are generally requested due to lost or stolen warrants. Stop payments can be submitted by agencies through the online CB\$.

**Surety Bond** – A type of collateral that can be obtained from an insurance company by a financial institution and pledged to secure public deposits. The bond represents the insurance company’s obligation to pay should the financial institution go into default.

**Target Balance** – Desired balance a corporate customer attempts to maintain with a financial institution in order to compensate or offset the cost of services rendered. Also referred to as a compensating balance. Target balances are established for each of the State Treasurer’s official depository bank accounts.

**Teller Counter** – Counter located in NCDST’s Banking Operations Section, serving as the official depository for certain agencies located in the vicinity of the Albemarle Building.

**Transcode** – Term used to describe a combination of alpha/numeric characters, assigned to a particular type of banking transaction. Each type of transaction that is posted in the Core Banking System (Flexcube) is assigned a unique transcode.

**Truncation** – Refers to the act of “cutting off” of checks (or State warrants) prior to the presentment to the paying bank (or State Treasurer). Imaging services are generally provided in conjunction with truncation services. The Federal Reserve Bank (FRB) provides NCDST an image-truncation service for State warrants.

**Ultimate Payee** – The person or entity that a check (or State warrant) is made payable to, representing the intended recipient of an obligated payment. General Statutes 147-86.11(f)(1) requires that moneys deposited with the State Treasurer shall remain on deposit with the State Treasurer until final disbursement to the ultimate payee. The intent of this law is to prevent payments being made to a non-State account for further disbursement, thereby resulting in potential interest earnings loss to the State.

**Uncollected Funds** – Funds representing checks deposited with a depository financial institution, where the checks are not drawn on a customer’s account maintained at the depository, and must be entered for collection. Also see “collected funds.”

**Uniform Commercial Code (UCC)** – The set of standardized state laws pertaining to the negotiation of checks, as they are presented through the commercial banking system for collection. The North Carolina UCC is found in Chapter 25 of the General Statutes.

**Uniform Commercial Code Article 4A** – Addition to the UCC covering corporate-to-corporate electronic payments, such as wire transfers and ACH transactions.

**Warning Band** – A security feature contained on the front of State warrants (checks), containing verbiage that alerts the acceptor as to which security features to look for on the warrant.

**Warrant** – Draft similar to a “check,” drawn against the State Treasurer instead of against a commercial bank, pursuant to the Executive Budget Act. Warrants are “payable at par,” are issued either by the State Controller or by a State agency under the State Controller’s authority, and are presented to the State Treasurer for payment by financial institutions through the Federal Reserve System.

**Warrant Imaging Truncation Service** – Service provided by the Federal Reserve Bank (FRB) to the NCDST’s Banking Operations Section, providing for the truncation (cutting off) of State warrants presented to the FRB, and the FRB’s providing to the NCDST, MICR data and images of the warrants in lieu of the physical warrants. The FRB destroys the physical warrants after 60 days, with the NCDST providing the State agencies images through the Internet (CB\$).

**Warrant Specifications** – Specifications that all agencies issuing State warrants must require their check stock vendors to adhere to when printing State warrants. The specifications refer to paper stock quality and size, and to magnetic ink requirements as specified by ANSI X-9 standards.

**Watermark** – A security feature contained on the reverse side of State warrants (checks), representing a design printed in opaque ink, which can only be seen when viewed at an angle.

**Wire Transfer** – A form of electronic payment, where the funds are transferred from one bank to another bank, through the Federal Reserve Bank (FRB). Funds are transferred on the same day initiated, with the transfer occurring almost instantaneously. A wire transfer should not be confused with an ACH payment, which is also

transacted through the FRB. Funds for ACH payments are not transferred until at least one banking day after being initiated.

**Women, Infants, and Children (WIC)** – Refers to the USDA program administered by DHHS’s Division of Public Health (Nutrition Services Branch) for distributing food vouchers to eligible recipients. WIC vouchers are issued by county Health Departments and, prior to July 2003, were treated like State warrants (checks), with the vouchers being presented to the State Treasurer through the commercial banking system. The entire process was outsourced by DHHS in the spring of 2003 to a third-party processor.

**Zero Balance Account (ZBA)** – An account maintained by the NCDST with a financial institution (official depository) for an individual State agency to accommodate special depository needs of the agency. Multiple deposits made to the account on a given day are totaled and “swept” as a single amount to the State Treasurer’s regular account maintained at the financial institution. The agency normally has online reporting access to the account, allowing the agency to submit a single certification of deposit through CMCS. Sometimes referred to as a “sweep account.”

**Links to Banking and Financial Terms Glossaries**

<http://www.americanbanker.com/glossary.html>

<http://biz.yahoo.com/f/g/>

<http://www.quicken.com/glossary/>

<http://www.forbes.com/tools/glossary/index.jhtml>