



Senate

General Assembly

File No. 112

January Session, 2003

Substitute Senate Bill No. 982

Senate, April 1, 2003

The Committee on Banks reported through SEN. FINCH of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE COMMISSIONER OF BANKING AND DEPARTMENT OF BANKING EMPLOYEES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-11 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) In accordance with the provisions of sections 4-5 to 4-8, inclusive,
4 the Governor shall appoint the commissioner who shall hold office for
5 four years from the first day of March in the year of [his] the
6 commissioner's appointment. The Governor may remove the
7 commissioner for cause. Except as otherwise provided, the
8 commissioner shall not while holding such office be an officer, [or] an
9 employee, or a director, of any federal bank, federal credit union, out-
10 of-state bank, [or] out-of-state credit union, holding company that has
11 a wholly-owned subsidiary that is a capital stock Connecticut bank, or
12 any person subject to the commissioner's general supervision, nor shall
13 the commissioner have any financial interest in any such person, or

14 engage or be interested in the sale of securities or in the negotiation of
15 loans for others as a business. The commissioner shall not, while
16 holding such office, be directly or contingently indebted to any
17 Connecticut bank, or Connecticut credit union, or any person licensed
18 under parts I and III of chapter 668, provided this prohibition shall not
19 extend to indebtedness to such persons resulting from the sale of the
20 debt by the original lender. Any such person to whom a commissioner
21 is or becomes so indebted in violation of this section shall give
22 immediate notice thereof to the Governor. The commissioner may
23 maintain an account with any person.

24 (b) Notwithstanding the provisions of subsection (a) of this section,
25 the commissioner while holding office may have an indirect financial
26 interest in any federal bank, federal credit union, out-of-state bank,
27 out-of-state credit union, holding company that has a wholly-owned
28 subsidiary that is a capital stock Connecticut bank, or any person
29 subject to the commissioner's general supervision, which indirect
30 interest arises through ownership of or beneficial interest in any
31 investment in which the commissioner does not control the securities
32 that are held in the portfolio, including a pension fund, mutual fund,
33 deferred compensation plan, or similar investment.

34 (c) For purposes of this section, any financial interest of the spouse
35 of the commissioner or the dependent children residing with the
36 commissioner shall be considered a financial interest of the
37 commissioner.

38 Sec. 2. Section 36a-12 of the general statutes is repealed and the
39 following is substituted in lieu thereof (*Effective from passage*):

40 The commissioner may appoint and define the duties and authority
41 of such employees as may be necessary to perform properly the
42 functions of the commissioner's office. The deputy commissioner and
43 any other employee of the Department of Banking shall have the same
44 privileges and be subject to the same restrictions as the commissioner
45 concerning relationships and transactions with any federal bank,
46 federal credit union, out-of-state bank, [or] out-of-state credit union,

47 holding company that has a wholly-owned subsidiary that is a
48 Connecticut bank, or with any person subject to the general
49 supervision of the commissioner, except that any employee of the
50 Department of Banking other than the deputy commissioner may be
51 indebted to any person subject to the general supervision of the
52 commissioner, provided the prior approval of the commissioner is
53 obtained for any singular indebtedness or series of indebtedness in the
54 aggregate of twenty-five thousand dollars or more to any such person.
55 Such prior approval shall not be required for (1) indebtedness resulting
56 from the sale of the debt by the original lender, (2) indebtedness
57 incurred at least six months prior to appointment as an employee of
58 the Department of Banking, provided, the commissioner may grant
59 retroactive approval upon such appointment in the case of any
60 singular indebtedness or series of indebtedness in the aggregate of
61 twenty-five thousand dollars or more to any such person that is
62 incurred, in whole or in part, within six months prior to such
63 appointment, or (3) indebtedness incurred by any employee of the
64 Department of Banking who is covered under the terms of the
65 administrative clerical (NP-3) collective bargaining agreement. For
66 purposes of this section, "indebtedness" shall include a line of credit
67 extended to any employee by a person subject to the general
68 supervision of the commissioner whether or not such line of credit has
69 been drawn upon. Any information submitted by an employee to the
70 commissioner for the commissioner's approval pursuant to this section
71 shall be exempt from disclosure under section 1-210.

72 Sec. 3. Subsection (f) of section 3-20 of the general statutes is
73 repealed and the following is substituted in lieu thereof (*Effective from*
74 *passage*):

75 (f) With the exception of refunding bonds, the proceeds of the sale
76 of the bonds and any moneys held or otherwise set aside for the
77 repayment of the bonds shall be deposited with the Treasurer or, at the
78 direction of the Treasurer, with a commercial bank or trust company,
79 in trust for the benefit of the state, pending the use or application
80 thereof, for the purpose and projects specified in the bond act

81 empowering the State Bond Commission to authorize such bonds. Any
82 expense incurred in connection with the carrying out of the provisions
83 of this section, including the issuance of refunding bonds, shall be paid
84 from the accrued interest and premiums or from the proceeds of the
85 sale of such bonds or refunding bonds and in the same manner as
86 other obligations of the state, except that expenses incurred in
87 connection with the preparation, issuance and delivery of general
88 obligation bonds issued in accordance with sections 3-17 and 10-183m,
89 and delivered to the retirement fund provided for in section 10-183r
90 shall be paid out of the General Fund if sufficient accrued interest and
91 premiums are not available to pay such expenses. With the exception
92 of the proceeds of refunding bonds deposited in a defeasance escrow
93 fund, pending the use or application of any such bond proceeds or any
94 such funds, such proceeds or funds may be deposited with the
95 Treasurer in such fund or funds of the state as appropriate or at the
96 direction of the Treasurer in a commercial bank or trust company with
97 or without security to the credit of such fund or funds, or may be
98 invested by, or at the direction of the Treasurer in bonds or obligations
99 of, or guaranteed by, the state or the United States, or agencies or
100 instrumentalities of the United States, in certificates of deposit,
101 commercial paper, savings accounts and bank acceptances, in the
102 obligations of any state of the United States or any political subdivision
103 thereof or the obligations of any instrumentality, authority or agency
104 of any state or political subdivision thereof, provided that at the time
105 of investment such obligations are rated within one of the top two
106 rating categories of any nationally recognized rating service or of any
107 rating service recognized by the state [Commissioner of] Banking
108 Commissioner, and applicable to such obligations, in the obligations of
109 any regional school district in this state, of any municipality in this
110 state or any metropolitan district in this state, provided that at the time
111 of investment such obligations of such government entity are rated
112 within one of the top three rating categories of any nationally
113 recognized rating service or of any rating service recognized by the
114 state [Commissioner of] Banking Commissioner, and applicable to
115 such obligations, or in any fund in which a trustee may invest

116 pursuant to section 36a-353, or in investment agreements with
117 financial institutions whose long-term obligations are rated within the
118 top two rating categories of any nationally recognized rating service or
119 of any rating service recognized by the state [Commissioner of]
120 Banking Commissioner or whose short-term obligations are rated
121 within the top rating category of any nationally recognized rating
122 service or of any rating service recognized by the state [Commissioner
123 of] Banking Commissioner, or investment agreements fully secured by
124 obligations of, or guaranteed by, the United States or agencies or
125 instrumentalities of the United States. Except as may be provided
126 herein or in any other public or special act, net earnings of investments
127 of proceeds of bonds and such funds, and accrued interest and
128 premiums on the issuance of such bonds shall, after payment of
129 expenses incurred by the Treasurer or State Bond Commission in
130 connection with their issuance, if any, be deposited to the credit of the
131 General Fund.

132 Sec. 4. Section 4-5 of the general statutes is repealed and the
133 following is substituted in lieu thereof (*Effective from passage*):

134 As used in sections 4-6, 4-7 and 4-8, the term "department head"
135 means Secretary of the Office of Policy and Management,
136 Commissioner of Administrative Services, Commissioner of Revenue
137 Services, [Commissioner of] Banking Commissioner, Commissioner of
138 Children and Families, Commissioner of Consumer Protection,
139 Commissioner of Correction, Commissioner of Economic and
140 Community Development, State Board of Education, Commissioner of
141 Environmental Protection, Commissioner of Agriculture,
142 Commissioner of Public Health, Insurance Commissioner, Labor
143 Commissioner, Liquor Control Commission, Commissioner of Mental
144 Health and Addiction Services, Commissioner of Public Safety,
145 Commissioner of Social Services, Commissioner of Mental Retardation,
146 Commissioner of Motor Vehicles, Commissioner of Transportation,
147 Commissioner of Public Works, Commissioner of Veterans' Affairs,
148 Commissioner of Health Care Access, Chief Information Officer and
149 the chairperson of the Public Utilities Control Authority.

150 Sec. 5. Subsection (a) of section 4-33 of the general statutes is
151 repealed and the following is substituted in lieu thereof (*Effective from*
152 *passage*):

153 (a) Any person, with the approval of the Treasurer and the
154 Comptroller, may deposit any funds or moneys in such person's hands
155 belonging to the state or held by such person as a custodian or trustee
156 or in an official capacity, in any qualified public depository, as defined
157 in section 36a-330, or any bank authorized pursuant to section 3-24,
158 provided such deposit shall only be made in such person's name as an
159 official of the state, custodian or trustee or in the name of the state. In
160 no case shall the deposit by such person in any one such qualified
161 public depository or bank exceed in the aggregate at any one time
162 seventy-five per cent of the total capital of such depository or bank, as
163 determined in accordance with applicable federal regulations and
164 regulations adopted by the [Commissioner of] Banking Commissioner
165 under section 36a-332, provided: (1) Any such qualified public
166 depository or bank is required to disclose such information relating to
167 public deposits as the [Commissioner of] Banking Commissioner may
168 require by regulations which [he] the Banking Commissioner shall
169 adopt in accordance with the provisions of chapter 54. The regulations
170 shall include, but not be limited to, disclosure of the most current
171 quarterly statement of condition and statement of income; and (2)
172 whatever interest or other pecuniary consideration such depository or
173 bank allows for or upon such deposit or payment shall belong to and
174 accrue to the benefit of the state.

175 Sec. 6. Section 7-400 of the general statutes is repealed and the
176 following is substituted in lieu thereof (*Effective from passage*):

177 The treasurer of any municipality, as defined in section 7-359, upon
178 approval by the budget-making authority, as defined in said section, of
179 any metropolitan district, of any regional school district, of any district
180 as defined in section 7-324, and of any other municipal corporation or
181 authority authorized to issue bonds, notes or other obligations under
182 the provisions of the general statutes or any special act may invest the

183 proceeds received from the sale of bonds, notes or other obligations, or
184 other funds, including the general fund, as hereinafter provided:

185 (1) In (A) the obligations of the United States of America, including
186 the joint and several obligations of the Federal Home Loan Mortgage
187 Corporation, the Federal National Mortgage Association, the
188 Government National Mortgage Association, the Federal Savings and
189 Loan Insurance Corporation, obligations of the United States Postal
190 Service, all the federal home loan banks, all the federal land banks, all
191 the federal intermediate credit banks, the Central Bank for
192 Cooperatives, The Tennessee Valley Authority, or any other agency of
193 the United States government, or (B) shares or other interests in any
194 custodial arrangement, pool or no-load, open-end management-type
195 investment company or investment trust registered or exempt under
196 the Investment Company Act of 1940, 15 USC Section 80a-1 et seq. as
197 from time to time amended, provided (i) the portfolio of such custodial
198 arrangement, pool, investment company or investment trust is limited
199 to obligations described in subparagraph (A) of this subdivision and
200 repurchase agreements fully collateralized by any such obligations; (ii)
201 such custodial arrangement, pool, investment company or investment
202 trust takes delivery of such collateral either directly or through an
203 authorized custodian; (iii) such custodial arrangement or pool is
204 managed to maintain its shares at a constant net asset value or such
205 investment company or investment trust is rated within one of the top
206 two credit rating categories and, for any investment company or
207 investment trust not managed to maintain its shares at a constant net
208 asset value, within one of the top two risk rating categories of any
209 nationally recognized rating service or of any rating service recognized
210 by the [Commissioner of] Banking Commissioner; and (iv) the
211 municipal corporation or authority only purchases and redeems shares
212 or other interests in such investment company or investment trust
213 through the use of, or the custodian of such custodial arrangement or
214 pool is, a bank, as defined in section 36a-2, as amended by this act, or
215 an out-of-state bank, as defined in said section, having one or more
216 branches in this state.

217 (2) In the obligations of any state of the United States or of any
218 political subdivision, authority or agency thereof, provided that at the
219 time of investment such obligations are rated within one of the top two
220 rating categories of any nationally recognized rating service or of any
221 rating service recognized by the [Commissioner of] Banking
222 Commissioner.

223 (3) In the obligations of the state of Connecticut, or any regional
224 school district, town, city, borough or metropolitan district in the state
225 of Connecticut, provided that at the time of investment the obligations
226 of such government entity are rated within one of the top three rating
227 categories of any nationally recognized rating service or of any rating
228 service recognized by the [Commissioner of] Banking Commissioner.

229 Sec. 7. Subsection (a) of section 7-402 of the general statutes is
230 repealed and the following is substituted in lieu thereof (*Effective from*
231 *passage*):

232 (a) Any public official of any municipality may deposit any public
233 funds received, held or controlled by [him] such public official and
234 belonging to such municipality, or otherwise held by [him] such public
235 official as such public official or as a custodian or trustee on behalf of
236 such municipality, (1) in any qualified public depository, or (2) in an
237 amount not exceeding the Federal Deposit Insurance Corporation
238 insurance limit, in any out-of-state bank which is not a qualified public
239 depository, designated by such public official; provided such deposit
240 shall only be made in [his] such public official's name as such public
241 official, custodian or trustee or in the name of the municipality to
242 which the money belongs. The interest or other pecuniary
243 consideration such depository allows for or upon such deposit of
244 public funds shall belong to and accrue to the benefit of such
245 municipality. In no case shall the deposit by such public official in any
246 one such depository exceed in the aggregate at any one time seventy-
247 five per cent of the total capital of such depository, as determined in
248 accordance with applicable federal regulations and regulations
249 adopted by the [Commissioner of] Banking Commissioner under

250 section 36a-332. Any qualified public depository receiving deposits of
251 public funds pursuant to this section is required to disclose such
252 information relating to public deposits as the [Commissioner of]
253 Banking Commissioner may require by regulations which [he] the
254 commissioner shall adopt in accordance with the provisions of chapter
255 54. The regulations shall include, but not be limited to disclosure of the
256 most current quarterly statement of condition and statement of
257 income. Nothing in this section shall affect additional restrictions on
258 the deposit of public funds imposed by the provisions of the charter of
259 any municipal corporation.

260 Sec. 8. Subsection (a) of section 8-244 of the general statutes is
261 repealed and the following is substituted in lieu thereof (*Effective from*
262 *passage*):

263 (a) There is created a body politic and corporate to be known as the
264 "Connecticut Housing Finance Authority". Said authority is constituted
265 a public instrumentality and political subdivision of this state and the
266 exercise by the authority of the powers conferred by this chapter shall
267 be deemed and held to be the performance of an essential public and
268 governmental function. The Connecticut Housing Finance Authority
269 shall not be construed to be a department, institution or agency of the
270 state. The board of directors of the authority shall consist of fifteen
271 members as follows: (1) The Commissioner of Economic and
272 Community Development, the Secretary of the Office of Policy and
273 Management, the [Commissioner of] Banking Commissioner and the
274 State Treasurer, ex officio, with the right to vote, (2) seven members to
275 be appointed by the Governor, and (3) four members appointed as
276 follows: One by the president pro tempore of the Senate, one by the
277 speaker of the House of Representatives, one by the minority leader of
278 the Senate and one by the minority leader of the House of
279 Representatives. The member initially appointed by the speaker of the
280 House of Representatives shall serve a term of five years; the member
281 initially appointed by the president pro tempore of the Senate shall
282 serve a term of four years. The members initially appointed by the
283 Senate minority leader shall serve a term of three years. The member

284 initially appointed by the minority leader of the House of
285 Representatives shall serve a term of two years. Thereafter, each
286 member appointed by a member of the General Assembly shall serve a
287 term of five years. The members appointed by the Governor and the
288 members of the General Assembly shall be appointed in accordance
289 with section 4-9b and among them be experienced in all aspects of
290 housing, including housing design, development, finance,
291 management and state and municipal finance, and at least one of
292 whom shall be selected from among the officers or employees of the
293 state. At least one shall have experience in the provision of housing to
294 very low, low and moderate income families. On or before July first,
295 annually, the Governor shall appoint a member for a term of five years
296 from said July first to succeed the member whose term expires and
297 until [his] such member's successor has been appointed, except that in
298 1974 and 1995 and quinquennially thereafter, the Governor shall
299 appoint two members. The chairperson of the board shall be appointed
300 by the Governor, with the advice and consent of both houses of the
301 General Assembly. The board shall annually elect one of its appointed
302 members as vice-chairperson of the board. Members shall receive no
303 compensation for the performance of their duties hereunder but shall
304 be reimbursed for necessary expenses incurred in the performance
305 thereof. The Governor or appointing member of the General Assembly,
306 as the case may be, shall fill any vacancy for the unexpired term. A
307 member of the board shall be eligible for reappointment. Any member
308 of the board may be removed by the Governor or appointing member
309 of the General Assembly, as the case may be, for misfeasance,
310 malfeasance or wilful neglect of duty. Each member of the board
311 before entering upon [his] such member's duties shall take and
312 subscribe the oath of affirmation required by article XI, section 1, of the
313 State Constitution. A record of each such oath shall be filed in the
314 office of the Secretary of the State. Each ex-officio member may
315 designate [his] such member's deputy or any member of [his] such
316 member's staff to represent [him] such member at meetings of the
317 board with full power to act and vote on [his] such member's behalf.

318 Sec. 9. Subsection (a) of section 8-257 of the general statutes is

319 repealed and the following is substituted in lieu thereof (*Effective from*
320 *passage*):

321 (a) Loans secured by mortgages the payments of which are insured
322 by the authority shall be legal investments, for all trust companies,
323 banks, investment companies, savings banks, building and loan
324 associations, executors, administrators, guardians, conservators,
325 trustees and other fiduciaries, and pension, profit-sharing and
326 retirement funds. For the purpose of determining the percentage of
327 capital, surplus, assets or deposits which may be invested therein by
328 an institution under the supervision of the [commissioner of banking]
329 Banking Commissioner, such loans shall be treated similarly to loans
330 insured or to be insured by the Federal Housing Administrator.
331 Otherwise, such loans shall not be subject to limitations, conditions or
332 restrictions imposed by law except as provided by this chapter.

333 Sec. 10. Subsection (s) of section 10a-180 of the general statutes is
334 repealed and the following is substituted in lieu thereof (*Effective from*
335 *passage*):

336 (s) To invest any funds not needed for immediate use or
337 disbursement, including reserve funds, in obligations issued or
338 guaranteed by the United States of America or the state of Connecticut,
339 including the state's Short-Term or Long-Term Investment Fund, and
340 in other obligations which are legal investments for savings banks in
341 this state, or in investment agreements with financial institutions
342 whose short-term obligations are rated within the top two rating
343 categories of any nationally recognized rating service or of any rating
344 service recognized by the state [Commissioner of] Banking
345 Commissioner, or investment agreements fully secured by obligations
346 of, or guaranteed by, the United States or agencies or instrumentalities
347 of the United States or in securities or obligations which are legal
348 investments for savings banks in this state, subject to repurchase
349 agreements in the manner in which such agreements are negotiated in
350 sales of securities in the market place, provided that the authority shall
351 not enter into any such agreement with any securities dealer or bank

352 acting as a securities dealer unless such dealer or bank is included in
353 the list of primary dealers, effective at the time of such agreement, as
354 prepared by the Federal Reserve Bank of New York.

355 Sec. 11. Section 10a-238 of the general statutes is repealed and the
356 following is substituted in lieu thereof (*Effective from passage*):

357 Except as otherwise provided in subsection (c) of section 10a-237,
358 the authority may invest any funds in (1) direct obligations of the
359 United States or the state of Connecticut, (2) obligations as to which the
360 timely payment of principal and interest is fully guaranteed by the
361 United States or the state of Connecticut, including Connecticut's
362 Short-Term Investment Fund, (3) obligations of the federal
363 intermediate credit banks, federal banks for cooperatives, federal land
364 bank, federal home loan banks, Federal National Mortgage
365 Association, Government National Mortgage Association and the
366 Student Loan Marketing Association, (4) certificates of deposit or time
367 deposits constituting direct obligations of any bank in the state,
368 provided that investments may be made only in those certificates of
369 deposit or time deposits in banks which are insured by the Federal
370 Deposit Insurance Corporation if then in existence, (5) withdrawable
371 capital accounts or deposits of federal chartered savings and loan
372 associations which are insured by the Federal Savings and Loan
373 Insurance Corporation, (6) other obligations which are legal
374 investments for savings banks in the state, (7) investment agreements
375 with financial institutions whose short-term obligations are rated
376 within the top two rating categories of any nationally recognized
377 rating service or of any rating service recognized by the [commissioner
378 of banking] Banking Commissioner, or investment agreements fully
379 secured by obligations of, or guaranteed by, the United States or
380 agencies or instrumentalities of the United States, and (8) securities or
381 obligations which are legal investments for savings banks in
382 Connecticut, subject to repurchase agreements in the manner in which
383 such agreements are negotiated in sales of securities in the market
384 place, provided the authority shall not enter into any such agreement
385 with any securities dealer or bank acting as a securities dealer unless

386 such dealer or bank is included in the list of primary dealers, as
387 prepared by the Federal Reserve Bank of New York, effective at the
388 time of the agreement. Any such securities may be purchased at the
389 offering or market price thereof at the time of such purchase. All such
390 securities so purchased shall mature or be redeemable on a date or
391 dates prior to the time when, in the judgment of the authority, the
392 funds so invested will be required for expenditure. The express
393 judgment of the authority as to the time when any funds shall be
394 required for expenditure or be redeemable is final and conclusive.

395 Sec. 12. Subsection (a) of section 12-213 of the general statutes is
396 repealed and the following is substituted in lieu thereof (*Effective from*
397 *passage*):

398 (a) When used in this part, unless the context otherwise requires:

399 (1) "Taxpayer" and "company" mean any corporation, foreign
400 municipal electric utility, as defined in section 12-59, electric
401 distribution company, as defined in section 16-1, electric supplier, as
402 defined in section 16-1, generation entity or affiliate, as defined in
403 section 16-1, joint stock company or association or any fiduciary
404 thereof and any dissolved corporation which continues to conduct
405 business but does not include a passive investment company or
406 municipal utility, as defined in chapter 212 and chapter 212a;

407 (2) "Dissolved corporation" means any company which has
408 terminated its corporate existence by resolution, expiration, decree or
409 forfeiture;

410 (3) "Commissioner of Revenue Services" or "commissioner" means
411 the Commissioner of Revenue Services;

412 (4) "Tax year" means the calendar year in which the tax is payable;

413 (5) "Income year" means the calendar year upon the basis of which
414 net income is computed under this part, unless a fiscal year other than
415 the calendar year has been established for federal income tax purposes,
416 in which case it means the fiscal year so established or a period of less

417 than twelve months ending as of the date on which liability under this
418 chapter ceases to accrue by reason of dissolution, forfeiture,
419 withdrawal, merger or consolidation;

420 (6) "Fiscal year" means the income year ending on the last day of
421 any month other than December or an annual period which varies
422 from fifty-two to fifty-three weeks elected by the taxpayer in
423 accordance with the provisions of the Internal Revenue Code;

424 (7) "Paid" means "paid or accrued" or "paid or incurred", construed
425 according to the method of accounting upon the basis of which net
426 income is computed under this part;

427 (8) "Received" means "received" or "accrued", construed according
428 to the method of accounting upon the basis of which net income is
429 computed under this part;

430 (9) (A) "Gross income" means gross income, as defined in the
431 Internal Revenue Code, and, in addition, means any interest or exempt
432 interest dividends, as defined in Section 852(b)(5) of the Internal
433 Revenue Code, received by the taxpayer or losses of other calendar or
434 fiscal years, retroactive to include all calendar or fiscal years beginning
435 after January 1, 1935, incurred by the taxpayer which are excluded
436 from gross income for purposes of assessing the federal corporation
437 net income tax, and in addition, notwithstanding any other provision
438 of law, means interest or exempt interest dividends, as defined in said
439 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the
440 application date, as defined in section 12-242ff, with respect to any
441 obligation issued by or on behalf of the state, its agencies, authorities,
442 commissions and other instrumentalities, or by or on behalf of its
443 political subdivisions and their agencies, authorities, commissions and
444 other instrumentalities;

445 (B) "Gross income" shall not include the amount which for federal
446 income tax purposes is treated as a dividend received by a domestic
447 United States corporation from a foreign corporation on account of
448 foreign taxes deemed paid by such domestic corporation, when such

449 domestic corporation elects the foreign tax credit for federal income
450 tax purposes;

451 (C) "Gross income" shall not include any amount which for federal
452 income tax purposes is treated as a dividend received directly or
453 indirectly by a taxpayer from a passive investment company;

454 (10) "Net income" means net earnings received during the income
455 year and available for contributors of capital, whether they are
456 creditors or stockholders, computed by subtracting from gross income
457 the deductions allowed by the terms of section 12-217, except that in
458 the case of a domestic insurance company which is a life insurance
459 company "net income" means life insurance company taxable income
460 (A) increased by any amount or amounts which have been deducted in
461 the computation of gain or loss from operations in respect of (i) the life
462 insurance company's share of tax-exempt interest, (ii) operations loss
463 carry-backs and capital loss carry-backs and (iii) operations loss carry-
464 overs and capital loss carry-overs arising in any taxable year
465 commencing prior to January 1, 1973, and (B) reduced by any amount
466 or amounts which have been deducted as operations loss carry-backs
467 or capital loss carry-backs in the computation of gain or loss from
468 operations for any taxable year commencing on or after January 1,
469 1973, but only to the extent that such amount or amounts, would, for
470 federal tax purposes, have been deductible in the taxable year as
471 operations loss carry-overs or capital loss carry-overs if they had not
472 been deducted in a previous taxable year as carry-backs and provided
473 no expense related to income, the taxation of which by the state of
474 Connecticut is prohibited by the law or Constitution of the United
475 States, as applied, or by the law or Constitution of this state, as
476 applied, shall be deducted under this chapter and provided further no
477 item may, directly or indirectly be excluded or deducted more than
478 once;

479 (11) "Life insurance company" has the same meaning as it has under
480 the Internal Revenue Code;

481 (12) "Life insurance company taxable income" has the same meaning

482 as it has under the Internal Revenue Code;

483 (13) "Life insurance company's share" has the same meaning as it
484 has under the Internal Revenue Code;

485 (14) "Operations loss carry-over", with respect to a life insurance
486 company, has the same meaning as it has under the Internal Revenue
487 Code;

488 (15) "Operations loss carry-back", with respect to a life insurance
489 company, has the same meaning as it has under the Internal Revenue
490 Code;

491 (16) "Capital loss carry-over", with respect to a life insurance
492 company, has the same meaning as it has under the Internal Revenue
493 Code;

494 (17) "Capital loss carry-back", with respect to a life insurance
495 company, has the same meaning as it has under the Internal Revenue
496 Code;

497 (18) "Gain or loss from operations", with respect to a life insurance
498 company, has the same meaning as it has under the Internal Revenue
499 Code;

500 (19) "Fiduciary" means any receiver, liquidator, referee, trustee,
501 assignee or other fiduciary or officer or agent appointed by any court
502 or by any other authority, except the [Commissioner of] Banking
503 Commissioner acting as receiver or liquidator under the authority of
504 the provisions of sections 36a-210 and 36a-218 to 36a-239, inclusive;

505 (20) (A) "Carrying on or doing business" means and includes each
506 and every act, power or privilege exercised or enjoyed in this state, as
507 an incident to, or by virtue of, the powers and privileges acquired by
508 the nature of any organization whether the form of existence is
509 corporate, associate, joint stock company or fiduciary, and includes the
510 direct or indirect engaging in, transacting or conducting of activity in
511 this state by an electric supplier, as defined in section 16-1, or

512 generation entity or affiliate, as defined in section 16-1, for the purpose
513 of establishing or maintaining a market for the sale of electricity or of
514 electric generation services, as defined in section 16-1, to end use
515 customers located in this state through the use of the transmission or
516 distribution facilities of an electric distribution company, as defined in
517 section 16-1, or, until unbundled in accordance with section 16-244e,
518 electric company, as defined in section 16-1.

519 (B) A company that has contracted with a commercial printer for
520 printing and distribution of printed material shall not be deemed to be
521 carrying on or doing business in this state because of (i) the ownership
522 or leasing by that company of tangible or intangible personal property
523 located at the premises of the commercial printer in this state, (ii) the
524 sale by that company of property of any kind produced or processed at
525 and shipped or distributed from the premises of the commercial
526 printer in this state, (iii) the activities of that company's employees or
527 agents at the premises of the commercial printer in this state, which
528 activities relate to quality control, distribution or printing services
529 performed by the printer, or (iv) the activities of any kind performed
530 by the commercial printer in this state for or on behalf of that
531 company;

532 (21) "Alternative energy system" means design systems, equipment
533 or materials which utilize as their energy source solar, wind, water or
534 biomass energy in providing space heating or cooling, water heating or
535 generation of electricity, but shall not include wood-burning stoves;

536 (22) "S corporation" means any corporation which is an S
537 corporation for federal income tax purposes and includes any
538 subsidiary of such S corporation that is a qualified subchapter S
539 subsidiary, as defined in Section 1361(b)(3)(B) of the Internal Revenue
540 Code, all of whose assets, liabilities and items of income, deduction
541 and credit are treated under the Internal Revenue Code, and shall be
542 treated under this chapter, as assets, liabilities and such items, as the
543 case may be, of such S corporation;

544 (23) "Internal Revenue Code" means the Internal Revenue Code of

545 1986, or any subsequent internal revenue code of the United States, as
546 from time to time amended, effective and in force on the last day of the
547 income year;

548 (24) "Partnership" means a partnership, as defined in the Internal
549 Revenue Code, and includes a limited liability company that is treated
550 as a partnership for federal income tax purposes;

551 (25) "Partner" means a partner, as defined in the Internal Revenue
552 Code, and includes a member of a limited liability company that is
553 treated as a partnership for federal income tax purposes;

554 (26) "Investment partnership" means a limited partnership that
555 meets the gross income requirement of Section 851(b)(2) of the Internal
556 Revenue Code, except that income and gains from commodities that
557 are not described in Section 1221(1) of the Internal Revenue Code or
558 from futures, forwards and options with respect to such commodities
559 shall be included in income which qualifies to meet such gross income
560 requirement, provided such commodities are of a kind customarily
561 dealt with in an organized commodity exchange and the transaction is
562 of a kind customarily consummated at such place, as required by
563 Section 864(b)(2)(B)(iii) of the Internal Revenue Code. To the extent
564 that such a partnership has income and gains from commodities that
565 are not described in Section 1221(1) of the Internal Revenue Code or
566 from futures, forwards and options with respect to such commodities,
567 such income and gains must be derived by a partnership which is not a
568 dealer in commodities and is trading for its own account as described
569 in Section 864(b)(2)(B)(ii) of the Internal Revenue Code. The term
570 "investment partnership" does not include a dealer, within the
571 meaning of Section 1236 of the Internal Revenue Code, in stocks or
572 securities;

573 (27) "Passive investment company" means any corporation which is
574 a related person to a financial service company, as defined in section
575 12-218b, or to an insurance company, as defined in section 12-218b,
576 and (A) employs not less than five full-time equivalent employees in
577 the state; (B) maintains an office in the state; and (C) confines its

578 activities to the purchase, receipt, maintenance, management and sale
579 of its intangible investments, and the collection and distribution of the
580 income from such investments, including, but not limited to, interest
581 and gains from the sale, transfer or assignment of such investments or
582 from the foreclosure upon or sale, transfer or assignment of the
583 collateral securing such investments. For purposes of this subdivision,
584 "intangible investments" shall be limited to loans secured by real
585 property, as defined in section 12-218b, including a line of credit which
586 is a loan secured by real property and which permits future advances
587 by the passive investment company; the collateral or an interest in the
588 collateral that secured such loans if the sale of such collateral or
589 interest is actively marketed by or on behalf of the passive investment
590 company; and any short-term investment of cash held by the passive
591 investment company which cash is reasonably necessary for the
592 operations of such passive investment company.

593 Sec. 13. Subsection (a) of section 12-217u of the general statutes is
594 repealed and the following is substituted in lieu thereof (*Effective from*
595 *passage*):

596 (a) For purposes of this section:

597 (1) "Commissioner" means the Commissioner of Economic and
598 Community Development;

599 (2) "Company" means any corporation, partnership, trust,
600 association, unincorporated organization or similar organization;

601 (3) "Compensation is paid within this state" if (A) the individual's
602 service is performed entirely within the state; or (B) the individual's
603 service is performed both within and without the state, but the service
604 performed without the state is incidental to the individual's service
605 within the state;

606 (4) "Control" with respect to a corporation means ownership of
607 stock possessing at least fifty per cent of the total combined voting
608 power of all classes of stock entitled to vote. "Control" with respect to a

609 partnership, association or similar unincorporated organization means
610 ownership of at least fifty per cent of the capital or profits interest in
611 such partnership or association. "Control" with respect to a trust,
612 means ownership of at least fifty per cent of the beneficial interest in
613 the principal or income of such trust. Ownership shall be determined
614 as provided in Section 267(c) of the Internal Revenue Code of 1986, as
615 in effect on October 14, 1994, other than paragraph (3) of such section;

616 (5) "Financial institution" means any bank, holding company or out-
617 of-state bank, as those terms are defined in section 36a-2, as amended
618 by this act, or out-of-state holding company, as that term is defined in
619 section 36a-410, which directly or indirectly establishes an office in
620 Connecticut and is subject to the supervision of or regulation by the
621 [Commissioner of] Banking Commissioner pursuant to title 36a or by
622 one or more federal banking agencies pursuant to applicable federal
623 law. "Financial institution" also means any establishment described in
624 major group 61 or 62 in the Standard Industrial Classification Manual,
625 United States Office of Management and Budget, 1987 edition, or in
626 Subsector 522 or 523 in the North American Industrial Classification
627 System, United States Manual, United States Office of Management
628 and Budget, 1997 edition, as engaged primarily in the extending of
629 credit in the form of loans or the underwriting, purchase, sale or
630 brokerage of securities and other financial contracts on their own
631 account or for the account of others, and exchanges, exchange
632 clearinghouses and other services allied with the exchange of securities
633 and commodities or a holding company controlling any such
634 establishment;

635 (6) "Related person" means a corporation, limited liability company,
636 partnership, trust, association, unincorporated organization or similar
637 organization that is controlled by the financial institution;

638 (7) "Tax" means the corporation business tax imposed by this
639 chapter.

640 Sec. 14. Subsection (g) of section 12-217u of the general statutes is
641 repealed and the following is substituted in lieu thereof (*Effective from*

642 *passage*):

643 (g) Upon application from a financial institution, the commissioner
644 shall issue an initial certificate of eligibility for the credit allowed
645 under subsection (b) of this section after it has been established that the
646 applicant satisfies the new facility construction, certificate of
647 occupancy and relevant employment requirements of this section and,
648 after consultation with the Commissioner of Revenue Services and the
649 [Commissioner of] Banking Commissioner, that the applicant is a
650 financial institution. If the commissioner determines that all
651 appropriate requirements are met, [he] the commissioner shall issue an
652 annual certificate of eligibility for the credit allowed under subsection
653 (b) or (f) of this section for each income year for which an application
654 for a credit under either of said subsections is made. The commissioner
655 shall require the financial institution to submit quarterly reports of the
656 number of individuals to whom the financial institution or a related
657 person made payments of six hundred dollars or more which must be
658 reported as provided by Section 6041 of the Internal Revenue Code of
659 1986, or any subsequent corresponding internal revenue code of the
660 United States, as from time to time amended, for each income year for
661 which the credit is claimed and to submit such other information as
662 may be necessary to determine whether all appropriate requirements
663 have been met and that the applicant continues to be a financial
664 institution. Such reports shall also include the number of individuals
665 who are principals and who qualify as qualified employees under
666 subparagraph (C) of subdivision (1) of subsection (d) of this section.

667 Sec. 15. Subsection (d) of section 16-262j of the general statutes is
668 repealed and the following is substituted in lieu thereof (*Effective from*
669 *passage*):

670 (d) The deposit index for each calendar year shall be equal to the
671 average rate paid on savings deposits by insured commercial banks as
672 last published in the Federal Reserve Board bulletin in November of
673 the prior year. The [Commissioner of] Banking Commissioner shall
674 determine the deposit index for each calendar year and publish such

675 deposit index in the Department of Banking news bulletin no later
676 than December fifteenth of the prior year. For purposes of this section,
677 "Federal Reserve Board bulletin" means the monthly survey of selected
678 deposits published as a special supplement to the Federal Reserve
679 Statistical Release Publication H.6 published by the Board of
680 Governors of the Federal Reserve System or, if such bulletin is
681 superseded or becomes unavailable, a substantially similar index or
682 publication.

683 Sec. 16. Subsection (b) of section 20-325c of the general statutes is
684 repealed and the following is substituted in lieu thereof (*Effective from*
685 *passage*):

686 (b) Notwithstanding any provision of the general statutes to the
687 contrary, no real estate broker or real estate salesperson, and no person
688 affiliated with such broker or salesperson, who receives a fee,
689 commission or other valuable consideration for the sale of residential
690 real property, may receive a fee, commission or other valuable
691 consideration for negotiating, soliciting, arranging, placing or finding a
692 first mortgage loan for the buyer in connection with the same sale
693 unless disclosure is made in accordance with the provisions of
694 subsection (c) of this section. Any fee, commission or other valuable
695 consideration received by such broker or salesperson for negotiating,
696 soliciting, arranging, placing or finding a first mortgage loan shall (1)
697 be related to the services actually performed, as determined by the
698 [Commissioner of] Banking Commissioner by regulations adopted
699 pursuant to chapter 54, (2) not be imposed for the referral of the buyer
700 to the mortgage lender by such broker or salesperson, and (3) be paid
701 directly to the broker or salesperson by the buyer rather than from the
702 mortgage loan proceeds at the time of closing.

703 Sec. 17. Subsection (h) of section 31-53 of the general statutes is
704 repealed and the following is substituted in lieu thereof (*Effective from*
705 *passage*):

706 (h) As used in this section, section 31-54 and section 31-89a,
707 "employee welfare fund" means any trust fund established by one or

708 more employers and one or more labor organizations or one or more
709 other third parties not affiliated with the employers to provide from
710 moneys in the fund, whether through the purchase of insurance or
711 annuity contracts or otherwise, benefits under an employee welfare
712 plan; provided such term shall not include any such fund where the
713 trustee, or all of the trustees, are subject to supervision by the
714 [Commissioner of] Banking Commissioner of this state or any other
715 state or the Comptroller of the Currency of the United States or the
716 Board of Governors of the Federal Reserve System, and "benefits under
717 an employee welfare plan" means one or more benefits or services
718 under any plan established or maintained for employees or their
719 families or dependents, or for both, including, but not limited to,
720 medical, surgical or hospital care benefits; benefits in the event of
721 sickness, accident, disability or death; benefits in the event of
722 unemployment, or retirement benefits.

723 Sec. 18. Section 32-19 of the general statutes is repealed and the
724 following is substituted in lieu thereof (*Effective from passage*):

725 Loans secured by mortgages insured by the authority and loans to a
726 proposed mortgagor for the purpose of a proposed economic
727 development project owned by such proposed mortgagor when a
728 proposed mortgagee has been given an advance commitment by the
729 authority to insure mortgage payments required by a mortgage upon
730 the completed economic development project shall be legal
731 investments for all public officers and public bodies of the state and its
732 political subdivisions, all insurance companies, credit unions, trust
733 companies, banks, investment companies, savings banks, savings and
734 loan associations, executors, administrators, guardians, conservators,
735 trustees and other fiduciaries, and pension, profit-sharing and
736 retirement funds, provided such loans shall be treated similarly to
737 loans insured or to be insured by the Federal Housing Administrator
738 for the purpose of determining the percentage of capital, surplus,
739 assets or deposits which may be invested therein by an institution
740 under the supervision of the [Commissioner of] Banking
741 Commissioner, and such loans shall not be subject to limitations,

742 conditions or restrictions imposed by law except as provided by this
743 chapter.

744 Sec. 19. Subsection (b) of section 32-533 of the general statutes is
745 repealed and the following is substituted in lieu thereof (*Effective from*
746 *passage*):

747 (b) Each exempt company shall, no later than the date on which it is
748 required to file the annual certificate required under subsection (a) of
749 this section, pay to the appropriate department a nonrefundable fee of
750 one thousand dollars to be used for processing the annual certificate.
751 The [Commissioner of] Banking Commissioner and the Insurance
752 Commissioner, as appropriate, may retain legal, financial and
753 examination services, the reasonable cost of which may be charged
754 against the exempt company, upon determination of any such
755 commissioner, in [his] such commissioner's discretion, that such
756 services are necessary to confirm that the exempt company is engaging
757 only in exempt activities and complies with the "Code of Conduct for
758 Financial Institutions to Assist in the Detection and Disclosure of
759 Information with Respect to the Criminal Use of the Systems Operated
760 by Financial Institutions (Money Laundering)".

761 Sec. 20. Subsection (a) of section 32-535 of the general statutes is
762 repealed and the following is substituted in lieu thereof (*Effective from*
763 *passage*):

764 (a) An exempt banking company or exempt investment company
765 shall be subject to regulation, investigation and examination by the
766 [Commissioner of] Banking Commissioner as reasonably necessary to
767 enable the commissioner to determine if the exempt banking company
768 or investment company is an exempt company and limits its activities
769 to exempt activities. In any investigation, examination or other
770 proceeding under sections 32-530 to 32-540, inclusive, the
771 [Commissioner of] Banking Commissioner shall have the authority
772 provided in section 36a-17. The [Commissioner of] Banking
773 Commissioner may adopt regulations in accordance with the
774 provisions of chapter 54 to implement the provisions of this section.

775 Such regulations may include provisions for determination of the
776 status of a company as an exempt company and revocation of such
777 status in accordance with section 32-537, as amended by this act. Such
778 regulations and all investigative, enforcement and examination
779 activities shall be consistent with the confidentiality provisions of
780 section 32-537, as amended by this act, and shall not impose
781 requirements on the exempt banking company or investment company
782 except to the extent necessary to enable the commissioner to verify the
783 company's status as an exempt company. Such regulations may further
784 provide for the assessment and collection of fees from exempt banking
785 companies and exempt investment companies sufficient, in the
786 commissioner's judgment, to meet the expenses of the Department of
787 Banking in carrying out its responsibilities under this section. If the
788 commissioner finds that an exempt banking company or exempt
789 investment company holding a certificate under section 32-532 has
790 engaged in, is engaging in or is about to engage in activities that are
791 not exempt activities or is about to violate any regulation adopted or
792 order issued by the commissioner, the commissioner may issue a cease
793 and desist order under section 36a-52. If the commissioner finds that
794 an exempt company has (1) intentionally engaged in activities that are
795 not exempt activities, or (2) engaged in a pattern of conduct
796 demonstrating reckless indifference by engaging in activities that are
797 not exempt activities, the commissioner may bring an action in the
798 superior court for the judicial district of Hartford to revoke the
799 certificate filed under section 32-532. The commissioner shall not be
800 required to post a bond with the court.

801 Sec. 21. Section 32-537 of the general statutes is repealed and the
802 following is substituted in lieu thereof (*Effective from passage*):

803 Notwithstanding any provision of sections 32-530 to 32-540,
804 inclusive, the identity of customers and policyholders of the exempt
805 company, and the owners of an exempt mutual fund investment
806 company shall be kept strictly confidential and shall enjoy the same
807 confidentiality they would otherwise enjoy if the exempt company was
808 located and organized outside of the United States and its exempt

809 activities were being conducted from offices located outside of the
810 United States. Exempt companies shall be automatically deemed to
811 have adopted the "Code of Conduct for Financial Institutions to Assist
812 in the Detection and Disclosure of Information with Respect to the
813 Criminal Use of the Systems Operated by Financial Institutions
814 (Money Laundering)" and the [Commissioner of] Banking
815 Commissioner, Insurance Commissioner or Commissioner of Revenue
816 Services may determine, through examination, an exempt company's
817 compliance with such code. Repeated failure to comply with the code,
818 after notice and a hearing, shall be grounds for revocation of exempt
819 company status. Any revocation shall take effect from the date of
820 revocation and shall not be retroactive.

821 Sec. 22. Subsection (a) of section 33-951 of the general statutes is
822 repealed and the following is substituted in lieu thereof (*Effective from*
823 *passage*):

824 (a) A corporation, except a corporation required by law to file
825 financial reports with the [Commissioner of] Banking Commissioner,
826 the Insurance Commissioner or the Department of Public Utility
827 Control, shall furnish its shareholders annual financial statements,
828 which may be consolidated or combined statements of the corporation
829 and one or more of its subsidiaries, as appropriate, that include a
830 balance sheet as of the end of the fiscal year, an income statement for
831 that year, and a statement of changes in shareholders' equity for the
832 year unless that information appears elsewhere in the financial
833 statements. If financial statements are prepared for the corporation on
834 the basis of generally accepted accounting principles, the annual
835 financial statements must also be prepared on that basis.

836 Sec. 23. Section 36a-2 of the general statutes is repealed and the
837 following is substituted in lieu thereof (*Effective from passage*):

838 As used in this title, unless the context otherwise requires:

839 (1) "Affiliate" of a person means any person controlling, controlled
840 by, or under common control with, that person;

841 (2) "Applicant" with respect to any license or approval provision
842 pursuant to this title means a person who applies for that license or
843 approval;

844 (3) "Automated teller machine" means a stationary or mobile
845 unattended device, including a satellite device but excluding a point of
846 sale terminal, at which banking transactions, including, but not limited
847 to, deposits, withdrawals, advances, payments or transfers, may be
848 conducted;

849 (4) "Bank" means a Connecticut bank or a federal bank;

850 (5) "Bank and trust company" means an institution chartered or
851 organized under the laws of this state as a bank and trust company;

852 (6) "Bank holding company" has the meaning given to that term in
853 12 USC Section 1841(a), as from time to time amended, except that the
854 term "bank", as used in 12 USC Section 1841(a) includes a bank or out-
855 of-state bank that functions solely in a trust or fiduciary capacity;

856 (7) "Capital stock" when used in conjunction with any bank or out-
857 of-state bank means a bank or out-of-state bank that is authorized to
858 accumulate funds through the issuance of its capital stock;

859 (8) "Club deposit" means deposits to be received at regular intervals,
860 the whole amount deposited to be withdrawn by the owner or repaid
861 by the bank in not more than fifteen months from the date of the first
862 deposit, and upon which no interest or dividends need to be paid;

863 (9) "Commissioner" means the [Commissioner of] Banking
864 Commissioner and, with respect to any function of the commissioner,
865 includes any person authorized or designated by the commissioner to
866 carry out that function;

867 (10) "Company" means any corporation, joint stock company, trust,
868 association, partnership, limited partnership, unincorporated
869 organization, limited liability company or similar organization, but
870 does not include (A) any corporation the majority of the shares of

871 which are owned by the United States or by any state, or (B) any trust
872 which by its terms must terminate within twenty-five years or not later
873 than twenty-one years and ten months after the death of beneficiaries
874 living on the effective date of the trust;

875 (11) "Connecticut bank" means a bank and trust company, savings
876 bank or savings and loan association chartered or organized under the
877 laws of this state;

878 (12) "Connecticut credit union" means a cooperative, nonprofit
879 financial institution that (A) is organized under chapter 667 and the
880 membership of which is limited as provided in section 36a-438a, (B)
881 operates for the benefit and general welfare of its members with the
882 earnings, benefits or services offered being distributed to or retained
883 for its members, and (C) is governed by a volunteer board of directors
884 elected by and from its membership;

885 (13) "Connecticut credit union service organization" means a credit
886 union service organization that is incorporated under the laws of this
887 state, located in this state and established by at least one Connecticut
888 credit union;

889 (14) "Consolidation" means a combination of two or more
890 institutions into a new institution; all institutions party to the
891 consolidation, other than the new institution, are "constituent"
892 institutions; the new institution is the "resulting" institution;

893 (15) "Control" has the meaning given to that term in 12 USC Section
894 1841(a), as from time to time amended;

895 (16) "Credit union service organization" means an entity organized
896 under state or federal law to provide credit union service organization
897 services primarily to its members, to Connecticut credit unions, federal
898 credit unions and out-of-state credit unions other than its members,
899 and to members of any such other credit unions;

900 (17) "Customer" means any person using a service offered by a
901 financial institution;

902 (18) "Demand account" means an account into which demand
903 deposits may be made;

904 (19) "Demand deposit" means a deposit that is payable on demand,
905 a deposit issued with an original maturity or required notice period of
906 less than seven days or a deposit representing funds for which the
907 bank does not reserve the right to require at least seven days' written
908 notice of the intended withdrawal, but does not include any time
909 deposit;

910 (20) "Deposit" means funds deposited with a depository;

911 (21) "Deposit account" means an account into which deposits may
912 be made;

913 (22) "Depositor" includes a member of a mutual savings and loan
914 association;

915 (23) "Director" means a member of the governing board of a
916 financial institution;

917 (24) "Equity capital" means the excess of a Connecticut bank's total
918 assets over its total liabilities, as defined in the instructions of the
919 federal Financial Institutions Examination Council for consolidated
920 reports of condition and income;

921 (25) "Executive officer" means every officer of a Connecticut bank
922 who participates or has authority to participate, otherwise than in the
923 capacity of a director, in major policy-making functions of such bank,
924 regardless of whether such officer has an official title or whether that
925 title contains a designation of assistant and regardless of whether such
926 officer is serving without salary or other compensation. The president,
927 vice president, secretary and treasurer of such bank are deemed to be
928 executive officers, unless, by resolution of the governing board or by
929 such bank's bylaws, any such officer is excluded from participation in
930 major policy-making functions, otherwise than in the capacity of a
931 director of such bank, and such officer does not actually participate in
932 such policy-making functions;

933 (26) "Federal agency" has the meaning given to that term in 12 USC
934 Section 3101, as from time to time amended;

935 (27) "Federal bank" means a national banking association, federal
936 savings bank or federal savings and loan association having its
937 principal office in this state;

938 (28) "Federal branch" has the meaning given to that term in 12 USC
939 Section 3101, as from time to time amended;

940 (29) "Federal credit union" means any institution chartered or
941 organized as a federal credit union pursuant to the laws of the United
942 States having its principal office in this state;

943 (30) "Fiduciary" means a person undertaking to act alone or jointly
944 with others primarily for the benefit of another or others in all matters
945 connected with its undertaking and includes a person acting in the
946 capacity of trustee, executor, administrator, guardian, assignee,
947 receiver, conservator, agent, custodian under the Connecticut Uniform
948 Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting
949 in any other similar capacity;

950 (31) "Financial institution" means any Connecticut bank,
951 Connecticut credit union, or other person whose activities in this state
952 are subject to the supervision of the commissioner, but does not
953 include a person whose activities are subject to the supervision of the
954 commissioner solely pursuant to chapter 672a, 672b or 672c or any
955 combination thereof;

956 (32) "Foreign bank" has the meaning given to that term in 12 USC
957 Section 3101, as from time to time amended;

958 (33) "Foreign country" means any country other than the United
959 States and includes any colony, dependency or possession of any such
960 country;

961 (34) "Governing board" means the group of persons vested with the
962 management of the affairs of a financial institution irrespective of the

963 name by which such group is designated;

964 (35) "Holding company" means a bank holding company or a
965 savings and loan holding company, except, as used in sections 36a-180
966 to 36a-191, inclusive, "holding company" means a company that
967 controls a bank;

968 (36) "Insured depository institution" has the meaning given to that
969 term in 12 USC Section 1813, as from time to time amended;

970 (37) "Licensee" means any person who is licensed or required to be
971 licensed pursuant to the applicable provisions of this title;

972 (38) "Loan" includes any line of credit or other extension of credit;

973 (39) "Merger" means the combination of one or more institutions
974 with another which continues its corporate existence; all institutions
975 party to the merger are "constituent" institutions; the merging
976 institution which upon the merger continues its existence is the
977 "resulting" institution;

978 (40) "Mutual" when used in conjunction with any institution that is a
979 bank or out-of-state bank means any such institution without capital
980 stock;

981 (41) "Mutual holding company" means a mutual holding company
982 organized under sections 36a-192 to 36a-199, inclusive, and unless
983 otherwise indicated, a subsidiary holding company controlled by a
984 mutual holding company organized under sections 36a-192 to 36a-199,
985 inclusive;

986 (42) "Out-of-state" includes any state other than Connecticut and
987 any foreign country;

988 (43) "Out-of-state bank" means any institution that engages in the
989 business of banking, but does not include a bank, Connecticut credit
990 union, federal credit union or out-of-state credit union;

991 (44) "Out-of-state credit union" means any credit union other than a

992 Connecticut credit union or a federal credit union;

993 (45) "Out-of-state trust company" means any company chartered to
994 act as a fiduciary but does not include a company chartered under the
995 laws of this state, a bank, an out-of-state bank, a Connecticut credit
996 union, a federal credit union or an out-of-state credit union;

997 (46) "Person" means an individual, company, including a company
998 described in subparagraphs (A) and (B) of subdivision (10) of this
999 section, or any other legal entity, including a federal, state or municipal
1000 government or agency or any political subdivision thereof;

1001 (47) "Point of sale terminal" means a device located in a commercial
1002 establishment at which sales transactions can be charged directly to the
1003 buyer's deposit, loan or credit account, but at which deposit
1004 transactions cannot be conducted;

1005 (48) "Reorganized savings bank" means any savings bank
1006 incorporated and organized in accordance with sections 36a-192 and
1007 36a-193;

1008 (49) "Reorganized savings and loan association" means any savings
1009 and loan association incorporated and organized in accordance with
1010 sections 36a-192 and 36a-193;

1011 (50) "Reorganized savings institution" means any reorganized
1012 savings bank or reorganized savings and loan association;

1013 (51) "Representative office" has the meaning given to that term in 12
1014 USC Section 3101, as from time to time amended;

1015 (52) "Reserves for loan and lease losses" means the amounts
1016 reserved by a Connecticut bank against possible loan and lease losses
1017 as shown on the bank's consolidated reports of condition and income;

1018 (53) "Satellite device" means an automated teller machine which is
1019 not part of an office of the bank, Connecticut credit union or federal
1020 credit union which has established such machine;

1021 (54) "Savings account" means a deposit account, other than an
1022 escrow account established pursuant to section 49-2a, into which
1023 savings deposits may be made and which account must be evidenced
1024 by periodic statements delivered at least semiannually or by a
1025 passbook;

1026 (55) "Savings and loan association" means an institution chartered or
1027 organized under the laws of this state as a savings and loan
1028 association;

1029 (56) "Savings bank" means an institution chartered or organized
1030 under the laws of this state as a savings bank;

1031 (57) "Savings deposit" means any deposit other than a demand
1032 deposit or time deposit on which interest or a dividend is paid
1033 periodically;

1034 (58) "Savings and loan holding company" has the meaning given to
1035 that term in 12 USC Section 1467a, as from time to time amended;

1036 (59) "State" means any state of the United States, the District of
1037 Columbia, any territory of the United States, Puerto Rico, Guam,
1038 American Samoa, the trust territory of the Pacific Islands, the Virgin
1039 Islands and the Northern Mariana Islands;

1040 (60) "State agency" has the meaning given to that term in 12 USC
1041 Section 3101, as from time to time amended;

1042 (61) "State branch" has the meaning given to that term in 12 USC
1043 Section 3101, as from time to time amended;

1044 (62) "Subsidiary" has the meaning given to that term in 12 USC
1045 Section 1841(d), as from time to time amended;

1046 (63) "Subsidiary holding company" means a stock holding company,
1047 controlled by a mutual holding company, that holds one hundred per
1048 cent of the stock of a reorganized savings institution;

1049 (64) "Supervisory agency" means: (A) The commissioner; (B) the

1050 Federal Deposit Insurance Corporation; (C) the Resolution Trust
1051 Corporation; (D) the Office of Thrift Supervision; (E) the National
1052 Credit Union Administration; (F) the Board of Governors of the
1053 Federal Reserve System; (G) the United States Comptroller of the
1054 Currency; and (H) any successor to any of the foregoing agencies or
1055 individuals;

1056 (65) "Time account" means an account into which time deposits may
1057 be made; and

1058 (66) "Time deposit" means a deposit that the depositor or share
1059 account holder does not have a right and is not permitted to make
1060 withdrawals from within six days after the date of deposit, unless the
1061 deposit is subject to an early withdrawal penalty of at least seven days'
1062 simple interest on amounts withdrawn within the first six days after
1063 deposit, subject to those exceptions permissible under 12 CFR Part 204,
1064 as from time to time amended.

1065 Sec. 24. Section 36a-31 of the general statutes is repealed and the
1066 following is substituted in lieu thereof (*Effective from passage*):

1067 (a) Except as provided in subsection (d) of this section, until June 30,
1068 1997, each bank shall provide, in the public lobby of each of its offices
1069 other than satellite devices, a public notice substantially similar to the
1070 one set forth in this subsection and subsection (b) of this section.
1071 Bracketed material shall be used only by a bank having more than one
1072 local community.

1073 COMMUNITY REINVESTMENT NOTICE

1074 Community Reinvestment requires the evaluation of our
1075 performance in helping to meet the credit needs of this community,
1076 and to take this evaluation into account when the [Commissioner of]
1077 Banking Commissioner decides on certain applications submitted by
1078 us.

1079 Your involvement is encouraged.

1080 You should know that:

1081 You may obtain our current Community Reinvestment Statement
1082 for this community in this office. (Current Community Reinvestment
1083 Statements for other communities served by us are available at our
1084 main office, located at:

1085)

1086 You may send signed, written comments about our Community
1087 Reinvestment Statement or our performance in helping to meet
1088 community credit needs to (title and address of bank official) and to
1089 the [Commissioner of] Banking Commissioner (address). Your letter,
1090 together with any responses by us, may be made public.

1091 You may look at a file of all signed, written comments received by
1092 us within the past two years, any response we have made to the
1093 comments and all Community Reinvestment Statements in effect
1094 during the past two years at our office located at (address). (You also
1095 may look at the file about this community at (name and address of
1096 designated office).)

1097 You may ask to look at any comments received by the
1098 [Commissioner of] Banking Commissioner.

1099 (b) If the bank is a subsidiary of a holding company, the following
1100 provision shall be included in the Community Reinvestment Notice
1101 required by subsection (a) of this section:

1102 We are a subsidiary of (name of holding company), a (bank/savings
1103 and loan) holding company. You may request from the (Federal
1104 Reserve Bank/Office of Thrift Supervision) of (city, address) an
1105 announcement of applications covered by the community
1106 reinvestment statement filed by holding companies.

1107 (c) Except as provided in subsection (d) of this section, until June 30,
1108 1997, within thirty business days of receiving its most recent
1109 community reinvestment performance evaluation prepared by the

1110 commissioner or a federal financial supervisory agency, each bank
1111 shall add the following provision to the community reinvestment
1112 notice required by subsection (a) of this section:

1113 You may obtain the public section of our most recent Community
1114 Reinvestment Performance Evaluation at (name and address of main
1115 office and designated community office).

1116 (d) (1) On and after July 1, 1997, in addition to the public notice
1117 required under federal CRA, each bank shall provide in the public
1118 lobby of its main office and each of its branches in this state a public
1119 notice substantially similar to the following:

1120 STATE OF CONNECTICUT

1121 COMMUNITY REINVESTMENT NOTICE

1122 The [Commissioner of] Banking Commissioner evaluates our record
1123 of helping to meet the credit needs of this community consistent with
1124 safe and sound operations. The [Commissioner of] Banking
1125 Commissioner also takes this record into account when deciding on
1126 certain applications submitted by us.

1127 Your involvement is encouraged.

1128 In addition to the information that you are entitled to receive under
1129 the federal Community Reinvestment Act, as listed in the "Community
1130 Reinvestment Act Notice" posted in this lobby, you may review today
1131 the public section of our most recent community reinvestment
1132 performance evaluation prepared by the [Commissioner of] Banking
1133 Commissioner.

1134 You may send written comments about our performance in helping
1135 to meet community credit needs to the [Commissioner of] Banking
1136 Commissioner (address). Your letter, together with any response by us,
1137 will be considered by the [Commissioner of] Banking Commissioner in
1138 evaluating our community reinvestment performance and may be
1139 made public.

1140 You may ask to look at any comments received by the
1141 [Commissioner of] Banking Commissioner.

1142 (2) Notwithstanding the provisions of subsections (a) to (c),
1143 inclusive, of this section, prior to July 1, 1997, a bank may use the form
1144 of public notice provided in subdivision (1) of this subsection in lieu of
1145 the form of public notice set forth in subsections (a) to (c), inclusive, of
1146 this section if such use is consistent with the form of public notice
1147 required to be used by the bank under federal CRA.

1148 (e) The information, statements, evaluations and notices required
1149 under this section and subsection (f) of section 36a-30 may be
1150 combined with or attached to the information, statements, evaluations
1151 and notices required under federal CRA.

1152 Sec. 25. Section 36a-251a of the general statutes is repealed and the
1153 following is substituted in lieu thereof (*Effective from passage*):

1154 The [Commissioner of Banking] commissioner shall submit an
1155 annual report to the joint standing committee of the General Assembly
1156 having cognizance of matters relating to banks no later than January
1157 first. The report shall summarize the commissioner's actions taken
1158 pursuant to section 36a-70, subdivisions (40) and (41) of subsection (a)
1159 of section 36a-250 or section 36a-252a.

1160 Sec. 26. Subdivision (6) of section 36b-3 of the general statutes is
1161 repealed and the following is substituted in lieu thereof (*Effective from*
1162 *passage*):

1163 (6) "Commissioner" means the [Commissioner of] Banking
1164 Commissioner or any person appointed or designated by the
1165 [Commissioner of] Banking Commissioner to administer sections 36b-2
1166 to 36b-33, inclusive.

1167 Sec. 27. Subdivision (9) of section 36b-41 of the general statutes is
1168 repealed and the following is substituted in lieu thereof (*Effective from*
1169 *passage*):

1170 (9) "Commissioner" means the [commissioner of banking] Banking
1171 Commissioner or any person designated by the [Commissioner of]
1172 Banking Commissioner to administer sections 36b-40 to 36b-52,
1173 inclusive.

1174 Sec. 28. Subdivision (1) of section 36b-61 of the general statutes is
1175 repealed and the following is substituted in lieu thereof (*Effective from*
1176 *passage*):

1177 (1) "Commissioner" means the [Commissioner of] Banking
1178 Commissioner or any person appointed or designated by the
1179 [Commissioner of] Banking Commissioner to administer said sections.

1180 Sec. 29. Subsection (e) of section 38a-775 of the general statutes is
1181 repealed and the following is substituted in lieu thereof (*Effective from*
1182 *passage*):

1183 (e) The Insurance Commissioner, in consultation with the
1184 [Commissioner of] Banking Commissioner, may adopt regulations, in
1185 accordance with chapter 54, to carry out the provisions of this section.
1186 Nothing in this section shall be construed to limit the regulatory
1187 jurisdiction of the Insurance Commissioner over the sale of insurance
1188 in this state.

1189 Sec. 30. Subsection (c) of section 45a-177 of the general statutes is
1190 repealed and the following is substituted in lieu thereof (*Effective from*
1191 *passage*):

1192 (c) If the estate held by any person in any such fiduciary capacity is
1193 less than two thousand dollars, or, in the case of a corporate fiduciary
1194 under the supervision of the [Commissioner of] Banking
1195 Commissioner or any other fiduciary bonded by a surety company
1196 authorized to do business in this state, ten thousand dollars, such
1197 fiduciary shall not be required to render such account unless so
1198 ordered by the court.

1199 Sec. 31. Subsection (c) of section 45a-203 of the general statutes is
1200 repealed and the following is substituted in lieu thereof (*Effective from*

1201 *passage*):

1202 (c) In the absence of an express provision to the contrary in the
1203 instrument, judgment, decree or order creating a trust or other
1204 fiduciary relationship or appointing a fiduciary, any banking
1205 institution acting as such a fiduciary may purchase for the fiduciary
1206 estate, in addition to investments otherwise permitted, bonds or other
1207 securities issued by the state of Connecticut, or by its agencies or
1208 instrumentalities, or by towns, cities, boroughs or legally established
1209 districts in Connecticut, which bonds or securities are underwritten by
1210 such banking institution or by any syndicate which includes such
1211 banking institution or an affiliate thereof, provided (1) that such bonds
1212 or securities are rated within the top four rating categories recognized
1213 by the [Commissioner of] Banking Commissioner, (2) that as a result of
1214 such purchase the total amount invested by the banking institution as
1215 a fiduciary in any one such bond issue or security issue would not
1216 aggregate during the existence of any underwriting or selling
1217 syndication in excess of ten per cent of the total amount of such issue
1218 outstanding, (3) that the banking institution discloses, at least
1219 annually, to the beneficiaries of its fiduciary accounts the fact that the
1220 banking institution or an affiliate may have an interest in the
1221 underwriting of such bond or security, and (4) that such purchase is
1222 made with the care of a prudent investor. The provisions of this
1223 subsection shall apply to purchases of bonds or other securities made
1224 at the time of the initial underwriting. For purposes of this subsection,
1225 a "banking institution" includes any state or federally chartered bank,
1226 savings bank or savings and loan association authorized to exercise
1227 trust powers and do business in this state.

1228 Sec. 32. Subsection (a) of section 45a-208 of the general statutes is
1229 repealed and the following is substituted in lieu thereof (*Effective from*
1230 *passage*):

1231 (a) Notwithstanding any other provision of law, any fiduciary, as
1232 defined in sections 45a-233 and subdivision (2) of subsection (a) of
1233 section 36a-365, holding securities in its fiduciary capacity, any state

1234 bank, trust company or national bank holding securities as a custodian,
1235 managing agent or custodian for a fiduciary, is authorized to deposit
1236 or arrange for the deposit of such securities in a clearing corporation as
1237 defined in subsection (3) of section 42a-8-102. When such securities are
1238 so deposited, certificates representing securities of the same class of the
1239 same issuer may be merged and held in bulk in the name of the
1240 nominee of such clearing corporation with any other such securities
1241 deposited in such clearing corporation by any person regardless of the
1242 ownership of such securities, and certificates of small denomination
1243 may be merged into one or more certificates of larger denomination.
1244 The records of such fiduciary and the records of such state bank, trust
1245 company or national bank acting as custodian, as managing agent or as
1246 custodian for a fiduciary shall at all times show the name of the party
1247 for whose account the securities are so deposited. Title to such
1248 securities may be transferred by bookkeeping entry on the books of
1249 such clearing corporation without physical delivery of certificates
1250 representing such securities. A state bank, trust company or national
1251 bank so depositing securities pursuant to this section shall be subject to
1252 the rules and regulations as, in the case of state chartered institutions,
1253 the state [Commissioner of] Banking Commissioner, and in the case of
1254 national banking associations, the Comptroller of the Currency, may
1255 from time to time issue. A state bank, trust company or national bank,
1256 acting as custodian for a fiduciary, shall, on demand by the fiduciary,
1257 certify in writing to the fiduciary the securities so deposited by such
1258 state bank, trust company or national bank in such clearing
1259 corporation for the account of such fiduciary. A fiduciary shall, on
1260 demand by any party to a judicial proceeding for the settlement of
1261 such fiduciary's account or on demand by the attorney for such party,
1262 certify in writing to such party the securities deposited by such
1263 fiduciary in such clearing corporation for its account as such fiduciary.

1264 Sec. 33. Subsection (b) of section 46a-66 of the general statutes is
1265 repealed and the following is substituted in lieu thereof (*Effective from*
1266 *passage*):

1267 (b) No liability may be imposed under this section for an act done or

1268 omitted in conformity with a regulation or declaratory ruling of the
1269 [Commissioner of] Banking Commissioner, the Federal Reserve Board
1270 or any other governmental agency having jurisdiction under the Equal
1271 Credit Opportunity Act, notwithstanding that after the act or omission
1272 the regulation or declaratory ruling may be amended, repealed or
1273 determined to be invalid for any reason.

1274 Sec. 34. Section 46a-67 of the general statutes is repealed and the
1275 following is substituted in lieu thereof (*Effective from passage*):

1276 (a) The [Commissioner of] Banking Commissioner shall cooperate
1277 with the commission in its enforcement of sections 46a-65 to 46a-67,
1278 inclusive, 46a-81f, as amended by this act, and 46a-98.

1279 (b) The [Commissioner of] Banking Commissioner shall comply
1280 with the commission's request for information, reasonable
1281 investigatory assistance and the promulgation of regulations which
1282 may be required for the effective administration of sections 46a-65 to
1283 46a-67, inclusive, 46a-81f, as amended by this act, and 46a-98.

1284 Sec. 35. Subsection (b) of section 46a-81f of the general statutes is
1285 repealed and the following is substituted in lieu thereof (*Effective from*
1286 *passage*):

1287 (b) No liability may be imposed under this section for an act done or
1288 omitted in conformity with a regulation or declaratory ruling of the
1289 [Commissioner of] Banking Commissioner, the Federal Reserve Board
1290 or any other governmental agency having jurisdiction under the Equal
1291 Credit Opportunity Act, notwithstanding that after the act or omission
1292 the regulation or declaratory ruling may be amended, repealed or
1293 determined to be invalid for any reason.

1294 Sec. 36. Subdivision (1) of subsection (a) of section 47a-21 of the
1295 general statutes is repealed and the following is substituted in lieu
1296 thereof (*Effective from passage*):

1297 (1) "Commissioner" means the [Commissioner of] Banking
1298 Commissioner.

1299 Sec. 37. Section 49-2b of the general statutes is repealed and the
1300 following is substituted in lieu thereof (*Effective from passage*):

1301 The [Commissioner of] Banking Commissioner shall adopt such
1302 regulations as are necessary to carry out the provisions of section 49-2a
1303 and shall furnish forms to mortgagees for the purpose of reporting to
1304 mortgagors the interest due under the provisions of section 49-2a.

1305 Sec. 38. Subsection (b) of section 49-7f of the general statutes is
1306 repealed and the following is substituted in lieu thereof (*Effective from*
1307 *passage*):

1308 (b) Any person who violates the provisions of subsection (a) of this
1309 section shall upon a verified complaint in writing of any person,
1310 provided such complaint, or such complaint together with evidence,
1311 documentary or otherwise, presented in connection therewith, shall
1312 make out a prima facie case, to the [Commissioner of] Banking
1313 Commissioner, who shall investigate the actions of any mortgage
1314 broker or lender, or any person who assumes to act in any of such
1315 capacities within this state. The [Commissioner of] Banking
1316 Commissioner shall have the power temporarily to suspend or
1317 permanently to revoke any license issued under the provisions of
1318 subpart (A) of part I of chapter 668 and, in addition to or in lieu of such
1319 suspension or revocation, may, in [his] the commissioner's discretion,
1320 impose a fine of not more than one thousand dollars for each offense
1321 for any violation of the provisions of subsection (a) of this section.

1322 Sec. 39. Section 49-31j of the general statutes is repealed and the
1323 following is substituted in lieu thereof (*Effective from passage*):

1324 The [Commissioner of] Banking Commissioner shall adopt
1325 regulations in accordance with chapter 54 as [he] the commissioner
1326 deems necessary specifying (1) the manner in which a composite
1327 interest rate shall be computed for the new mortgage debt pursuant to
1328 subsection (c) of section 49-31i and (2) the method or standard by
1329 which prevailing market rates of interest are to be determined.

1330 Sec. 40. Section 52-367a of the general statutes is repealed and the
1331 following is substituted in lieu thereof (*Effective from passage*):

1332 As used in this section and section 52-367b, as amended by this act,
1333 the term "banking institution" means any bank, savings bank, savings
1334 and loan association or credit union organized, chartered or licensed
1335 under the laws of this state or the United States and having its main
1336 office in this state, or any similar out-of-state institution having a
1337 branch office in this state. Execution may be granted pursuant to this
1338 section against any debts due from any banking institution to a
1339 judgment debtor which is not a natural person. If execution is desired
1340 against any such debt, the plaintiff requesting the execution shall so
1341 notify the clerk, and the clerk shall issue such execution containing a
1342 direction that the officer serving the same shall make demand (1) upon
1343 the main office of any banking institution having its main office within
1344 the county of such officer, or (2) if such main office is not within such
1345 officer's county and such banking institution has one or more branch
1346 offices within such county, upon an employee of such a branch office,
1347 such employee and branch office having been designated by the
1348 banking institution in accordance with regulations adopted by the
1349 [Commissioner of] Banking Commissioner in accordance with chapter
1350 54, for the payment of any debt due to the judgment debtor, and, after
1351 having made such demand, shall serve a true and attested copy
1352 thereof, with [his] such officer's actions thereon endorsed, with the
1353 banking institution officer upon whom such demand is made. If any
1354 such banking institution upon which such execution is served and
1355 upon which such demand is made is indebted to the judgment debtor,
1356 it shall pay to such officer, in the manner and at the time hereinafter
1357 described, the amount of such indebtedness not exceeding the amount
1358 due on such execution, to be received and applied on such execution
1359 by such officer. Such banking institution shall act upon such execution
1360 according to section 42a-4-303 before its midnight deadline, as defined
1361 in section 42a-4-104. If such banking institution fails or refuses to pay
1362 over to such officer the amount of such debt, not exceeding the amount
1363 due on such execution, such banking institution shall be liable in an
1364 action therefor to the judgment creditor named in such execution, and

1365 the amount so recovered by such judgment creditor shall be applied
1366 toward the payment of the amount due on such execution.

1367 Sec. 41. Subsection (b) of section 52-367b of the general statutes is
1368 repealed and the following is substituted in lieu thereof (*Effective from*
1369 *passage*):

1370 (b) If execution is desired against any such debt, the plaintiff
1371 requesting the execution shall notify the clerk of the court. In a IV-D
1372 case, the request for execution shall be accompanied by an affidavit
1373 signed by the serving officer attesting to an overdue support amount
1374 of five hundred dollars or more which accrued after the entry of an
1375 initial family support judgment. If the papers are in order, the clerk
1376 shall issue such execution containing a direction that the officer
1377 serving such execution shall, within seven days from the receipt by the
1378 serving officer of such execution, make demand (1) upon the main
1379 office of any banking institution having its main office within the
1380 county of the serving officer, or (2) if such main office is not within the
1381 serving officer's county and such banking institution has one or more
1382 branch offices within such county, upon an employee of such a branch
1383 office, such employee and branch office having been designated by the
1384 banking institution in accordance with regulations adopted by the
1385 [Commissioner of] Banking Commissioner, in accordance with chapter
1386 54, for payment of any such nonexempt debt due to the judgment
1387 debtor and, after having made such demand, shall serve a true and
1388 attested copy of the execution, together with the affidavit and
1389 exemption claim form prescribed by subsection (k) of this section, with
1390 the serving officer's actions endorsed thereon, with the banking
1391 institution officer upon whom such demand is made. If the officer
1392 serving such execution has made an initial demand pursuant to this
1393 subsection within such seven-day period, the serving officer may make
1394 additional demands upon the main office of other banking institutions
1395 or employees of other branch offices pursuant to subdivision (1) or (2)
1396 of this subsection, provided any such additional demand is made not
1397 later than forty-five days from the receipt by the serving officer of such
1398 execution.

1399 Sec. 42. Section 36a-37d of the general statutes is repealed and the
1400 following is substituted in lieu thereof (*Effective from passage*):

1401 The [Commissioner of Banking] commissioner may consider the
1402 community reinvestment performance of a community credit union in
1403 connection with (1) an approval of an amendment to the certificate of
1404 incorporation pursuant to subsection (g) of section 36a-437a; (2) an
1405 approval of an expansion of its field of membership pursuant to
1406 subsection (c) of section 36a-438a; and (3) an approval of a merger
1407 pursuant to section 36a-468a. The commissioner may withhold
1408 approval of or condition an issuance of approval of such amendment,
1409 expansion or merger pursuant to this section.

1410 Sec. 43. Section 36a-139b of the general statutes is repealed and the
1411 following is substituted in lieu thereof (*Effective from passage*):

1412 (a) Any Connecticut bank may, upon the approval of the
1413 [Commissioner of Banking] commissioner, convert to an uninsured
1414 bank, as defined in subsection (t) of section 36a-70.

1415 (b) The converting bank shall file with the commissioner a proposed
1416 plan of conversion, a copy of the proposed certificate of incorporation
1417 and a certificate by the secretary of the converting bank that the
1418 proposed plan of conversion and proposed certificate of incorporation
1419 have been approved in accordance with subsection (c) of this section.

1420 (c) The proposed plan of conversion and proposed amended
1421 certificate of incorporation shall require the approval of a majority of
1422 the governing board of the converting bank and the favorable vote of
1423 not less than two-thirds of the holders of each class of the bank's
1424 capital stock, if any, or, in the case of a mutual bank, the incorporators
1425 thereof, cast at a meeting called to consider such conversion.

1426 (d) Any shareholder of a converting capital stock Connecticut bank
1427 that proposes to convert to an uninsured bank who, on or before the
1428 date of the shareholders' meeting to vote on such conversion, objects to
1429 the conversion by filing a written objection with the secretary of such

1430 bank may, within ten days after the effective date of such conversion,
1431 make written demand upon the converted bank for payment of such
1432 shareholder's stock. Any such shareholder that makes such objection
1433 and demand shall have the same rights as those of a shareholder who
1434 dissents from the merger of two or more capital stock Connecticut
1435 banks.

1436 (e) If applicable, a converting Connecticut bank shall liquidate all of
1437 its retail deposits, as defined in subsection (t) of section 36a-70, with
1438 the approval of the [Commissioner of Banking] commissioner. The
1439 converting bank shall file with the commissioner a written notice of its
1440 intent to liquidate all of its retail deposits together with a plan of
1441 liquidation and a proposed notice to depositors approved and
1442 executed by a majority of its governing board. The commissioner shall
1443 approve the plan and the notice to depositors. The commissioner shall
1444 not approve a sale of the retail deposits of the converting bank if the
1445 purchasing insured depository institution, including all insured
1446 depository institutions which are affiliates of such institution, upon
1447 consummation of the sale, would control thirty per cent or more of the
1448 total amount of deposits of insured depository institutions in this state,
1449 unless the commissioner permits a greater percentage of such deposits.
1450 The converting and purchasing institutions shall file with the
1451 commissioner a written agreement approved and executed by a
1452 majority of the governing board of each institution prescribing the
1453 terms and conditions of the transaction.

1454 (f) The commissioner shall approve a conversion under this section
1455 if the commissioner determines that: (1) The converting bank has
1456 complied with all applicable provisions of law; (2) the converting bank
1457 has equity capital of at least five million dollars unless the
1458 commissioner establishes a different minimum capital requirement
1459 based on the proposed activities of the converting bank; (3) the
1460 converting bank has liquidated all of its retail deposits, if any, and has
1461 no deposits that are insured by the Federal Deposit Insurance
1462 Corporation or its successor agency; and (4) the proposed conversion
1463 will serve the public necessity and convenience. The commissioner

1464 shall not approve such conversion unless the commissioner considers
1465 the findings of the most recent state or federal safety and soundness
1466 examination of the converting bank, and the effect of the proposed
1467 conversion on the financial resources and future prospects of the
1468 converting bank.

1469 (g) After receipt of the commissioner's approval for the conversion,
1470 the converting bank shall promptly file such approval and its
1471 certificate of incorporation with the Secretary of the State and with the
1472 town clerk of the town in which its principal office is located. Upon
1473 such filing, the converted Connecticut bank shall not accept retail
1474 deposits and shall be an uninsured bank, as defined in subsection (t) of
1475 section 36a-70, subject to the limitations in subdivisions (3) and (4) of
1476 subsection (t) of section 36a-70. Upon such conversion, the converted
1477 Connecticut bank possesses all of the rights, privileges and powers
1478 granted to it by its certificate of incorporation and by the provisions of
1479 the general statutes applicable to its type of Connecticut bank, and all
1480 of the assets, business and good will of the converting bank shall be
1481 transferred to and vested in the converted Connecticut bank without
1482 any deed or instrument of conveyance, provided the converting bank
1483 may execute any deed or instrument of conveyance as is convenient to
1484 confirm such transfer. The converted Connecticut bank shall be subject
1485 to all of the duties, relations, obligations, trusts and liabilities of the
1486 converting bank, whether as debtor, depository, registrar, transfer
1487 agent, executor, administrator or otherwise, and shall be liable to pay
1488 and discharge all such debts and liabilities, to perform all such duties
1489 in the same manner and to the same extent as if the converted bank
1490 had itself incurred the obligation or liability or assumed the duty or
1491 relation. All rights of creditors of the converting bank and all liens
1492 upon the property of such bank shall be preserved unimpaired and the
1493 uninsured bank shall be entitled to receive, accept, collect, hold and
1494 enjoy any and all gifts, bequests, devises, conveyances, trusts and
1495 appointments in favor of or in the name of the converting bank and
1496 whether made or created to take effect prior to or after the conversion.

1497 (h) The persons named as directors in the certificate of incorporation

1498 shall be the directors of the converted Connecticut bank until the first
1499 annual election of directors after the conversion or until the expiration
1500 of their terms as directors, and shall have the power to take all
1501 necessary actions and to adopt bylaws concerning the business and
1502 management of such Connecticut bank.

1503 (i) No converted Connecticut bank, other than a Connecticut bank
1504 which converted from a Connecticut bank organized solely to function
1505 in a fiduciary capacity, may exercise any of the fiduciary powers
1506 granted to Connecticut banks by law until express authority therefor
1507 has been given by the commissioner, unless such authority was
1508 previously granted to the converting bank.

1509 (j) The franchise tax required to be paid by capital stock Connecticut
1510 banks upon an increase of capital stock shall be paid upon the capital
1511 stock of any such converted bank, provided, any franchise tax paid by
1512 the converting bank shall be subtracted from any amount owed under
1513 this subsection.

1514 Sec. 44. Section 36a-59 of the general statutes is repealed and the
1515 following is substituted in lieu thereof (*Effective from passage*):

1516 The [Commissioner of Banking] commissioner may enter into one or
1517 more stipulations and agreements or memoranda of understanding
1518 with a Connecticut bank, either alone or in conjunction with the
1519 Federal Deposit Insurance Corporation or its successor agency, or may
1520 enter into one or more letters of understanding and agreement or
1521 memoranda of understanding with a Connecticut credit union or
1522 Connecticut credit union service organization, either alone or in
1523 conjunction with the National Credit Union Administration or its
1524 successor agency, if the [Commissioner of Banking] commissioner
1525 finds as a result of an examination or investigation that the
1526 Connecticut bank, Connecticut credit union or Connecticut credit
1527 union service organization: (1) Has failed to file a report when due, (2)
1528 is insolvent, (3) has violated any provisions of the general statutes
1529 within the jurisdiction of the [Commissioner of Banking]
1530 commissioner, or any regulation, rule or order adopted or issued

1531 thereunder, or (4) has engaged or participated in, or is engaging or
1532 participating in, any unsafe and unsound practice.

1533 Sec. 45. Subsection (b) of section 36a-436a of the general statutes is
1534 repealed and the following is substituted in lieu thereof (*Effective from*
1535 *passage*):

1536 (b) The filing and certification fee payable to the Secretary of the
1537 State shall be thirteen dollars for the filing and certification of (1) a
1538 certificate of amendment to the certificate of incorporation of a
1539 Connecticut credit union, (2) a merger agreement, plan of merger,
1540 certificate of amendment to certificate of incorporation and the
1541 [Commissioner of Banking's] commissioner's approval pursuant to
1542 subdivision (3) of subsection (b) of section 36a-468a, (3) an officer's
1543 certificate of conversion and the [Commissioner of Banking's]
1544 commissioner's approval pursuant to subsection (g) of section 36a-
1545 468b, or (4) a certificate of incorporation, certificate of authority and
1546 the [Commissioner of Banking's] commissioner's approval pursuant to
1547 subsection (c) of section 36a-469b.

1548 Sec. 46. Section 36a-436b of the general statutes is repealed and the
1549 following is substituted in lieu thereof (*Effective from passage*):

1550 (a) No person shall, or have the power to, engage in the business of
1551 a Connecticut credit union in this state until such person has obtained
1552 a certificate of authority to engage in the business of a Connecticut
1553 credit union from the [Commissioner of Banking] commissioner.

1554 (b) No person shall use, either as a part of its name or as a prefix or
1555 suffix thereto or as a designation of the business carried on by it, the
1556 phrase "credit union" or "mutual benefit association", except a
1557 Connecticut credit union, a federal credit union or a credit union
1558 otherwise authorized to engage in business in this state under this title.
1559 The provisions of this subsection shall not apply to an association of
1560 credit unions or a credit union service organization located in this
1561 state.

1562 (c) A certificate of authority shall be issued by the [Commissioner of
1563 Banking] commissioner to an applicant meeting the requirements of
1564 section 36a-437a.

1565 (d) A certificate of authority issued under this section may be
1566 revoked by the [Commissioner of Banking] commissioner for cause in
1567 accordance with section 36a-51.

1568 Sec. 47. Section 36a-437a of the general statutes is repealed and the
1569 following is substituted in lieu thereof (*Effective from passage*):

1570 (a) A Connecticut credit union organized under this title shall be
1571 subject to the provisions of the laws of this state governing
1572 corporations without capital stock, provided the provisions of this title
1573 shall prevail over any inconsistent provisions of title 33.

1574 (b) Seven or more individuals may file with the commissioner an
1575 application to organize a Connecticut credit union, provided each is at
1576 least eighteen years of age. The application shall be in writing and
1577 shall include (1) a proposed certificate of incorporation on a standard
1578 form provided by the [Commissioner of Banking] commissioner,
1579 signed and acknowledged by the organizers either individually or
1580 collectively before an officer competent to administer oaths. The
1581 proposed certificate of incorporation shall specifically state: (A) The
1582 name of the Connecticut credit union; (B) the town in which the main
1583 office is to be located; (C) the name, occupation and residence, post
1584 office or business address of each organizer, proposed director and
1585 proposed member of senior management, provided the organizers,
1586 proposed directors and proposed senior management shall separately
1587 file with the [Commissioner of Banking] commissioner the notice of the
1588 residence of each organizer, proposed director and proposed member
1589 of senior management whose residence address is not included in the
1590 proposed certificate of incorporation; and (D) a statement that the
1591 purpose of the Connecticut credit union is to conduct the business of
1592 and to engage in any act or activity lawful for a Connecticut credit
1593 union, or, in the case of a Connecticut credit union that is organized to
1594 provide basic services, a statement that the purpose of such credit

1595 union is to offer basic services; (2) the proposed bylaws prescribing the
1596 manner in which the business of the Connecticut credit union shall be
1597 conducted on a standard form provided without charge by the
1598 [Commissioner of Banking] commissioner, signed and acknowledged
1599 by the organizers either individually or collectively before an officer
1600 competent to administer oaths; (3) a business plan, including a three-
1601 year financial forecast; (4) a potential member survey; (5) in the case of
1602 a proposed Connecticut credit union the membership of which is
1603 limited to persons within a well-defined community, neighborhood or
1604 rural district, evidence to support a finding of such community,
1605 neighborhood or rural district; and (6) any other information that the
1606 [Commissioner of Banking] commissioner may require.

1607 (c) In connection with an application to organize and at any other
1608 time the [Commissioner of Banking] commissioner requests, each
1609 organizer and director of a Connecticut credit union shall provide
1610 fingerprints to the [Commissioner of Banking] commissioner for use in
1611 conducting criminal history records checks. Such criminal history
1612 records checks shall be conducted in accordance with section 29-17a.

1613 (d) (1) Upon the filing of the required application, the
1614 [Commissioner of Banking] commissioner shall investigate the facts
1615 and shall determine whether: (A) The proposed field of membership is
1616 favorable to the success of the Connecticut credit union; (B) the
1617 organizers, proposed directors and proposed members of senior
1618 management are of such character, general fitness and experience as to
1619 warrant belief that the business of the proposed Connecticut credit
1620 union will be conducted honestly and efficiently in accordance with
1621 the provisions of sections 36a-435a to 36a-472a, inclusive; (C) the
1622 proposed certificate of incorporation meets the requirements of this
1623 section; and (D) the proposed credit union provides reasonable
1624 promise of successful operation. In addition to the determinations
1625 under this subdivision, the [Commissioner of Banking] commissioner
1626 shall consider the effect of overlapping fields of membership on the
1627 proposed credit union and existing Connecticut credit unions and
1628 federal credit unions. As a condition of approval of the application, the

1629 [Commissioner of Banking] commissioner may require the proposed
1630 Connecticut credit union to limit or eliminate overlaps to achieve the
1631 purposes of sections 36a-435a to 36a-472a, inclusive, and promote the
1632 welfare and stability of those credit unions doing business in this state.

1633 (2) The [Commissioner of Banking] commissioner shall not issue a
1634 certificate of authority to engage in the business of a Connecticut credit
1635 union if, in the opinion of the [Commissioner of Banking]
1636 commissioner, the name selected would tend to confuse the public.

1637 (3) If the [Commissioner of Banking] commissioner determines that
1638 the foregoing requirements are satisfied, and that the proposed
1639 Connecticut credit union will have its shares and deposits insured by
1640 the National Credit Union Administration, or its successor agency, the
1641 [Commissioner of Banking] commissioner shall issue a certificate of
1642 authority to engage in the business of a Connecticut credit union. One
1643 original of the certificate of incorporation and one original of the
1644 certificate of authority shall be filed by the Connecticut credit union
1645 with the Secretary of the State. When the certificate of incorporation
1646 and certificate of authority are filed with the Secretary of the State in
1647 accordance with the provisions of this subsection, the Connecticut
1648 credit union shall become a corporation and its corporate existence
1649 shall continue perpetually unless otherwise expressly provided by law.

1650 (e) Within a reasonable time after issuance of the certificate of
1651 authority by the [Commissioner of Banking] commissioner, the
1652 organizers shall hold an organization meeting at which they shall elect
1653 directors, who thereafter shall elect officers, appoint committee
1654 members, adopt the bylaws, and conduct any other business necessary
1655 to complete the organization of the Connecticut credit union. The
1656 Connecticut credit union shall complete such organization and shall
1657 commence business within six months from the issuance of the
1658 certificate of authority by the [Commissioner of Banking]
1659 commissioner or such certificate of authority shall be void. The
1660 [Commissioner of Banking] commissioner may, upon the application
1661 of the organizers and for good cause shown, grant a Connecticut credit

1662 union a reasonable extension of time to complete such organization
1663 and commence business. A Connecticut credit union shall not
1664 commence business until its shares and deposits are insured by the
1665 National Credit Union Administration or its successor agency, and it
1666 has been bonded by a surety company authorized to do business in
1667 this state to the same extent such bonding is required by 12 CFR Part
1668 713, as from time to time amended.

1669 (f) Seven or more individuals may organize a Connecticut credit
1670 union that provides basic services in accordance with this section,
1671 except a Connecticut credit union the membership of which is limited
1672 to persons within a well-defined community, neighborhood or rural
1673 district. In order to expedite the issuance of a certificate of authority,
1674 the [Commissioner of Banking] commissioner shall provide, without
1675 charge, to such organizers: (1) A model business plan for basic
1676 services; (2) policy guidelines concerning shares, lending, investments
1677 and other credit union business activities; and (3) sample letters for
1678 sponsor support, grants and nonmember deposits, where applicable. If
1679 the [Commissioner of Banking] commissioner makes the
1680 determinations required by subsection (d) of this section, the
1681 [Commissioner of Banking] commissioner shall issue a certificate of
1682 authority to engage in the business of a Connecticut credit union, with
1683 the express restriction that such credit union may offer only basic
1684 services. Any credit union organized pursuant to this subsection may
1685 upon the approval of the [Commissioner of Banking] commissioner,
1686 convert to a Connecticut credit union operating without the
1687 restrictions provided in its certificate of authority. A credit union that
1688 proposes to convert shall file with the [Commissioner of Banking]
1689 commissioner a proposed plan of conversion, including a new
1690 business plan, an original certificate of amendment to its certificate of
1691 incorporation and a certificate by the secretary of the converting credit
1692 union that the proposed plan of conversion and proposed certificate of
1693 amendment to its certificate of incorporation have been approved by a
1694 majority of the governing board of the converting credit union. The
1695 [Commissioner of Banking] commissioner shall approve a conversion
1696 under this subsection if the [Commissioner of Banking] commissioner

1697 determines that: (A) The converting credit union has complied with all
1698 applicable provisions of law; (B) the converting credit union has net
1699 worth in the amount required by the [Commissioner of Banking]
1700 commissioner; (C) the converting credit union has received satisfactory
1701 ratings in its most recent safety and soundness examination; and (D)
1702 the proposed conversion will serve the necessity and convenience of
1703 the members of the converting credit union. After receipt of the
1704 [Commissioner of Banking's] commissioner's approval, the converting
1705 credit union shall promptly file such approval and the certificate of
1706 amendment to its certificate of incorporation with the Secretary of the
1707 State. Upon such filing, the converting credit union shall be a
1708 Connecticut credit union subject to all the requirements and limitations
1709 and possessed of all rights, privileges and powers granted to it by its
1710 certificate of incorporation and by the provisions of sections 36a-435a
1711 to 36a-472a, inclusive, and shall be subject to all of the duties, relations,
1712 obligations, trusts and liabilities of a Connecticut credit union. As used
1713 in this section, "basic services" means the issuance of regular shares,
1714 the making of signature loans not exceeding amounts predetermined
1715 by the [Commissioner of Banking] commissioner, the making of
1716 participation loans as a participant in an amount specified by the
1717 [Commissioner of Banking] commissioner, the sale of money orders
1718 and travelers checks, and the issuance and redemption of savings
1719 bonds.

1720 (g) (1) The certificate of incorporation of a Connecticut credit union
1721 may, with the approval of the [Commissioner of Banking]
1722 commissioner, be amended at any time by the adoption at a meeting of
1723 an amendment resolution by two-thirds of the directors of the credit
1724 union. Written notice of such meeting, together with the text of the
1725 proposed amendment shall be given to each director at least seven
1726 days prior to the meeting.

1727 (2) An original certificate of amendment shall be filed with the
1728 [Commissioner of Banking] commissioner. The certificate of
1729 amendment shall set forth: (A) The name of the Connecticut credit
1730 union; (B) the amendment; and (C) a statement of the number of

1731 directors' votes required to take such action and the number of votes
1732 cast in favor of the amendment.

1733 (3) The [Commissioner of Banking] commissioner, upon
1734 determining that the certificate of incorporation, as amended, meets
1735 the requirements of sections 36a-435a to 36a-472a, inclusive, shall
1736 endorse the [Commissioner of Banking's] commissioner's approval
1737 thereon, and return the original certificate of amendment to the
1738 Connecticut credit union. Upon receipt of the certificate of
1739 amendment, the Connecticut credit union shall file the original
1740 certificate of amendment with the Secretary of the State, and such
1741 amendment shall become effective upon filing.

1742 (h) (1) The bylaws of a Connecticut credit union shall specify at least
1743 the following: (A) The name of the credit union; (B) the field of
1744 membership of the credit union and the qualifications for membership;
1745 (C) the par value of shares; (D) the number and terms of directors
1746 including directors emeritus and advisory directors, if applicable, and
1747 procedures for their election; (E) the duties of the members of senior
1748 management; (F) the manner in which a credit committee, credit
1749 manager, loan officer or any combination thereof shall be responsible
1750 for the credit functions of the credit union; (G) the manner of
1751 conducting the annual meeting and the provisions for voting; (H)
1752 conditions for payment on, receipt of or withdrawal of shares and
1753 deposits; and (I) such other matters as the governing board deems
1754 necessary.

1755 (2) The bylaws of a Connecticut credit union may not be amended
1756 without the written approval of the [Commissioner of Banking]
1757 commissioner for a period of three years following issuance by the
1758 [Commissioner of Banking] commissioner of the certificate of authority
1759 to engage in the business of a Connecticut credit union. Thereafter, the
1760 bylaws of a Connecticut credit union may be amended in accordance
1761 with subdivision (3) of this subsection, provided the bylaws comply
1762 with this subdivision, and any such amendment changing the name of
1763 the credit union or the field of membership of the credit union shall

1764 require the written approval of the [Commissioner of Banking]
1765 commissioner in accordance with subdivision (3) of this subsection.
1766 The [Commissioner of Banking's] commissioner's approval shall not be
1767 required to amend the field of membership of a Connecticut credit
1768 union with a multiple common bond membership to add a group of
1769 less than five hundred potential members, excluding members of the
1770 immediate family or household of a potential member.

1771 (3) The bylaws may be amended by the adoption at a meeting of an
1772 amendment resolution by two-thirds of the directors of the credit
1773 union. Written notice of the meeting and text of the proposed
1774 amendment shall be given to each director at least seven days prior to
1775 the meeting. The Connecticut credit union shall file with the
1776 [Commissioner of Banking] commissioner, within ten days after its
1777 adoption, one copy of any proposed amendment on a form provided
1778 by the [Commissioner of Banking] commissioner. In the case of a
1779 proposed amendment requiring the [Commissioner of Banking's]
1780 commissioner's approval, the [Commissioner of Banking]
1781 commissioner shall, within thirty days after such filing, determine
1782 whether such proposed amendment is consistent with the provisions
1783 and purposes of sections 36a-435a to 36a-472a, inclusive. The
1784 [Commissioner of Banking] commissioner, upon determining that such
1785 proposed amendment satisfies the requirements of said sections 36a-
1786 435a to 36a-472a, inclusive, shall endorse the [Commissioner of
1787 Banking's] commissioner's approval on such proposed amendment,
1788 and return one copy thereof to the Connecticut credit union.

1789 (4) Any amendment to the bylaws of a Connecticut credit union
1790 shall become effective when adopted except amendments requiring the
1791 approval of the [Commissioner of Banking] commissioner which shall
1792 become effective upon such approval.

1793 Sec. 48. Section 36a-438a of the general statutes is repealed and the
1794 following is substituted in lieu thereof (*Effective from passage*):

1795 (a) (1) Except as provided in subdivision (2) of this subsection, the
1796 field of membership of a Connecticut credit union is limited to (A) a

1797 single common bond membership, (B) a multiple common bond
1798 membership, or (C) persons within a well-defined community,
1799 neighborhood or rural district.

1800 (2) The field of membership of a Connecticut credit union may
1801 include (A) members of the immediate family or household of all
1802 persons included under subparagraphs (A), (B) and (C) of subdivision
1803 (1) of this subsection, (B) organizers and employees of such credit
1804 union, (C) any advisory director of such credit union, (D) the surviving
1805 spouse of a deceased member of such credit union, and (E)
1806 notwithstanding any change in employment, occupation, residence or
1807 other condition initially controlling the eligibility for membership in
1808 any Connecticut credit union, any person properly admitted to
1809 membership in a Connecticut credit union. Such person may continue
1810 membership therein during such person's lifetime. The field of
1811 membership of a Connecticut credit union under subparagraphs (A)
1812 and (B) of subdivision (1) of this subsection may include associations
1813 and organizations of individuals who are members of such credit
1814 union, partnerships in which the majority of the partners are
1815 individuals who are members of such credit union and, corporations in
1816 which the majority of whose shareholders are individuals who are
1817 members of such credit union.

1818 (b) Notwithstanding the provisions of subsection (a) of this section,
1819 the [Commissioner of Banking] commissioner may authorize a
1820 Connecticut credit union with a multiple common bond membership
1821 to include in its field of membership any person within a well-defined
1822 community, neighborhood or rural district if:

1823 (1) The [Commissioner of Banking] commissioner determines that
1824 the well-defined community, neighborhood or rural district is (A) an
1825 investment area, as defined in Section 103(16) of the Community
1826 Development Banking and Financial Institutions Act of 1994, 12 USC
1827 Section 4702(16), and meets any additional requirements that the
1828 [Commissioner of Banking] commissioner may impose; and (B)
1829 underserved by other depository institutions, as defined in Section

1830 19(b)(1)(A) of the Federal Reserve Act, 12 USC Section 461(b), based on
1831 data of the [Commissioner of Banking] commissioner and federal
1832 supervisory agencies;

1833 (2) The Connecticut credit union establishes and maintains a main
1834 office or branch in the well-defined community, neighborhood or rural
1835 district at which credit union services are available; and

1836 (c) Any Connecticut credit union that is so authorized to expand its
1837 field of membership under subsection (b) of this section continues as a
1838 Connecticut credit union whose field of membership is limited to a
1839 multiple common bond membership.

1840 (d) (1) The [Commissioner of Banking] commissioner may not
1841 approve an amendment to the bylaws of a Connecticut credit union
1842 with a multiple common bond membership to expand its field of
1843 membership to add a group of five hundred or more potential
1844 members, excluding individuals who are potentially eligible as
1845 members of the immediate family or household of a potential member,
1846 or persons within a well-defined community, neighborhood or rural
1847 district, unless the [Commissioner of Banking] commissioner
1848 determines in writing that (A) the Connecticut credit union has not
1849 engaged in any material unsafe or unsound practice during the one-
1850 year period preceding the date on which the proposed amendment is
1851 filed with the [Commissioner of Banking] commissioner, (B) the
1852 Connecticut credit union is adequately capitalized, (C) the Connecticut
1853 credit union has the administrative capability to serve the proposed
1854 membership group and the financial resources to meet the need for
1855 additional staff and assets to serve the new membership group, (D)
1856 any potential harm that the expansion of the field of membership of
1857 the Connecticut credit union may have on any other Connecticut credit
1858 union and its members is clearly outweighed in the public interest by
1859 the probable beneficial effect of the expansion in meeting the
1860 convenience and needs of the members of the group proposed to be
1861 included in the field of membership, and (E) formation of a separate
1862 credit union by the group proposed to be included is not practicable

1863 and consistent with reasonable safety and soundness standards. A
1864 Connecticut credit union whose field of membership is limited to a
1865 single common bond membership or multiple common bond
1866 membership that acquires as potential members persons within a well-
1867 defined community, neighborhood or rural district, other than the
1868 well-defined community, neighborhood or rural district specified in
1869 subdivision (1) of subsection (b) of this section, by merger, expansion
1870 or otherwise, shall become a Connecticut credit union whose field of
1871 membership is limited to persons within a well-defined community,
1872 neighborhood or rural district.

1873 (2) The [Commissioner of Banking] commissioner may withhold or
1874 condition an approval of an amendment to the bylaws sought by a
1875 community credit union, as defined in section 36a-37, under this
1876 subsection pursuant to the provisions of section 36a-37d.

1877 (3) The [Commissioner of Banking] commissioner may approve an
1878 amendment to the bylaws of a Connecticut credit union to change the
1879 field of membership without regard for the common bond whenever
1880 the [Commissioner of Banking] commissioner determines that
1881 continued operation of the Connecticut credit union without the
1882 proposed amendment may result in liquidation or merger of such
1883 credit union.

1884 Sec. 49. Section 36a-440b of the general statutes is repealed and the
1885 following is substituted in lieu thereof (*Effective from passage*):

1886 (a) A Connecticut credit union shall submit a written report to the
1887 [Commissioner of Banking] commissioner annually on February first
1888 and August first and otherwise as often as the [Commissioner of
1889 Banking] commissioner deems necessary. The report shall be in the
1890 form prescribed by the [Commissioner of Banking] commissioner, list
1891 the assets and liabilities of the Connecticut credit union and contain
1892 any other information the [Commissioner of Banking] commissioner
1893 may require. The Connecticut credit union shall also provide the
1894 [Commissioner of Banking] commissioner with such other reports and
1895 information as may be required by the [Commissioner of Banking]

1896 commissioner. Each Connecticut credit union that fails to file any
1897 report or information required by this section shall pay to the
1898 [Commissioner of Banking] commissioner one hundred dollars for
1899 each day that it fails to file such report or information.

1900 (b) A Connecticut credit union shall file with the [Commissioner of
1901 Banking] commissioner, within ten business days after the
1902 organization meeting and after each annual meeting, a list of the
1903 names and addresses of all members of the governing board,
1904 identifying which members are officers, the members of the credit
1905 committee, if applicable, and the members of the supervisory
1906 committee, identifying the chairperson of each such committee. The
1907 Connecticut credit union shall notify the [Commissioner of Banking]
1908 commissioner within ten business days after any changes to the list
1909 which occur therein.

1910 (c) A Connecticut credit union that is required under federal law to
1911 submit a net worth restoration plan to the National Credit Union
1912 Administration or its successor agency shall simultaneously submit a
1913 final signed copy of such plan to the [Commissioner of Banking]
1914 commissioner.

1915 (d) A Connecticut credit union shall establish and maintain records,
1916 accounting systems and procedures which accurately reflect its
1917 operations and which enable the [Commissioner of Banking]
1918 commissioner to readily ascertain the true financial condition of the
1919 credit union and whether such credit union is complying with sections
1920 36a-435a to 36a-472a, inclusive.

1921 (e) A Connecticut credit union shall preserve all of its records in
1922 accordance with regulations adopted by the [Commissioner of
1923 Banking] commissioner pursuant to chapter 54.

1924 Sec. 50. Section 36a-441a of the general statutes is repealed and the
1925 following is substituted in lieu thereof (*Effective from passage*):

1926 (a) A Connecticut credit union shall establish and maintain an

1927 allowance for loan and lease losses account in an amount that
1928 represents the estimated losses on loans and leases. The allowance for
1929 loan and lease losses account requirement shall be computed and
1930 adjusted, through the provision for loan and lease losses account, prior
1931 to the declaration or payment of dividends.

1932 (b) A Connecticut credit union shall contribute from its earnings, as
1933 net worth, the greater of (1) such amounts as may be required by 12
1934 CFR Part 702, as from time to time amended, or (2) amounts in
1935 accordance with the following schedule: (A) In the case of a
1936 Connecticut credit union in existence for more than four years and
1937 having assets of two million dollars or more, ten per cent of its gross
1938 income until its net worth equals four per cent of total assets, then five
1939 per cent of gross income until its net worth equals six per cent of total
1940 assets; and (B) in the case of a Connecticut credit union in existence for
1941 four years or less or a Connecticut credit union having assets of less
1942 than two million dollars, ten per cent of its gross income until its net
1943 worth equals seven and one-half per cent of total assets, then five per
1944 cent of its gross income until its net worth equals ten per cent of total
1945 assets.

1946 (c) The [Commissioner of Banking] commissioner may increase the
1947 net worth requirement of any Connecticut credit union set forth in
1948 subsection (b) of this section when the [Commissioner of Banking]
1949 commissioner deems it necessary to protect the safety and soundness
1950 of such Connecticut credit union.

1951 (d) Whenever the net worth falls below the applicable percentages
1952 of total assets specified in subsection (b) of this section, the Connecticut
1953 credit union shall make regular contributions in such amounts as
1954 specified in subsection (b) of this section as may be needed to maintain
1955 such net worth. Such contributions shall be made prior to the
1956 declaration or payment of dividends.

1957 (e) As used in this section, the term "net worth" means the retained
1958 earnings balance of the Connecticut credit union at the end of each
1959 dividend period, excluding the allowance for loan and lease losses

1960 account and, in the case of a Connecticut credit union designated by
1961 the National Credit Union Administration as a low-income credit
1962 union under 12 CFR 701.34, as from time to time amended, net worth
1963 includes any secondary capital account that is uninsured and
1964 subordinate to all other claims, including claims of creditors,
1965 shareholders and the National Credit Union Share Insurance Fund.
1966 Retained earnings shall consist of undivided earnings, as determined
1967 under generally accepted accounting principles, regular reserves and
1968 other appropriations designated by the [Commissioner of Banking]
1969 commissioner or the National Credit Union Administration, or its
1970 successor agency, or by the governing board of the Connecticut credit
1971 union with the approval of the [Commissioner of Banking]
1972 commissioner.

1973 Sec. 51. Subsection (b) of section 36a-442a of the general statutes is
1974 repealed and the following is substituted in lieu thereof (*Effective from*
1975 *passage*):

1976 (b) Every director, supervisory committee member, credit
1977 committee member if applicable, and every employee of a Connecticut
1978 credit union who has charge or possession of the funds, securities or
1979 other assets of the Connecticut credit union, shall be bonded by a
1980 surety company authorized to do business in this state to the same
1981 extent as such bonding is required by 12 CFR Part 713, as from time to
1982 time amended. Such bond shall be in favor of the Connecticut credit
1983 union. A copy of each such bond and any renewal thereof shall be
1984 promptly filed by the Connecticut credit union with the
1985 [Commissioner of Banking] commissioner.

1986 Sec. 52. Section 36a-448a of the general statutes is repealed and the
1987 following is substituted in lieu thereof (*Effective from passage*):

1988 (a) The governing board of a Connecticut credit union shall be
1989 charged with and have control over the general management of the
1990 operations, funds, committee actions and records of the credit union.
1991 Except to the extent the governing board is otherwise authorized to
1992 delegate such authority or unless such action would be detrimental to

1993 the financial integrity of the Connecticut credit union, the governing
1994 board shall: (1) Establish and adopt written policies necessary to
1995 implement the powers of the credit union, which policies shall be
1996 approved and reviewed on at least an annual basis, including policies
1997 governing: (A) Lending in accordance with sections 36a-457a, 36a-457b
1998 and 36a-458a, (B) investments in accordance with subsection (a) of
1999 section 36a-459a, (C) employment and personnel, (D) funds
2000 management, (E) collections, (F) charge-offs, (G) conditions of
2001 membership, and expulsion of members in accordance with subsection
2002 (b) of section 36a-439a, (H) charitable contributions, and (I) conflicts of
2003 interest in accordance with sections 36a-454b and 36a-458a; (2) make
2004 adequate provision for an allowance for investment losses account in
2005 accordance with generally accepted accounting principles and for an
2006 allowance for a loan and lease losses account in accordance with
2007 generally accepted accounting principles and section 36a-441a; (3)
2008 declare dividends in accordance with sections 36a-441a and 36a-456c;
2009 (4) authorize interest refunds to members; (5) determine the maximum
2010 amount of shares that a member may own; (6) establish different
2011 classes of share accounts, including special purpose accounts, classified
2012 according to different rights and restrictions; (7) appoint and authorize
2013 members of senior management to conduct and supervise the business
2014 of the Connecticut credit union and to approve all usual expenditures
2015 incident to the conduct of the business of the Connecticut credit union;
2016 (8) cause to be obtained and maintained in full force and effect at all
2017 times the bond required by subsection (e) of section 36a-437a, and
2018 subsection (b) of section 36a-442a; (9) approve loans in accordance with
2019 the bylaws of the Connecticut credit union and cause to be prepared
2020 each month and maintained on file in the main office of the
2021 Connecticut credit union a list of all delinquent loans; (10) authorize
2022 any extraordinary expenditures necessary or appropriate for the
2023 conduct of the business of the Connecticut credit union; (11) establish a
2024 supervisory committee and appoint its members and may establish
2025 and appoint members to other committees consistent with its bylaws
2026 to carry out the business of the credit union, which committees shall
2027 keep complete minutes of all actions taken; (12) fill any vacancies that

2028 may arise among the directors, senior management or members of
2029 board-appointed committees, in accordance with this section and in
2030 the manner provided in the bylaws; and (13) exercise such other
2031 authority and perform such other duties as prescribed by sections 36a-
2032 435a to 36a-472a, inclusive, and the bylaws.

2033 (b) The governing board of a Connecticut credit union shall consist
2034 of an odd number of directors, at least five in number. The initial
2035 governing board shall be elected at the organization meeting of the
2036 Connecticut credit union as provided in subsection (e) of section 36a-
2037 437a, and thereafter by the members of the Connecticut credit union at
2038 the annual meeting as provided in section 36a-440a. Any director
2039 elected or appointed to serve on the governing board of a troubled
2040 Connecticut credit union shall be approved by the [Commissioner of
2041 Banking] commissioner prior to any such service. For the purposes of
2042 this subsection, "troubled Connecticut credit union" means any
2043 Connecticut credit union that, in the written opinion of the
2044 [Commissioner of Banking] commissioner is (1) in danger of becoming
2045 insolvent, (2) not likely to be able to meet the demands of its members,
2046 or pay its obligations in the normal course of business or is likely to
2047 incur losses that may deplete all or substantially all of its capital, or (3)
2048 being operated in an unsafe and unsound manner.

2049 (c) Each director shall hold office for the term provided in the
2050 bylaws, except that the term may not exceed three years as long as the
2051 director is qualified to serve under subsection (e) of this section and
2052 until the director's successor has qualified. A director may serve more
2053 than one term. If directors are elected for terms in excess of one year,
2054 their terms of office shall be staggered so that, insofar as possible, an
2055 equal number of such terms shall expire each year.

2056 (d) Each director shall take and subscribe to an oath or affirmation
2057 that the director (1) will diligently and honestly perform the duties of
2058 director in administering the affairs of the Connecticut credit union; (2)
2059 will remain responsible for the performance of the duties of director
2060 even if the director delegates the performance of such duties; and (3)

2061 will not knowingly or wilfully permit the violation of any law or
2062 regulation applicable to credit unions.

2063 (e) No person shall be qualified to serve as a director of a
2064 Connecticut credit union if such person (1) is not a member in good
2065 standing; (2) has been found liable on any claim or convicted of any
2066 offense involving dishonesty or breach of trust; (3) has been removed
2067 by any state or federal regulatory agency from office as a director,
2068 officer or employee of a financial institution; (4) is not eligible for
2069 coverage under the surety bond required by subsection (a) of this
2070 section and section 36a-442a; or (5) has habitually neglected to pay
2071 debts or has become insolvent or bankrupt, unless the governing board
2072 of such credit union determines in writing that it would be in the best
2073 interests of the credit union for such person to be so qualified to serve
2074 as director.

2075 (f) No director of a Connecticut credit union may receive
2076 compensation for services as a member of the governing board and no
2077 member of a board-appointed committee of such Connecticut credit
2078 union shall receive compensation for services as a member of such
2079 committee, except a member of the supervisory committee may be
2080 compensated for the time actually spent performing audits and
2081 verifications.

2082 (g) In accordance with the bylaws of a Connecticut credit union, the
2083 officers of such credit union shall be members of the governing board
2084 who are elected by members of the governing board. The chairperson
2085 and vice chairperson shall not hold more than one office at a time. The
2086 duties of the officers shall be set forth in the bylaws.

2087 (h) (1) The governing board of a Connecticut credit union may fix
2088 the compensation of the employees of such credit union.

2089 (2) The directors, board-appointed committee members and
2090 members of senior management of a Connecticut credit union may be
2091 reimbursed for reasonable and necessary out-of-pocket expenses
2092 actually incurred and paid in the performance of their official duties.

2093 (i) (1) The governing board of a Connecticut credit union shall
2094 remove, by a two-thirds vote of its members at a regular or special
2095 meeting, a director or a board-appointed committee member who fails,
2096 without good cause, to attend three consecutive meetings of the
2097 governing board or committee or one-half of such meetings held
2098 during a calendar year, who is no longer qualified under subsection (e)
2099 of this section, or for any of the causes enumerated and in accordance
2100 with subdivision (2) of this subsection.

2101 (2) The governing board of a Connecticut credit union shall have the
2102 power to suspend at any time, by a two-thirds vote of its members, at a
2103 regular or special meeting, any director or member of a board-
2104 appointed committee for good cause, including, but not limited to, (A)
2105 a violation of any statute, regulation or order applicable to such credit
2106 union; (B) participation in any unsafe or unsound practice in
2107 connection with such credit union; (C) commission of or participation
2108 in a crime which is punishable by imprisonment for a term exceeding
2109 one year under state or federal law, as charged in any information,
2110 indictment or complaint, and if continued service or participation by
2111 such director or member may pose a threat to the interests of members
2112 of such credit union; (D) failure to perform such director's or member's
2113 duties or breach of such director's or member's fiduciary duty; (E) use
2114 of such director's or member's official position in a manner contrary to
2115 the interests of such credit union or its members; and (F) breach of a
2116 written agreement with the [Commissioner of Banking] commissioner.
2117 The suspension shall take effect immediately and the [Commissioner
2118 of Banking] commissioner shall be notified promptly of such
2119 suspension. Within seven business days after the effective date of the
2120 suspension, the governing board shall cause notice to be given to all
2121 members of the Connecticut credit union of a special meeting of
2122 members to be held for the purpose of hearing the report of the
2123 governing board regarding the suspension and voting on removal,
2124 provided such notice shall not be given if the director or member of a
2125 board-appointed committee who is subject to suspension resigns. The
2126 special meeting shall be held no more than twenty-one business days
2127 after the effective date of the suspension. The membership of the

2128 Connecticut credit union shall have, by majority vote, the authority to
2129 accept or reject the report of the governing board. The governing board
2130 shall take any action with respect thereto as the members deem
2131 necessary. If such action involves removal, the credit union shall
2132 promptly notify the [Commissioner of Banking] commissioner of such
2133 removal.

2134 (j) (1) A vacancy on the governing board that exists due to the death,
2135 resignation or removal of a director shall be filled by majority vote of
2136 the remaining directors, regardless of whether the remaining directors
2137 constitute a quorum. A director elected by the governing board to fill a
2138 vacancy shall hold office until the next annual meeting, at which time
2139 the members of the credit union shall vote to fill the remainder of the
2140 unexpired term.

2141 (2) A vacancy on the governing board that exists due to the
2142 expiration of the term of a director shall be filled by the appointment
2143 of a successor director by the secretary unless there are a greater
2144 number of candidates than vacancies to be filled, in which case the
2145 vacancies shall be filled by a vote of the members of the Connecticut
2146 credit union.

2147 (k) (1) If the bylaws so provide, the governing board may appoint
2148 advisory directors to serve at the pleasure of such governing board to
2149 advise and consult with the board in carrying out the board's duties
2150 and responsibilities. An advisory director need not be eligible for
2151 membership in the credit union, shall not be a member of the
2152 governing board, and shall not be entitled to vote on any matter before
2153 the board. An advisory director may participate in any governing
2154 board or committee deliberation, but shall not make any motions.

2155 (2) If the bylaws so provide, the governing board may appoint
2156 directors emeritus to serve at the pleasure of the governing board to
2157 advise and consult with the governing board in carrying out the
2158 board's duties and responsibilities. A director emeritus shall be a
2159 member of the credit union and shall not be an officer of the credit
2160 union, participate in any governing board or committee deliberations,

2161 make motions or vote on any matter before the governing board.

2162 (3) The number of advisory directors and directors emeritus and
2163 their qualifications shall be specified for in the bylaws.

2164 Sec. 53. Section 36a-451a of the general statutes is repealed and the
2165 following is substituted in lieu thereof (*Effective from passage*):

2166 (a) The supervisory committee shall consist of not less than three
2167 members of the Connecticut credit union, none of whom shall
2168 simultaneously serve on the credit committee or as an officer of the
2169 Connecticut credit union or be otherwise regularly employed by such
2170 credit union, and only one of whom shall simultaneously serve as a
2171 director of the Connecticut credit union, and all of whom shall be
2172 annually appointed by the governing board and be members in good
2173 standing. The supervisory committee shall be responsible for ensuring
2174 that members of senior management and directors meet required
2175 financial reporting objectives and establish practices and procedures
2176 sufficient to safeguard members' assets. To meet its responsibilities, the
2177 supervisory committee shall determine whether internal controls are
2178 established and effectively maintained, accounting records and
2179 financial reports are promptly prepared and accurate, relevant plans,
2180 policies and procedures established by the governing board are
2181 properly administered, and the governing board's plans, policies, and
2182 control procedures are sufficient to safeguard against error,
2183 carelessness, conflict of interest, self-dealing and fraud.

2184 (b) The supervisory committee shall have the sole authority to
2185 engage or terminate outside and internal auditors. Upon authorization
2186 of the expenses by the governing board, the supervisory committee
2187 may engage any assistance necessary for the performance of its duties,
2188 including having any audit, examination or verification required by
2189 law, regulation or bylaw. Any agreement between the supervisory
2190 committee and an outside auditor shall be documented by an
2191 engagement letter that specifies the terms, conditions and objectives of
2192 the engagement or statement of agreed upon procedures in accordance
2193 with this subsection. The supervisory committee shall make or cause to

2194 be made a comprehensive annual audit of the books and affairs of the
2195 Connecticut credit union, including its assets, liabilities, capital,
2196 income and expense accounts and the minutes of all governing board
2197 and board-appointed committee meetings. Such audit shall cover the
2198 period elapsed since the last audit. Any compensated outside auditors
2199 performing audits for the supervisory committee shall be independent
2200 of the credit union's employees, members of the governing board,
2201 member of any board-appointed committee, the credit manager and
2202 loan officers and members of the immediate families of any of the
2203 above. The annual audit shall meet the following minimum guidelines:

2204 (1) A Connecticut credit union with total assets of three hundred
2205 million dollars or more shall have an opinion audit of the credit
2206 union's financial statement performed by an independent licensed
2207 public or certified public accountant; and

2208 (2) A Connecticut credit union with total assets of less than three
2209 hundred million dollars shall have:

2210 (A) An opinion audit of its financial statements performed by an
2211 independent licensed public or certified public accountant;

2212 (B) An agreed upon procedures engagement performed by a person
2213 having adequate technical training and proficiency as an auditor
2214 commensurate with the level of sophistication and complexity of the
2215 credit union under audit, provided if such engagement is not
2216 comprehensive, the supervisory committee shall satisfy any remaining
2217 requirements of a comprehensive audit in accordance with this
2218 subsection; or

2219 (C) A comprehensive audit performed by the supervisory
2220 committee or the credit union's internal auditors or the internal auditor
2221 of another financial institution.

2222 (c) The supervisory committee shall perform or cause to be
2223 performed a verification of members' accounts at least once every two
2224 years through:

- 2225 (1) Verification of share and loan accounts of all members;
- 2226 (2) Statistical sampling of member share and loan accounts done in
2227 connection with an opinion audit of the financial statements
2228 performed by an independent licensed public or certified public
2229 accountant; or
- 2230 (3) A statistical sampling method that results in a random selection
2231 that is representative of the membership.
- 2232 (d) The supervisory committee shall make any additional audits and
2233 supplemental verifications and examinations of the affairs of the
2234 Connecticut credit union that it deems appropriate, or that the
2235 governing board or [Commissioner of Banking] commissioner
2236 requires.
- 2237 (e) Promptly following the completion of an audit or other
2238 verification or examination, the supervisory committee shall (1) file a
2239 written report at the main office of the Connecticut credit union; (2)
2240 present the report to the governing board at its next meeting, and a
2241 summary thereof to the members at the next annual meeting or if the
2242 audit was not performed by the supervisory committee, the outside
2243 auditor shall present the report or summary thereof; and (3) file a copy
2244 of the written report with the [Commissioner of Banking]
2245 commissioner.
- 2246 (f) The supervisory committee shall provide related working papers,
2247 policies and procedures concerning the annual audit, internal audit,
2248 examination and verification to the [Commissioner of Banking]
2249 commissioner, upon the [Commissioner of Banking's] commissioner's
2250 request, and shall require any independent licensed or certified public
2251 accountant, internal auditor or any other auditor to provide such
2252 related working papers, policies and procedures concerning the annual
2253 audit, internal audit, examination and verification to the
2254 [Commissioner of Banking] commissioner, upon the [Commissioner of
2255 Banking's] commissioner's request. The governing board shall require
2256 that the auditor submit to such board a signed report of the audit or

2257 examination showing the condition of the Connecticut credit union
2258 within a reasonable period of time from the effective date of the audit
2259 or examination.

2260 (g) At any time that the supervisory committee discovers any
2261 operating practices of the Connecticut credit union that it deems
2262 unsafe which have not been corrected by the governing board, the
2263 supervisory committee shall give notice to all credit union members of
2264 a special meeting of members to be held for the purpose of receiving
2265 the report of the supervisory committee of such operating practices.
2266 The membership of the Connecticut credit union shall have, by
2267 majority vote, the authority to accept or reject the report of the
2268 supervisory committee. The supervisory committee shall take any
2269 action the members deem necessary.

2270 (h) The supervisory committee shall meet as often as necessary and
2271 at least annually and shall keep complete minutes of all of its meetings,
2272 including the names of those members present.

2273 (i) The supervisory committee shall have the power to suspend at
2274 any time, by a two-thirds vote of its members at a meeting called for
2275 that purpose, any director or employee of the Connecticut credit union
2276 or any member of a board-appointed committee for cause. The
2277 suspension shall take effect immediately and the [Commissioner of
2278 Banking] commissioner shall be notified promptly of such suspension.
2279 Not later than seven business days after the effective date of the
2280 suspension, the supervisory committee shall cause notice to be given to
2281 all members of the Connecticut credit union of a special meeting of
2282 members to be held for the purpose of hearing the report of the
2283 supervisory committee regarding the suspension and voting on
2284 removal, provided such notice shall not be given if the director,
2285 employee or member of a board-appointed committee who is subject
2286 to suspension resigns. The special meeting shall be held no more than
2287 twenty-one business days after the date of suspension. The
2288 membership of the Connecticut credit union shall have, by majority
2289 vote, the authority to accept or reject the report of the supervisory

2290 committee. The supervisory committee shall take any action with
2291 respect thereto as the members deem necessary. If such action involves
2292 removal, the credit union shall promptly notify the [Commissioner of
2293 Banking] commissioner of such removal.

2294 Sec. 54. Subsection (b) of section 36a-454a of the general statutes is
2295 repealed and the following is substituted in lieu thereof (*Effective from*
2296 *passage*):

2297 (b) A Connecticut credit union may, with the approval of a majority
2298 of the governing board, provide personal liability or indemnity
2299 insurance coverage for its directors, credit committee members and
2300 supervisory committee members. With the approval of the
2301 [Commissioner of Banking] commissioner, a Connecticut credit union
2302 may also provide reasonable health, accident and related types of
2303 personal insurance for its directors, other than its emeritus directors
2304 and advisory directors, which insurance shall not be considered
2305 compensation.

2306 Sec. 55. Subsection (j) of section 36a-454b of the general statutes is
2307 repealed and the following is substituted in lieu thereof (*Effective from*
2308 *passage*):

2309 (j) With the approval of the [Commissioner of Banking]
2310 commissioner, a Connecticut credit union may have as an employee or
2311 director a person who serves as an officer, employee or director of any
2312 other financial institution.

2313 Sec. 56. Section 36a-455a of the general statutes is repealed and the
2314 following is substituted in lieu thereof (*Effective from passage*):

2315 A Connecticut credit union may:

2316 (1) Transact a general credit union business and exercise by its
2317 governing board or duly authorized members of senior management,
2318 subject to applicable law, all such incidental powers as are consistent
2319 with its purposes. The express powers authorized for a Connecticut
2320 credit union under this section do not preclude the existence of

2321 additional powers deemed to be incidental to the transaction of a
2322 general credit union business pursuant to this subdivision;

2323 (2) (A) Issue shares to its members and receive payments on shares
2324 from its members and from those nonmembers specified in subsection
2325 (e) of section 36a-456a, subject to the provisions of sections 36a-290 to
2326 36a-297, inclusive, 36a-330 to 36a-338, inclusive, and section 36a-456a,
2327 (B) receive deposits of members and nonmembers subject to provisions
2328 of sections 36a-456a and 36a-456b, (C) reduce the amount of its
2329 member and nonmember shares and deposits, and (D) expel members
2330 and cancel shares in accordance with section 36a-439a;

2331 (3) Make and use its best efforts to make secured and unsecured
2332 extensions of credit to its members in accordance with section 36a-265
2333 and sections 36a-457a, 36a-457b and 36a-458a;

2334 (4) Invest its funds in accordance with section 36a-459a;

2335 (5) Declare and pay dividends in accordance with sections 36a-441a
2336 and 36a-456c, and pay interest refunds to borrowers;

2337 (6) Act as a finder or agent for the sale of insurance and fixed and
2338 variable rate annuities directly, sell insurance and such annuities
2339 indirectly through a Connecticut credit union service organization, or
2340 enter into arrangements with third-party marketing organizations for
2341 the sale by such third-party marketing organizations of insurance or
2342 such annuities on the premises of the Connecticut credit union or to
2343 members of the Connecticut credit union, provided: (A) Such
2344 insurance and annuities are issued or purchased by or from an
2345 insurance company licensed in accordance with section 38a-41; and (B)
2346 the Connecticut credit union, Connecticut credit union service
2347 organization or third-party marketing organization, and any officer
2348 and employee thereof, shall be licensed as required by section 38a-769
2349 before engaging in any of the activities authorized by this subdivision.
2350 As used in this subdivision, "annuities" and "insurance" have the same
2351 meanings as set forth in section 38a-41, except that "insurance" does
2352 not include title insurance. The provisions of this subdivision do not

2353 authorize a Connecticut credit union or Connecticut credit union
2354 service organization to underwrite insurance or annuities;

2355 (7) Borrow money to an amount not exceeding fifty per cent of the
2356 total assets of the Connecticut credit union provided the credit union
2357 shall give prior notice to the [Commissioner of Banking] commissioner
2358 in writing of its intention to borrow amounts in excess of thirty-five
2359 per cent of its total assets;

2360 (8) Act as fiscal agent for the federal government, this state or any
2361 agency or political subdivision thereof;

2362 (9) Provide loan processing, loan servicing, member check and
2363 money order cashing services, disbursement of share withdrawals and
2364 loan proceeds, money orders, internal audits, automated teller
2365 machine services and other similar services to other Connecticut credit
2366 unions, federal credit unions and out-of-state credit unions;

2367 (10) Provide finder services to its members, including the offering of
2368 third party products and services through the sale of advertising space
2369 on its web site, account statements and receipts, and the sale of
2370 statistical or consumer financial information to outside vendors in
2371 accordance with sections 36a-40 to 36a-45, inclusive, in order to
2372 facilitate the sale of such products to the members of such Connecticut
2373 credit union;

2374 (11) With the prior approval of the [Commissioner of Banking]
2375 commissioner, exercise fiduciary powers;

2376 (12) Maintain and rent safe deposit boxes within suitably
2377 constructed vaults, provided the Connecticut credit union has
2378 adequate insurance coverage for losses related to such rental;

2379 (13) Provide certification services, including notary services,
2380 signature guaranties, certification of electronic signatures and share
2381 draft certifications;

2382 (14) Act as agent (A) in the collection of taxes for any qualified

2383 treasurer of any taxing district or qualified collector of taxes, or (B) for
2384 any electric, electric distribution, gas, water or telephone company
2385 operating within this state in receiving moneys due such company for
2386 utility services furnished by it;

2387 (15) Issue and sell securities which (A) are guaranteed by the
2388 Federal National Mortgage Association or any other agency or
2389 instrumentality authorized by state or federal law to create a
2390 secondary market with respect to extensions of credit of the type
2391 originated by the Connecticut credit union, or (B) subject to the
2392 approval of the [Commissioner of Banking] commissioner, relate to
2393 extensions of credit originated by the Connecticut credit union and are
2394 guaranteed or insured by a financial guaranty insurance company or
2395 comparable private entity;

2396 (16) Establish a charitable fund, either in the form of a charitable
2397 trust or a nonprofit corporation to assist in making charitable
2398 contributions, provided (A) the trust or nonprofit corporation is
2399 exempt from federal income taxation and may accept charitable
2400 contributions under Section 501 of the Internal Revenue Code of 1986,
2401 or any subsequent corresponding internal revenue code of the United
2402 States, as from time to time amended, (B) the trust or nonprofit
2403 corporation's operations are disclosed fully to the [Commissioner of
2404 Banking] commissioner upon request, and (C) the trust department of
2405 the credit union or one or more directors or members of senior
2406 management of the credit union act as trustees or directors of the fund;

2407 (17) In the discretion of a majority of its governing board, make
2408 contributions or gifts to or for the use of any corporation, trust or
2409 community chest, fund or foundation created or organized under the
2410 laws of the United States or of this state and organized and operated
2411 exclusively for charitable, educational or public welfare purposes, or of
2412 any hospital which is located in this state and which is exempt from
2413 federal income taxes and to which contributions are deductible under
2414 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent
2415 corresponding internal revenue code of the United States, as from time

2416 to time amended;

2417 (18) Sell, pledge or assign any or all of its outstanding extensions of
2418 credit to any other lending institution, credit union service
2419 organization or quasi-governmental entity and any government-
2420 sponsored enterprise, and act as collecting, remitting and servicing
2421 agent in connection with any such extension of credit and charge for its
2422 acts as agent. Any such credit union may purchase the minimum
2423 amount of capital stock of such entity or enterprise if required by that
2424 entity or enterprise to be purchased in connection with the sale, pledge
2425 or assignment of extensions of credit to that entity or enterprise and
2426 may hold and dispose of such stock, provided that with respect to
2427 purchases of stock of a credit union service organization, the
2428 Connecticut credit union shall not exceed the limitations of section 36a-
2429 459a. A Connecticut credit union may purchase one or more
2430 outstanding extensions of credit from any other lending institution and
2431 any federally-recognized Native American tribe, provided there exists
2432 a formal written agreement with tribal government to permit the credit
2433 union to service and collect on such extensions of credit;

2434 (19) Sell a participating interest in any or all of its outstanding
2435 extensions of credit to and purchase a participating interest in any or
2436 all of the outstanding extensions of credit of any financial institution or
2437 credit union service organization pursuant to an appropriate written
2438 participation and servicing agreement to be signed by all parties
2439 involved in such transaction;

2440 (20) With the approval of the [Commissioner of Banking]
2441 commissioner, join the Federal Home Loan Bank System and borrow
2442 funds as provided under federal law;

2443 (21) Sell all or part of its assets, other than extensions of credit, to
2444 other lending institutions, purchase all or part of the assets, other than
2445 extensions of credit, of other lending institutions, and assume all or
2446 part of the shares and the liabilities of any other credit union or out-of-
2447 state credit union;

2448 (22) With the prior written approval of the [Commissioner of
2449 Banking] commissioner, engage in closely related activities, unless the
2450 [Commissioner of Banking] commissioner determines that any such
2451 activity shall be conducted by a credit union service organization of
2452 the Connecticut credit union, utilizing such organizational, structural
2453 or other safeguards as the [Commissioner of Banking] commissioner
2454 may require, in order to protect the Connecticut credit union from
2455 exposure to loss. As used in this subdivision, "closely related activities"
2456 means those activities that are closely related, convenient and
2457 necessary to the business of a Connecticut credit union, are reasonably
2458 related to the operation of a Connecticut credit union or are financial in
2459 nature including, but not limited to, business and professional
2460 services, data processing, courier and messenger services, credit-
2461 related activities, consumer services, services related to real estate,
2462 financial consulting, tax planning and preparation, community
2463 development activities, or any activities reasonably related to such
2464 activities;

2465 (23) With the approval of the [Commissioner of Banking]
2466 commissioner, engage in any activity that a federal credit union or out-
2467 of-state credit union may be authorized to engage in under state or
2468 federal law. The application for such approval shall be in writing and
2469 shall include a description of the activity, a description of the financial
2470 impact of the activity on the Connecticut credit union, citation of the
2471 legal authority to engage in the activity under state or federal law, a
2472 description of any limitations or restrictions imposed on such activity
2473 under state or federal law, and any other information that the
2474 [Commissioner of Banking] commissioner may require. The
2475 [Commissioner of Banking] commissioner shall approve or disapprove
2476 such activity not later than thirty days after the application filed is
2477 complete. The [Commissioner of Banking] commissioner may impose
2478 any limitations or conditions to ensure that any such activity is
2479 conducted in a safe and sound manner with adequate consumer
2480 protections. The provisions of this subdivision do not authorize a
2481 Connecticut credit union or a Connecticut credit union service
2482 organization to sell title insurance.

2483 Sec. 57. Section 36a-456a of the general statutes is repealed and the
2484 following is substituted in lieu thereof (*Effective from passage*):

2485 (a) The par value of shares of a Connecticut credit union shall be
2486 five dollars or any multiple thereof, provided such par value shall not
2487 exceed one hundred dollars.

2488 (b) A Connecticut credit union may receive payments on shares and
2489 permit withdrawals of payments on shares with the exception of
2490 membership shares in accordance with such credit union's bylaws and
2491 the Deposit Account Contract Act, sections 36a-315 to 36a-323,
2492 inclusive, except that the governing board may require members to
2493 give sixty days' notice of intention to withdraw the whole or any part
2494 of their shares or payments on shares, including membership shares.

2495 (c) A Connecticut credit union may, with the written approval of the
2496 [Commissioner of Banking] commissioner and subject to applicable
2497 restrictions of state and federal law, receive from members payments
2498 on shares that qualify as part of a retirement plan for self-employed
2499 individuals or an individual retirement account in accordance with the
2500 applicable provisions of the Internal Revenue Code of 1986, or any
2501 subsequent corresponding internal revenue code of the United States,
2502 as from time to time amended. Such payments on shares shall be
2503 established in a separate account from the shares of the member, and
2504 shall not be subject to pledge to secure extensions of credit by the
2505 Connecticut credit union to the member or be available for set-off by
2506 the Connecticut credit union if the member defaults on an extension of
2507 credit. Such shares shall be treated as under separate ownership for
2508 purposes of applying any limit imposed by the governing board
2509 pursuant to its authority under subdivision (5) of subsection (a) of
2510 section 36a-448a, on the maximum amount of shares owned by a
2511 member. Otherwise, such shares are subject to all of the provisions of
2512 this chapter relating to shares.

2513 (d) A Connecticut credit union may receive payments on shares
2514 which the member agrees in writing not to withdraw within the time
2515 period specified in the agreement.

2516 (e) A Connecticut credit union may receive payments from a
2517 nonmember who is (1) an individual, into a share account held jointly
2518 with a member of the Connecticut credit union, which share account is
2519 subject to the provisions of section 36a-290; (2) the United States, this
2520 state or any municipality or other political subdivision thereof; (3) a
2521 federally-recognized Native American tribal government located in
2522 this state; or (4) another Connecticut credit union, federal credit union
2523 or out-of-state credit union.

2524 (f) A Connecticut credit union that has received a low-income
2525 designation from the National Credit Union Administration, or its
2526 successor agency, under 12 CFR 701.34, as from time to time amended,
2527 may offer secondary capital accounts to any person other than an
2528 individual, subject to the requirements and conditions imposed on
2529 federally-chartered, low-income designated credit unions under 12
2530 CFR 701.34, as from time to time amended.

2531 (g) A Connecticut credit union shall maintain in full force and effect
2532 share insurance as required under the Federal Credit Union Act. Any
2533 Connecticut credit union that fails to maintain in full force and effect
2534 such share insurance shall terminate its corporate existence under such
2535 terms and conditions as the [Commissioner of Banking] commissioner
2536 deems appropriate.

2537 (h) A Connecticut credit union may obtain from an insurance
2538 company licensed and qualified to do business in this state share
2539 insurance coverage that exceeds the maximum allowable under the
2540 Federal Credit Union Act.

2541 (i) Without being required to take any action to attach or perfect a
2542 lien, a Connecticut credit union shall have and may impress and
2543 enforce a lien on the shares of each member to secure the payment of
2544 all absolute and contingent liabilities of such member to the
2545 Connecticut credit union.

2546 Sec. 58. Section 36a-456c of the general statutes is repealed and the
2547 following is substituted in lieu thereof (*Effective from passage*):

2548 The governing board of a Connecticut credit union, or the executive
2549 committee or senior management if so delegated by the governing
2550 board, may declare and pay dividends on partial or full shares from
2551 current or accumulated net earnings, provided such credit union shall
2552 meet its net worth requirements, provide for accrued and unpaid
2553 expenses and adequately fund the allowance for loan and lease losses
2554 account. A Connecticut credit union may not declare or pay dividends
2555 if it is insolvent or if its net assets are less than stated capital or if the
2556 payment of dividends would render such credit union insolvent or
2557 reduce its net assets below stated capital. The [Commissioner of
2558 Banking] commissioner may restrict the payment of dividends
2559 whenever it appears that such payment would adversely affect the
2560 financial condition of a Connecticut credit union.

2561 Sec. 59. Subsection (a) of section 36a-457a of the general statutes is
2562 repealed and the following is substituted in lieu thereof (*Effective from*
2563 *passage*):

2564 (a) A Connecticut credit union shall adopt and implement a written
2565 loan policy that requires written applications for all extensions of
2566 credit, and addresses the categories and types of secured and
2567 unsecured extensions of credit offered by the credit union, the manner
2568 in which mortgage loans, member business loans and insider loans
2569 will be made and approved, underwriting guidelines and collateral
2570 requirements, and which addresses, in accordance with safety and
2571 soundness, acceptable standards for title review, title insurance and
2572 appraiser qualifications, procedures for the approval and selection of
2573 appraisers, appraisal and evaluation standards, and the credit union's
2574 administration of the appraisal and evaluation process. The
2575 [Commissioner of Banking] commissioner may review a Connecticut
2576 credit union's loan policy and may order changes to be made to ensure
2577 safe and sound lending practices.

2578 Sec. 60. Section 36a-457b of the general statutes is repealed and the
2579 following is substituted in lieu thereof (*Effective from passage*):

2580 (a) Subject to the requirements of this section, a Connecticut credit

2581 union may make one or more mortgage loans to its members. As used
2582 in this section, the term "mortgage loan" means a closed-end loan or
2583 line of credit secured wholly or substantially by a lien on or interest in
2584 real estate, including a leasehold interest, and which is secured by a
2585 one-to-four family residence that is the primary residence of a member
2586 or by any other real estate provided the aggregate of the loans made by
2587 the credit union to such mortgagor that are secured by such other real
2588 estate do not exceed fifty thousand dollars. As used in this section and
2589 section 36a-458a, the term "real estate" includes land and any structure
2590 and other improvement or equipment that is permanently attached to
2591 such land or structure. The term "mortgage loan" shall not include a
2592 member business loan, as defined in section 36a-458a.

2593 (b) A satisfactory certificate of title issued by a qualified person
2594 approved by the Connecticut credit union, or a satisfactory policy of
2595 title insurance, shall be filed with the lending Connecticut credit union
2596 until the mortgage loan is paid or sold.

2597 (c) The real estate shall be appraised or otherwise suitably evaluated
2598 before any mortgage loan is made on its security, by one or more
2599 suitable persons who are familiar with real estate values in the
2600 community where the real estate is located. Such persons shall be
2601 approved by the governing board of the Connecticut credit union
2602 making the loan, or any board-appointed committee or person
2603 appropriately designated by such governing board in accordance with
2604 the loan and insider policies of the Connecticut credit union, provided
2605 if the loan under consideration is a loan to be insured or guaranteed by
2606 a governmental agency, the appraiser may be one who appraised the
2607 real estate for the governmental agency. Such appraisal or evaluation
2608 shall be in writing, state the amount at which the real estate has been
2609 appraised or evaluated and be filed with the lending Connecticut
2610 credit union until the loan is paid or sold.

2611 (d) For the purposes of this subsection, the net equity value of real
2612 estate is the appraised value determined pursuant to this subsection,
2613 reduced by the value of any prior liens or encumbrances with the

2614 exception of leases, easements and reservations to the United States of
2615 fissionable materials. A mortgage loan made by a Connecticut credit
2616 union may not exceed in amount ninety per cent of the net equity
2617 value of the real estate except:

2618 (1) Loans guaranteed or insured by the United States government or
2619 its agencies, provided the amount of the guaranty or insurance is at
2620 least equal to the portion of the loan that exceeds the loan-to-value
2621 limit;

2622 (2) Loans backed by the full faith and credit of a state government,
2623 provided the amount of the assurance is at least equal to the portion of
2624 the loan that exceeds the loan-to-value limit;

2625 (3) Loans guaranteed or insured by a state, municipal or local
2626 government, or its agency, provided (A) the amount of the guaranty or
2627 insurance is at least equal to the portion of the loan that exceeds the
2628 loan-to-value limit, and (B) the Connecticut credit union has
2629 determined that the guarantor or insurer has the financial capacity and
2630 willingness to perform under the terms of the guaranty or insurance
2631 agreement;

2632 (4) Loans that are renewed, refinanced or restructured without the
2633 advancement of new funds or an increase in a line of credit, except for
2634 reasonable closing costs;

2635 (5) Loans that are renewed, refinanced or restructured in connection
2636 with workout situations involving existing loans from the Connecticut
2637 credit union to its members, either with or without the advancement of
2638 new funds, where such action is consistent with safe and sound
2639 lending practices and is a part of a clearly defined and well
2640 documented program to achieve orderly liquidation of the debt,
2641 reduce risk of loss or maximize recovery of the loan;

2642 (6) Loans that facilitate the sale of real estate acquired by the
2643 Connecticut credit union in the ordinary course of collecting a debt
2644 previously contracted in good faith; and

2645 (7) Loans where all or part of such loan is made in primary reliance
2646 upon the mortgage insurance policy of a private mortgage guaranty
2647 company, licensed by the Insurance Commissioner to do business in
2648 this state and approved by the [Commissioner of Banking]
2649 commissioner.

2650 (e) A mortgage loan made by a Connecticut credit union secured by
2651 a first lien or interest shall have a maturity not exceeding forty-two
2652 years from the date of its making, and a mortgage loan to finance a
2653 manufactured home or secured by a subordinate lien shall have a
2654 maturity not exceeding twenty years from the date of its making. For
2655 purposes of this subsection, the term "manufactured home" means a
2656 movable dwelling containing living facilities suitable for year-round
2657 occupancy by one family, including permanent provision for eating,
2658 sleeping, cooling and sanitation, provided such dwelling is to be
2659 maintained as a residence of the purchaser and will, within ninety
2660 days after purchase, be located at a manufactured housing community
2661 or other semipermanent site within this state.

2662 (f) A mortgage loan made by a Connecticut credit union shall
2663 require repayment of principal and payment of interest in at least
2664 consecutive semiannual installments of principal and interest, such
2665 payments to be sufficient to pay the loan in full not later than forty-two
2666 years from the date of the first payment and the first payment to be
2667 made within twenty-four months from the date of the note. The
2668 requirements for semiannual principal payments pursuant to this
2669 subsection are not applicable to: (1) Consumer revolving loan
2670 agreements made pursuant to subsection (c) of section 49-2, (2)
2671 alternative mortgage loans made pursuant to section 36a-265, (3) loans
2672 that may be demanded at any time and that are secured by residential
2673 real estate, and (4) any other loan or class of loans determined by the
2674 [Commissioner of Banking] commissioner not to be subject to such
2675 requirements.

2676 (g) A Connecticut credit union may make a mortgage loan secured
2677 by a first lien or interest for the construction or repair of buildings or

2678 other improvements on the property of the borrower, which loan may
2679 be made in installments advanced at the discretion of the credit union
2680 as the work progresses, provided at no time shall the ratio of the
2681 amount loaned to the then total value exceed fifty per cent or the ratio
2682 the final loan is to bear to the value of the completed real estate,
2683 whichever is the greater. Loans made to finance the construction of
2684 buildings and having a maturity of not more than twenty-four months
2685 or having a maturity of not more than thirty-six months, if approved
2686 by the [Commissioner of Banking] commissioner, are not subject to the
2687 limitations imposed by subsection (f) of this section.

2688 (h) Attorneys' fees in connection with any mortgage loan made by a
2689 Connecticut credit union, including preparation of the mortgage deed
2690 and note, title search, waivers and closing fees or recording fees, shall
2691 be paid by the borrower unless otherwise determined by the credit
2692 union.

2693 (i) A Connecticut credit union may make and invest in any
2694 mortgage loan, including construction and improvement loans,
2695 insured by the Federal Housing Administration without regard to the
2696 limitations and restrictions of this section, except that such loans are
2697 subject to the following limitations: (1) In the case of loans secured by a
2698 first mortgage on real estate, the contract of insurance shall contain a
2699 provision that the debentures to be issued by the Federal Housing
2700 Administration in settlement of such insurance, in the event of the
2701 foreclosure or default of any such loan or mortgage, shall be fully
2702 guaranteed as to payment of principal and interest by the government
2703 of the United States, (2) if the credit union has a commitment for such
2704 insurance, issued by the Federal Housing Administration, it may grant
2705 a loan to a borrower for the purpose of building upon or improving
2706 the real estate of the borrower, the money so borrowed to be advanced
2707 at the discretion of the credit union in installments as the work
2708 progresses, provided the total of all advances made does not exceed
2709 eighty per cent of the value of the real estate on the date of each
2710 advance or the proportion that the final loan is to bear to the final
2711 estimated value of the real estate, whichever is the greater, except that

2712 the final advance may be in such an amount that the total of all
2713 advances made may equal but not exceed the amount of such
2714 commitment. The final advance shall not be made until the buildings
2715 or improvements have been inspected and approved by the Federal
2716 Housing Administration for an insured loan.

2717 (j) Without regard to the limitations and restrictions of this section, a
2718 Connecticut credit union may make and invest in any mortgage loan
2719 which the Administrator of Veterans' Affairs guarantees, makes a
2720 commitment to guarantee or insures.

2721 (k) A Connecticut credit union may make a mortgage loan secured
2722 by a leasehold interest, provided the leasehold estate has a term which
2723 does not expire prior to the maturity of the mortgage loan. The term of
2724 the leasehold estate shall not include any period for which the lease
2725 may grant an option of renewal.

2726 (l) A Connecticut credit union may invest its funds in mortgage
2727 loans which do not conform to the requirements of this section,
2728 provided the governing board or a board-appointed committee has
2729 reviewed the nonconforming aspects of the particular mortgage loan
2730 or mortgage loan program and has determined such loan or program
2731 to be prudent under the circumstances and all such mortgage loans
2732 outstanding at the time of origination do not exceed eight per cent of
2733 the total assets of the Connecticut credit union. The Connecticut credit
2734 union shall make a notation of the determination of whether such loan
2735 or program is prudent and the reasons for such determination in the
2736 applicable loan file. A loan which was included within the percentage
2737 of total assets limitation of this subsection subsequently may be
2738 excluded if the loan is repaid or if the nonconforming aspects are
2739 eliminated or otherwise cease to exist.

2740 Sec. 61. Section 36a-458a of the general statutes is repealed and the
2741 following is substituted in lieu thereof (*Effective from passage*):

2742 (a) As used in this section:

2743 (1) "Associated member" means any member with a shared
2744 ownership, investment or other pecuniary interest in a business or
2745 commercial endeavor with the borrower.

2746 (2) "Construction loan" means a loan for developing or acquiring
2747 and developing real estate, as defined in subsection (a) of section 36a-
2748 457b, where the borrower intends to convert such real estate to
2749 income-producing property or use such real estate for income-
2750 producing purposes, including residential housing for rental or sale, or
2751 commercial, industrial or similar purposes.

2752 (3) "Member business loan" means any loan, line of credit or
2753 unfunded commitment thereof, letter of credit or any other extension
2754 of credit, where the borrower intends to use or uses the proceeds for
2755 any of the following purposes: (A) Commercial; (B) corporate; (C)
2756 investment property; (D) business venture; or (E) agricultural, but does
2757 not include the following loans:

2758 (i) A loan fully secured by a lien on a one-to-four family residence
2759 that is the primary residence of the member;

2760 (ii) A loan fully secured by shares in the credit union making the
2761 loan or by shares or deposits in other financial institutions;

2762 (iii) One or more loans to a member or an associated member where
2763 the proceeds are to be used or are used for the purposes specified in
2764 this subdivision to benefit a common endeavor and which, in the
2765 aggregate, are equal to less than fifty thousand dollars;

2766 (iv) A loan where any agency of the federal government, a state or
2767 any political subdivision of such state, fully insures or guarantees
2768 repayment, or provides an advance commitment to purchase the loan
2769 in full; or

2770 (v) A loan granted by the corporate Connecticut credit union to a
2771 Connecticut credit union, federal credit union or out-of-state credit
2772 union.

2773 (4) "Net worth" means retained earnings under generally accepted
2774 accounting principles.

2775 (5) "Net outstanding member business loan balance" means the
2776 outstanding loan balance, including any unfunded commitment,
2777 exclusive of the portion of the member business loan secured by shares
2778 in the credit union, or by shares or deposits in other financial
2779 institutions, or fully or partially insured or guaranteed by any agency
2780 of the federal government, a state or any political subdivision of such
2781 state, or subject to an advance commitment to purchase by any agency
2782 of the federal government, a state or any political subdivision of such
2783 state.

2784 (b) No Connecticut credit union shall make a member business loan
2785 unless it has adequate net worth as determined by the [Commissioner
2786 of Banking] commissioner, develops a member business loan program
2787 and obtains the prior written approval of the [Commissioner of
2788 Banking] commissioner for such program. The request for approval of
2789 such program shall include a member business loan policy that meets
2790 the requirements of subsection (c) of this section and shall demonstrate
2791 that sufficient resources, knowledge, systems and procedures are in
2792 place to monitor and control the risks involved. A Connecticut credit
2793 union that makes member business loans shall use the services of or
2794 employ an individual for the purpose of processing, making or
2795 servicing member business loans with at least two years direct
2796 experience with the types or categories of member business loans the
2797 credit union intends to make.

2798 (c) The governing board of a Connecticut credit union shall adopt a
2799 specific member business loan policy that shall be a part of the credit
2800 union's loan policy. Such policy shall be reviewed at least annually or
2801 more often if deemed necessary by the governing board and shall
2802 address:

2803 (1) The categories or types of member business loans that will be
2804 made;

- 2805 (2) The trade area;
- 2806 (3) The maximum amount of assets, in relation to net worth, that
2807 will be invested in member business lending subject to the limitations
2808 provided in subsection (h) of this section;
- 2809 (4) The maximum amount of assets, in relation to net worth, that
2810 will be invested in a given category or type of member business loan
2811 subject to the limitations provided in subdivision (2) of subsection (f)
2812 of this section and subsection (i) of this section;
- 2813 (5) The maximum amount of assets, in relation to net worth, that
2814 will be loaned to one member or associated members, subject to the
2815 limitations provided in subdivision (2) of subsection (f) of this section
2816 and subsection (g) of this section;
- 2817 (6) The qualifications and experience of the individuals responsible
2818 for processing, approving or administering member business loans;
- 2819 (7) The required analysis and documentation of the ability of the
2820 borrower to repay the member business loan by the individuals
2821 responsible for processing, approving or administering;
- 2822 (8) The receipt and periodic updating of financial statements and
2823 other documentation, including tax returns;
- 2824 (9) The documentation required in support of each loan application,
2825 which shall include the following: (A) Balance sheet, (B) cash flow
2826 analysis, (C) income statement, (D) tax data, (E) analysis of leveraging,
2827 and (F) comparison with industry average or similar analysis. If the
2828 member business loan is secured by a mortgage on income-producing
2829 real estate and if the Connecticut credit union relies upon such real
2830 estate or income production as primary security for the loan, the credit
2831 union shall also obtain and retain in its files such income projection
2832 statements, tenants' financial statements and other credit information
2833 as the credit union deems necessary. The governing board may amend
2834 the member business loan policy to eliminate the requirement for any
2835 documentation that the governing board determines is not generally

2836 available for a particular type of member business loan provided the
2837 reasons for such determination are stated in such amendment;

2838 (10) The collateral requirements which shall include: (A) Loan-to-
2839 value ratios, (B) determination of value, (C) determination of
2840 ownership, (D) steps to secure various types of collateral, and (E)
2841 frequency of re-evaluation of value and marketability of collateral;

2842 (11) The interest rates and maturities of member business loans;

2843 (12) General member business loan procedures which shall include:
2844 (A) Loan monitoring, (B) servicing and administering, and (C)
2845 collection; and

2846 (13) Guidelines for purchase and sale of member business loans and
2847 loan participation if the credit union intends to engage in such activity.

2848 (d) A Connecticut credit union shall not grant a member business
2849 loan if any additional income received by such credit union or a
2850 member of the senior management is tied to the profit or sale of the
2851 business or commercial endeavor for which the loan is made.

2852 (e) Member business loans made to an insider are subject to the
2853 provisions of section 36a-454b.

2854 (f) A Connecticut credit union may make unsecured member
2855 business loans provided:

2856 (1) The aggregate of unsecured net outstanding member business
2857 loan balances to any one member or associated members shall not
2858 exceed the lesser of one hundred thousand dollars or two and one-half
2859 per cent of the credit union's net worth;

2860 (2) The aggregate of all unsecured net outstanding member business
2861 loan balances shall not exceed ten per cent of the credit union's net
2862 worth;

2863 (3) The credit union has a net worth of at least seven per cent; and

2864 (4) The credit union submits quarterly reports to the [Commissioner
2865 of Banking] commissioner providing numbers and such other detail as
2866 may be required by the [Commissioner of Banking] commissioner to
2867 demonstrate compliance with this section.

2868 (g) The aggregate amount of secured and unsecured net outstanding
2869 member business loan balances to any one member or associated
2870 members shall not exceed the greater of one hundred thousand dollars
2871 or fifteen per cent of the credit union's net worth. The [Commissioner
2872 of Banking] commissioner may waive this limit subject to the
2873 provisions of subsection (l) of this section.

2874 (h) (1) The aggregate amount of secured and unsecured net
2875 outstanding member business loan balances shall be limited to the
2876 lesser of twelve and one-quarter per cent of the Connecticut credit
2877 union's total assets or one and three-quarters times the Connecticut
2878 credit union's net worth. The [Commissioner of Banking]
2879 commissioner may grant an exception to the aggregate limit upon
2880 written request from a Connecticut credit union and submission of
2881 documentation evidencing that one of the following three criteria have
2882 been met:

2883 (A) The credit union serves predominantly low-income members, as
2884 defined in subsection (f) of section 36a-456a;

2885 (B) The credit union participates in the Community Development
2886 Financial Institutions Program, 12 CFR Part 1805, as from time to time
2887 amended; or

2888 (C) The credit union is established for the purpose of making
2889 member business loans, as supported by its bylaws, business plan,
2890 field of membership, minutes of the governing board and loan
2891 portfolio.

2892 (2) The [Commissioner of Banking] commissioner shall notify the
2893 Connecticut credit union and the National Credit Union
2894 Administration of the [Commissioner of Banking's] commissioner's

2895 decision on the request for an exception not later than forty-five days
2896 from such request. An exception, if granted, shall be revoked by the
2897 [Commissioner of Banking] commissioner if the Connecticut credit
2898 union ceases to qualify under subparagraph (A), (B) or (C) of
2899 subdivision (1) of this subsection, or for reasons of safety and
2900 soundness.

2901 (i) Unless waived by the [Commissioner of Banking] commissioner
2902 under subsection (l) of this section, a member business loan that is a
2903 construction loan is subject to the following additional requirements:

2904 (1) The aggregate of all construction loans shall not exceed fifteen
2905 per cent of the net worth of the Connecticut credit union;

2906 (2) The borrower shall have at least a thirty-five per cent equity
2907 interest in the real estate being developed or acquired and developed;
2908 and

2909 (3) The loan proceeds shall be released only after on-site, written
2910 inspections by qualified personnel and in accordance with a pre-
2911 approved draw schedule and any other conditions as set forth in the
2912 loan documentation.

2913 (j) Unless waived by the [Commissioner of Banking] commissioner
2914 under subsection (l) of this section, the loan-to-value ratio for a
2915 member business loan secured by a first lien shall not exceed eighty
2916 per cent unless the value in excess of eighty per cent is covered
2917 through private mortgage or equivalent insurance, or is insured or
2918 guaranteed or subject to advance commitment to purchase by an
2919 agency of the federal government, or of a state or any of the political
2920 subdivisions of such state, but in no case shall the loan-to-value ratio
2921 exceed ninety-five per cent.

2922 (k) The loan-to-value ratio for any member business loan secured by
2923 a second or lesser priority lien shall not exceed eighty per cent unless
2924 the credit union holds the first lien and the value in excess of eighty
2925 per cent is covered through private mortgage or equivalent insurance,

2926 or is insured or guaranteed or subject to advance commitment to
2927 purchase by an agency of the federal government, or of a state or any
2928 of the political subdivisions of such state, in which case the loan-to-
2929 value ratio of such member business loan shall not exceed ninety-five
2930 per cent.

2931 (l) A Connecticut credit union may request a waiver of the
2932 limitations set forth in subsections (g), (i) and (j) of this section by
2933 submitting the following documentation to the [Commissioner of
2934 Banking] commissioner: (1) A copy of the member business loan
2935 policy; (2) a statement of the higher limit sought, if applicable; (3) an
2936 explanation of the need to raise the limit or change the appraisal
2937 requirement, as applicable; (4) documentation to support the credit
2938 union's ability to manage the activity; (5) an analysis of the credit
2939 union's prior experience in making member business loans, including:
2940 (A) The history of loan losses and loan delinquency, (B) volume and
2941 cyclical or seasonal patterns, (C) diversification, (D) concentrations of
2942 credit to one member or associated members in excess of fifteen per
2943 cent of the credit union's net worth, (E) underwriting standards and
2944 practices, (F) types or categories of loans grouped by purpose and
2945 collateral, and (G) the qualifications of individuals responsible for
2946 processing, approving and administering member business loans. The
2947 [Commissioner of Banking] commissioner will provide a copy of the
2948 waiver request to Region 1 of the National Credit Union
2949 Administration and will consult and seek to work cooperatively with
2950 Region 1 in making a decision on the request. The [Commissioner of
2951 Banking] commissioner may grant or deny the waiver within sixty
2952 days of receipt of the request.

2953 (m) Member business loans shall be subject to the appraisal
2954 requirements of 12 CFR Part 722.3, as from time to time amended,
2955 provided the credit union may request a waiver of such appraisal
2956 requirements in accordance with the applicable provisions of
2957 subsection (l) of this section. Such waiver request shall not become
2958 effective until written approval has been granted by both the
2959 [Commissioner of Banking] commissioner and the National Credit

2960 Union Administration.

2961 (n) The [Commissioner of Banking] commissioner may lower any
2962 limit provided in this section, revoke any waiver granted under this
2963 section or revoke the credit union's approval to make member business
2964 loans if the credit union's policies or practices violate safe and sound
2965 lending principles.

2966 (o) Member business loans shall be identified in the aggregate on a
2967 Connecticut credit union's financial statements provided each type or
2968 category of member business loan shall be separately identified in the
2969 credit union's records.

2970 Sec. 62. Section 36a-459a of the general statutes is repealed and the
2971 following is substituted in lieu thereof (*Effective from passage*):

2972 (a) The governing board of a Connecticut credit union shall adopt
2973 and implement a written investment policy governing investments
2974 made pursuant to this section and securities trading, if any. No
2975 Connecticut credit union shall make any investment pursuant to this
2976 section unless the purchase and holding of such investment is
2977 consistent with such policy. The policy shall establish standards for the
2978 making of prudent investments which shall include (1) the rating of
2979 individual investments by nationally recognized rating services, if any,
2980 and (2) standards for diversification of the credit union's investment
2981 portfolio among industry categories. The policy shall provide for the
2982 frequent and periodic review by the credit union of investments made
2983 pursuant to the policy and shall provide for the reasonable and
2984 expeditious divestiture of investments which the governing board,
2985 upon its review, no longer deems prudent or consistent with the credit
2986 union's investment policy. The investment policy and any investment
2987 made pursuant to the policy shall be subject to the supervision of the
2988 [Commissioner of Banking] commissioner concerning safe and sound
2989 credit union practices.

2990 (b) The investment officer or investment committee, if any, shall act
2991 for the governing board between meetings of the governing board in

2992 all matters involving investment of funds pursuant to this section.
2993 Such investment officer or committee shall report to the governing
2994 board at each of its regular meetings, during which the governing
2995 board shall review all investments made pursuant to this section, as
2996 well as details of any securities trading engaged in by such credit
2997 union. The minutes of the governing board meetings shall recite the
2998 results of each such review. The governing board shall cause the credit
2999 union to use reasonable efforts to divest as expeditiously as possible
3000 any investment which the governing board, upon its review, no longer
3001 deems prudent or consistent with the Connecticut credit union's
3002 investment policy.

3003 (c) A Connecticut credit union may invest its funds, which are not
3004 committed to loans to members in: (1) Securities, obligations, or other
3005 instruments of, or issued by, or fully guaranteed as to principal and
3006 interest by the United States or any of its agencies or instrumentalities,
3007 or in any trusts established for investing directly or collectively in such
3008 instruments; (2) general obligations and revenue obligations of any
3009 state or territory of the United States, or any political subdivision
3010 thereof, provided such obligations are rated in the three highest rating
3011 categories by a rating service of such obligations recognized by the
3012 [Commissioner of Banking] commissioner and no more than ten per
3013 cent of total assets may be invested in any one issuer; (3) obligations or
3014 other instruments or securities of the Student Loan Marketing
3015 Association; (4) federal funds, shares, share certificates or other share
3016 deposits of any other Connecticut credit union, federal credit union or
3017 out-of-state credit union whose share accounts or deposits are insured
3018 by the National Credit Union Administration, or its successor agency;
3019 (5) loans not exceeding twenty per cent of the lending credit union's
3020 total assets to any other Connecticut credit union, federal credit union
3021 or out-of-state credit union; (6) federal funds of or deposit accounts
3022 with a Connecticut bank, federal bank or out-of-state bank the
3023 accounts of which are insured by the Federal Deposit Insurance
3024 Corporation or its successor agency; (7) shares of, deposits with or
3025 loans to any federal reserve bank or any central liquidity facility
3026 established under state or federal law; (8) shares of, deposits with or

3027 loans to any corporate Connecticut credit union, corporate federal
3028 credit union or corporate out-of-state credit union; (9) shares of stock
3029 or obligations of or loans to a national or state credit union association
3030 or credit union corporation of which the credit union is a member,
3031 provided such investment does not constitute a controlling interest in
3032 such association or corporation or does not in the aggregate exceed one
3033 per cent of the total assets of the credit union; (10) real estate and
3034 improvements thereon, furniture, fixtures and equipment for the
3035 present or future use of the credit union, provided such investment
3036 may not in the aggregate exceed five per cent of the total assets of the
3037 credit union without the written approval of the [Commissioner of
3038 Banking] commissioner; (11) debt mutual funds and equity mutual
3039 funds, provided the portfolios of such mutual funds consist solely of
3040 investments described in subdivisions (1) to (3), inclusive, of this
3041 subsection; (12) fixed or variable rate asset-backed securities,
3042 collateralized mortgage obligations and real estate mortgage
3043 investment conduits, except stripped mortgage-backed securities,
3044 residual interests, mortgage servicing rights, commercial mortgage
3045 related securities or small business-related securities; (13) money
3046 market funds rated in the three highest rating categories by a rating
3047 service of such funds recognized by the [Commissioner of Banking]
3048 commissioner; (14) repurchase agreements and reverse repurchase
3049 agreements provided (A) the underlying securities are legal
3050 investments for Connecticut credit unions, (B) the Connecticut credit
3051 union receives a daily assessment of the market value of the
3052 underlying securities, including accrued interest, and maintains an
3053 adequate margin that reflects a risk assessment of the underlying
3054 securities and the term of the agreement, and (C) the Connecticut
3055 credit union has entered into signed contracts with all approved
3056 counterparties; and (15) Yankee dollar deposits, Eurodollar deposits,
3057 banker's acceptances, deposit notes and bank notes with original
3058 weighted average maturities of less than five years and issued by a
3059 Connecticut bank, federal bank or out-of-state bank.

3060 (d) A Connecticut credit union may, subject to the provisions of
3061 subsections (e) and (f) of section 36a-461a, invest its funds in or make

3062 loans to credit union service organizations provided (1) the total of any
3063 such investment in or loan to any one credit union service organization
3064 does not exceed two per cent of the total assets of the credit union
3065 without regard to the amount derived from the profitability of such
3066 credit union service organization, and (2) the credit union shall file
3067 with the [Commissioner of Banking] commissioner prior written notice
3068 of its intention to make such investment or loan. The Connecticut
3069 credit union may make such investment or loan unless the
3070 [Commissioner of Banking] commissioner disapproves such
3071 investment or loan not later than thirty business days after the notice is
3072 filed.

3073 (e) In addition to other investments authorized by this section, a
3074 Connecticut credit union may, with the prior written approval of the
3075 [Commissioner of Banking] commissioner, invest its funds in: (1) Debt
3076 securities, equity securities, debt mutual funds and equity mutual
3077 funds without regard to any other liability to the Connecticut credit
3078 union of the maker, obligor, guarantor or issuer of such securities and
3079 mutual funds provided: (A) The securities and mutual funds are rated
3080 in the three highest rating categories by a rating service of such
3081 securities and mutual funds recognized by the [Commissioner of
3082 Banking] commissioner or, if not so rated, are determined by the credit
3083 union's governing board to be a prudent investment, (B) the total
3084 amount of such securities and mutual funds of any one maker, obligor
3085 or issuer invested in by a Connecticut credit union may not exceed at
3086 any time twenty-five per cent of its capital, (C) the total amount of
3087 such debt securities and debt mutual funds may not exceed at any time
3088 twenty-five per cent of its total assets, (D) the total amount of such
3089 equity securities and equity mutual funds may not exceed at any time
3090 twenty-five per cent of its total assets, and (E) a Connecticut credit
3091 union may not engage in securities trading, including when-issued
3092 trading and pair-off transactions without additional prior written
3093 approval of the [Commissioner of Banking] commissioner; and (2)
3094 subject to any limitations imposed by the [Commissioner of Banking]
3095 commissioner, in any other investment the [Commissioner of Banking]
3096 commissioner deems appropriate in light of such factors as the

3097 financial condition and strategic goals of the Connecticut credit union
3098 and the degree of risk inherent in the investment, provided the credit
3099 union demonstrates that sufficient resources, knowledge, systems and
3100 procedures are in place to monitor and control the risks involved.

3101 (f) All securities in which a Connecticut credit union invests shall be
3102 registered in the name of the credit union. Records of securities owned
3103 by such credit union shall be maintained at the main office of such
3104 credit union. The records held by such credit union concerning its
3105 account with any of the depositories or financial institutions holding
3106 its securities, and the securities registered in its name and held by it,
3107 shall be subject to inspection at any time during business hours by any
3108 director, member of senior management or member of the supervisory
3109 committee of the Connecticut credit union.

3110 (g) As used in this section:

3111 (1) "Debt mutual funds" means partnership interests in, shares of
3112 stock of, units of beneficial interest in or other ownership interest in
3113 any one investment company registered under the Investment
3114 Company Act of 1940, as from time to time amended, commonly
3115 described as mutual funds, money market funds, investment trusts or
3116 business trusts, provided the portfolios of such investment companies
3117 consist solely of investments described in subdivision (3) of this
3118 subsection.

3119 (2) "Equity mutual funds" means partnership interests in, shares of
3120 stock of, units of beneficial interest in or other ownership interest in
3121 any one investment company which is registered under the Investment
3122 Company Act of 1940, as from time to time amended, commonly
3123 described as mutual funds, money market funds, investment trusts or
3124 business trusts, but excludes debt mutual funds, as defined in
3125 subdivision (1) of this subsection.

3126 (3) "Debt securities" means (A) any marketable obligation
3127 evidencing indebtedness of any person in the form of direct, assumed
3128 or guaranteed bonds, notes or debentures or any security that has

3129 attributes similar to such marketable obligations; (B) any obligation
3130 identified by certificates of participation in investments described in
3131 subparagraph (A) of this subdivision in which a Connecticut credit
3132 union could invest directly; or (C) repurchase agreements.

3133 (4) "Equity securities" means any stock or similar security, certificate
3134 of interest or participation in any profit-sharing agreement,
3135 preorganization certificate or subscription, transferable share, voting
3136 trust certificate or certificate of deposit for an equity security, limited
3137 partnership interest, interest in a joint venture or certificate of interest
3138 in a business trust; or any security convertible, with or without
3139 consideration, into such a security, or carrying any warrant or right to
3140 subscribe to or purchase such a security; or any such warrant or right;
3141 or any put, call, straddle or other option or privilege of buying such a
3142 security from or selling such a security to another without being bound
3143 to do so, but excludes debt mutual funds, as defined in subdivision (1)
3144 of this subsection, and equity mutual funds, as defined in subdivision
3145 (2) of this subsection.

3146 Sec. 63. Subsection (e) of section 36a-460a of the general statutes is
3147 repealed and the following is substituted in lieu thereof (*Effective from*
3148 *passage*):

3149 (e) (1) The corporate Connecticut credit union may invest its funds,
3150 which are not committed to loans to members, in accordance with
3151 section 36a-459a, provided investments in debt securities, as defined in
3152 section 36a-459a, and credit union service organizations shall be made
3153 in accordance with the investment limits of 12 CFR Part 704, as from
3154 time to time amended, and whenever the National Credit Union
3155 Administration approval is required under 12 CFR Part 704, as from
3156 time to time amended, the corporate Connecticut credit union shall
3157 obtain similar approval from the [Commissioner of Banking]
3158 commissioner.

3159 (2) With the approval of the [Commissioner of Banking]
3160 commissioner, the corporate Connecticut credit union may accept
3161 investments from member and nonmember financial institutions and

3162 such investments shall be a part of the paid-in capital of the corporate
3163 Connecticut credit union, but shall not be deemed to be shares of the
3164 corporate Connecticut credit union.

3165 Sec. 64. Section 36a-461a of the general statutes is repealed and the
3166 following is substituted in lieu thereof (*Effective from passage*):

3167 (a) With the approval of the [Commissioner of Banking]
3168 commissioner and in accordance with subsection (d) of section 36a-
3169 459a, a Connecticut credit union may establish a Connecticut credit
3170 union service organization by itself or jointly with one or more other
3171 Connecticut credit unions, federal credit unions, out-of-state credit
3172 unions or other federally-insured depository institutions within or
3173 outside of this state. The establishing Connecticut credit union shall
3174 file with the [Commissioner of Banking] commissioner an application,
3175 which shall include a description of the credit union service
3176 organization services to be engaged in by the Connecticut credit union
3177 service organization, an explanation of how the proposed services are
3178 related to credit union services, and any other information that the
3179 [Commissioner of Banking] commissioner may require. Such credit
3180 union service organization shall be organized as a corporation, limited
3181 liability company or limited partnership, provided the establishing
3182 Connecticut credit union obtains and files together with its application
3183 a written legal opinion that any such limited liability company or
3184 limited partnership is established in a manner that will limit potential
3185 exposure of such Connecticut credit union to no more than the amount
3186 of funds invested in or lent to the Connecticut credit union service
3187 organization by such Connecticut credit union.

3188 (b) A Connecticut credit union service organization shall (1) account
3189 for all transactions in accordance with generally accepted accounting
3190 principles, (2) prepare quarterly financial statements and obtain an
3191 annual opinion audit by a licensed certified public accountant on its
3192 financial statements in accordance with generally accepted auditing
3193 standards, (3) preserve all of its books and records in accordance with
3194 regulations applicable to Connecticut credit unions adopted by the

3195 [Commissioner of Banking] commissioner pursuant to chapter 54, (4)
3196 provide the [Commissioner of Banking] commissioner with complete
3197 access to its books, records and internal controls for review, evaluation
3198 and examination, and (5) pay the actual cost of any such review,
3199 evaluation or examination conducted by the [Commissioner of
3200 Banking] commissioner.

3201 (c) A Connecticut credit union service organization may expand its
3202 credit union service organization services by filing with the
3203 [Commissioner of Banking] commissioner prior written notice of its
3204 intention to engage in such expanded services, including a description
3205 of the proposed expanded services, an explanation of how the
3206 proposed expansion is related to credit union services, and any other
3207 information that the [Commissioner of Banking] commissioner may
3208 require. The Connecticut credit union service organization may
3209 expand its services unless the [Commissioner of Banking]
3210 commissioner disapproves such expansion not later than thirty
3211 business days after the notice is filed.

3212 (d) A Connecticut credit union service organization shall not acquire
3213 control, either directly or indirectly, of another depository financial
3214 institution, nor invest in shares, stocks or obligations of an insurance
3215 company, trade association, liquidity facility, or similar organization,
3216 corporation or association.

3217 (e) A Connecticut credit union service organization shall be subject
3218 to the conservatorship and receivership provisions of sections 36a-215
3219 to 36a-239, inclusive.

3220 (f) A Connecticut credit union may invest its funds in or lend to an
3221 existing credit union service organization in accordance with
3222 subsection (d) of section 36a-459a.

3223 (g) (1) Prior to investing in or lending to a credit union service
3224 organization, a Connecticut credit union shall obtain (A) a written
3225 agreement that the credit union service organization will: (i) Account
3226 for all transactions in accordance with generally accepted accounting

3227 principles, (ii) prepare quarterly financial statements and obtain an
3228 annual opinion audit by a licensed certified public accountant on its
3229 financial statements in accordance with generally accepted auditing
3230 standards, (iii) provide the [Commissioner of Banking] commissioner
3231 with complete access to all books and records of the credit union
3232 service organization and with the ability to review credit union service
3233 organization internal controls, as the [Commissioner of Banking]
3234 commissioner deems necessary, and (iv) pay the actual cost of any
3235 examination conducted by the [Commissioner of Banking]
3236 commissioner; and (B) a written legal opinion that the credit union
3237 service organization is established as a corporation, limited
3238 partnership or limited liability company and the potential exposure of
3239 the Connecticut credit union is limited to no more than the loss of
3240 funds invested in or lent to the credit union service organization. In
3241 order for a Connecticut credit union to maintain its investment in or
3242 loan to a credit union service organization that plans to change its form
3243 of organization, the Connecticut credit union shall obtain a written
3244 legal opinion that the credit union service organization will continue in
3245 such form that will limit potential exposure to the Connecticut credit
3246 union to no more than the loss of funds invested in or lent to the credit
3247 union service organization.

3248 (2) If the [Commissioner of Banking] commissioner determines that
3249 a Connecticut credit union's investments in or loans to any credit
3250 union service organization exceed the limitations of this section or
3251 subsection (d) of section 36a-459a, or is otherwise not prudent for the
3252 Connecticut credit union to maintain, the [Commissioner of Banking]
3253 commissioner may require the Connecticut credit union to divest such
3254 loans or investments.

3255 (h) In connection with providing credit union service organization
3256 services, a Connecticut credit union service organization may invest in
3257 service providers. Any such investment shall be limited to the amount
3258 required by the service provider to obtain its services.

3259 (i) A Connecticut credit union may, in order to obtain credit union

3260 service organization services or to provide credit union service
3261 organization services to its members, or to enable its members to
3262 conduct transactions through a credit union service organization,
3263 whether or not it establishes, invests its funds in or lends to a credit
3264 union service organization pursuant to subsection (a) or (f) of this
3265 section, enter into agreements with and pay appropriate fees and
3266 service charges to a credit union service organization.

3267 (j) As frequently as the [Commissioner of Banking] commissioner
3268 deems appropriate or necessary, the [Commissioner of Banking]
3269 commissioner may conduct an examination of the records and books
3270 of a Connecticut credit union service organization or a credit union
3271 service organization in which a Connecticut credit union has invested
3272 or to which it has lent funds.

3273 (k) Each Connecticut credit union service organization and each of
3274 its directors, officers, managers, general partners, employees and
3275 authorized agent of a Connecticut credit union service organization
3276 who has charge or possession of the funds, securities or other assets of
3277 such credit union service organization shall be bonded by a surety
3278 company authorized to do business in this state. Such bond shall be in
3279 favor of the Connecticut credit union service organization and in such
3280 amount as is approved by the board of directors, managers or general
3281 partners of the credit union service organization, which amount the
3282 [Commissioner of Banking] commissioner may require to be increased
3283 for reasons of safety and soundness. A copy of each such bond and any
3284 renewal thereof or premium receipt therefor shall be promptly filed
3285 with the [Commissioner of Banking] commissioner by the Connecticut
3286 credit union service organization.

3287 Sec. 65. Section 36a-462a of the general statutes is repealed and the
3288 following is substituted in lieu thereof (*Effective from passage*):

3289 (a) No Connecticut credit union shall establish a branch in this state
3290 or outside of this state unless prior to such establishment the credit
3291 union has filed with the [Commissioner of Banking] commissioner an
3292 application to establish a branch and such application has not been

3293 disapproved by the [Commissioner of Banking] commissioner not later
3294 than thirty days after the application has been filed with the
3295 [Commissioner of Banking] commissioner.

3296 (b) The [Commissioner of Banking] commissioner may disapprove
3297 an application to establish a branch if the [Commissioner of Banking]
3298 commissioner finds that: (1) Establishment of the proposed branch is
3299 inconsistent with safety and soundness; (2) establishment of the
3300 proposed branch is inconsistent with the Connecticut credit union's
3301 field of membership; (3) in the case of a Connecticut credit union
3302 whose membership is limited to persons with a single common bond
3303 or multiple common bond, establishment of the proposed branch will
3304 result in an impermissible overlap with the field of membership of
3305 other credit unions in the town in which the branch is to be located; (4)
3306 in the case of a Connecticut credit union whose membership is limited
3307 to a well-defined community, neighborhood or rural district, (A) the
3308 proposed branch is not generally accessible to the public, (B) the
3309 establishment of the proposed branch will result in an oversaturation
3310 of financial institutions in the town in which the branch is to be
3311 located, or (C) such credit union does not have a record of compliance
3312 with the requirements of sections 36a-37 to 36a-37e, inclusive; or (5) in
3313 the case of an out-of-state branch, the laws of such other state do not
3314 authorize the establishment of such branch.

3315 (c) Except as provided in subsection (b) of this section, a Connecticut
3316 credit union may establish or operate a branch in the same or
3317 approximately the same location as another financial institution,
3318 provided any such institution's insurable accounts or deposits are
3319 federally insured.

3320 (d) (1) A Connecticut credit union that proposes to close a branch
3321 within or outside of this state shall submit to the [Commissioner of
3322 Banking] commissioner a notice of the proposed closing as soon as
3323 possible but not less than thirty days prior to the closing date. The
3324 notice shall include a detailed statement of the reasons for the decision
3325 to close the branch.

3326 (2) The Connecticut credit union shall provide notice of the
3327 proposed closing to its members by:

3328 (A) Posting such notice in a conspicuous manner on the premises of
3329 the branch proposed to be closed at least thirty days prior to the
3330 closing, and

3331 (B) Including such notice in at least one regular account statement
3332 mailed to its members who utilize the branch proposed to be closed, or
3333 in a separate mailing to such members at least thirty days prior to the
3334 closing date.

3335 (e) With the approval of the [Commissioner of Banking]
3336 commissioner, any Connecticut credit union may relocate any branch
3337 within this state in accordance with such notice and other
3338 requirements as the [Commissioner of Banking] commissioner may
3339 prescribe. As used in this subsection, "relocate" means to move within
3340 the same immediate neighborhood without substantially affecting the
3341 nature of the business or members served.

3342 (f) The [Commissioner of Banking] commissioner may examine and
3343 supervise the out-of-state branches of any Connecticut credit union
3344 and may enter into agreements with other state or federal credit union
3345 regulators concerning such examination or supervision.

3346 Sec. 66. Section 36a-462b of the general statutes is repealed and the
3347 following is substituted in lieu thereof (*Effective from passage*):

3348 (a) (1) An out-of-state, state-chartered credit union may, with the
3349 prior written approval of the [Commissioner of Banking]
3350 commissioner, establish a branch in this state, provided the laws of
3351 such state authorize under conditions no more restrictive than those
3352 imposed by the laws of this state as determined by the [Commissioner
3353 of Banking] commissioner, a Connecticut credit union to establish a
3354 branch in that state. The [Commissioner of Banking] commissioner
3355 shall not grant approval unless the [Commissioner of Banking]
3356 commissioner determines that such out-of-state credit union: (A) Is

3357 financially solvent; (B) maintains share insurance as required under
3358 the Federal Credit Union Act; and (C) is effectively examined and
3359 supervised by an official of the state in which it is chartered. The
3360 [Commissioner of Banking] commissioner may disapprove the
3361 establishment of any such branch if any of the reasons specified in
3362 subsection (b) of section 36a-462a, if applied to an out-of-state, state-
3363 chartered credit union, exists. An out-of-state, state-chartered credit
3364 union that has established a branch in this state may, with the
3365 approval of the [Commissioner of Banking] commissioner, establish
3366 additional branches in this state in accordance with this section.

3367 (2) An out-of-state, federally-chartered credit union may, with prior
3368 written notice to the [Commissioner of Banking] commissioner,
3369 establish a branch or additional branches in this state. A federal credit
3370 union may, with prior written notice to the [Commissioner of Banking]
3371 commissioner, establish additional branches in this state.

3372 (b) The [Commissioner of Banking] commissioner may examine and
3373 supervise the Connecticut branches of any out-of-state, state-chartered
3374 credit union and may enter into agreements with other state credit
3375 union regulators concerning such examinations or supervision.

3376 (c) The [Commissioner of Banking] commissioner may, after giving
3377 notice and an opportunity to be heard to any out-of-state, state-
3378 chartered credit union, revoke or suspend the approval given to such
3379 out-of-state credit union to establish a branch in this state for any
3380 reason that would be sufficient grounds to deny an application to
3381 establish a branch in this state.

3382 Sec. 67. Section 36a-463a of the general statutes is repealed and the
3383 following is substituted in lieu thereof (*Effective from passage*):

3384 (a) The [Commissioner of Banking] commissioner may require any
3385 out-of-state, state-chartered or federally-chartered credit union that
3386 maintains a branch in this state pursuant to section 36a-462b, to submit
3387 an annual audit report to the [Commissioner of Banking]
3388 commissioner.

3389 (b) An out-of-state, state-chartered or federally-chartered credit
3390 union that maintains a branch in this state that is required under
3391 federal law to submit a net worth restoration plan to the board of the
3392 National Credit Union Administration shall simultaneously submit an
3393 executed copy of such plan to the [Commissioner of Banking]
3394 commissioner.

3395 Sec. 68. Section 36a-463b of the general statutes is repealed and the
3396 following is substituted in lieu thereof (*Effective from passage*):

3397 (a) With the approval of the [Commissioner of Banking]
3398 commissioner, a Connecticut credit union may relocate its main office
3399 anywhere within the state.

3400 (b) The [Commissioner of Banking] commissioner, before granting
3401 an approval under subsection (a) of this section, shall consider: (1) The
3402 field of membership of the Connecticut credit union to be served by
3403 the proposed relocation of the main office of the Connecticut credit
3404 union; (2) the adequacy of the current main office of the Connecticut
3405 credit union; (3) the economic need for and cost of such proposed
3406 relocation; and (4) the convenience and necessity to the field of
3407 membership of the proposed relocation.

3408 Sec. 69. Section 36a-468a of the general statutes is repealed and the
3409 following is substituted in lieu thereof (*Effective from passage*):

3410 (a) With the approval of the [Commissioner of Banking]
3411 commissioner, a Connecticut credit union may merge with a
3412 Connecticut credit union, a federal credit union or an out-of-state
3413 credit union in accordance with the requirements of this section. In the
3414 case of a merger with an out-of-state state-chartered credit union
3415 where the resulting institution is the out-of-state state-chartered credit
3416 union, the [Commissioner of Banking] commissioner may not approve
3417 such merger unless such out-of-state credit union maintains share
3418 insurance as required by the Federal Credit Union Act and the laws of
3419 the chartering state of such credit union authorize, under conditions no
3420 more restrictive than those imposed by the laws of this state as

3421 determined by the [Commissioner of Banking] commissioner, a
3422 Connecticut credit union to merge with a credit union chartered in that
3423 state. Any federal credit union or out-of-state federally-chartered credit
3424 union proposing to merge with a Connecticut credit union shall
3425 comply with all federal laws to effect the merger and shall file proof of
3426 such compliance with the [Commissioner of Banking] commissioner
3427 and any additional information that the [Commissioner of Banking]
3428 commissioner may require. Any out-of-state state-chartered credit
3429 union proposing to merge with a Connecticut credit union shall
3430 comply with all laws of its chartering state to effect the merger and
3431 shall file proof of such compliance with the [Commissioner of Banking]
3432 commissioner and any additional information that the [Commissioner
3433 of Banking] commissioner may require.

3434 (1) The governing boards of the credit unions proposing to merge
3435 shall (A) adopt by majority vote a plan of merger, which shall set forth
3436 the name of each credit union proposing to merge and that of the
3437 resulting credit union, and the terms and conditions of the proposed
3438 merger, including the proposed field of membership of the resulting
3439 credit union; (B) enter into a merger agreement; (C) file with the
3440 [Commissioner of Banking] commissioner an application in accordance
3441 with subdivision (2) of this subsection; and (D) in the case of a
3442 terminating Connecticut credit union, submit the plan of merger to its
3443 members in accordance with subdivision (3) of this subsection.

3444 (2) The credit unions proposing to merge shall file an application
3445 with the [Commissioner of Banking] commissioner. Such application
3446 shall include (A) the plan of merger and a copy of the minutes of each
3447 of the governing boards adopting the plan of merger; (B) the merger
3448 agreement; (C) an original proposed certificate of amendment to the
3449 resulting credit union's certificate of incorporation and proposed
3450 amended bylaws, if applicable; (D) financial statements of the merging
3451 credit unions and a pro forma financial statement of the resulting
3452 institution; (E) in the case of a terminating Connecticut credit union, a
3453 proposed written notice to its members of the date, time and place of
3454 the meeting at which its members shall vote on the plan of merger and

3455 a proposed form of any ballot and proxy; (F) information addressing
3456 the considerations required under subsection (b) of this section; and
3457 (G) such additional information as the [Commissioner of Banking]
3458 commissioner may require.

3459 (3) A terminating Connecticut credit union shall give written notice
3460 of the date, time and place of the meeting at which its members shall
3461 vote on the plan of merger. Such notice shall state that the purpose of
3462 the meeting is to consider the plan of merger and contain or be
3463 accompanied by a copy or summary of the plan. The notice shall be
3464 hand-delivered or mailed to each member at such member's last-
3465 known address as shown on the records of the credit union not less
3466 than thirty nor more than fifty days prior to the date of the meeting.
3467 Unless waived by the [Commissioner of Banking] commissioner in
3468 accordance with subdivision (2) of subsection (b) of this subsection, the
3469 affirmative vote of two-thirds of the members of the terminating
3470 Connecticut credit union voting on the plan of merger shall be
3471 required for approval of the merger. The terminating Connecticut
3472 credit union shall file with the [Commissioner of Banking]
3473 commissioner a verified statement that the merger has been duly
3474 noticed and approved by its members in accordance with this
3475 subdivision.

3476 (b) (1) The [Commissioner of Banking] commissioner shall not
3477 approve a merger pursuant to this section unless the [Commissioner of
3478 Banking] commissioner considers whether (A) the merging credit
3479 unions have engaged in any unsafe or unsound practice during the
3480 one-year period preceding the date on which the merger application is
3481 filed with the [Commissioner of Banking] commissioner; (B) the
3482 resulting credit union will be adequately capitalized; (C) the resulting
3483 credit union will have the managerial capability and the financial
3484 resources to serve the proposed membership; (D) the proposed merger
3485 will substantially lessen competition in the Connecticut credit union
3486 industry; and (E) the proposed merger will have a beneficial effect in
3487 meeting the convenience and needs of the proposed membership.

3488 (2) The [Commissioner of Banking] commissioner may approve a
3489 merger pursuant to this section without regard to field of membership
3490 or may waive the membership vote if the [Commissioner of Banking]
3491 commissioner certifies in writing that based on the information
3492 available to the [Commissioner of Banking] commissioner, one or more
3493 of the Connecticut credit unions proposing to merge are or will be in a
3494 doubtful or failing financial condition, other alternatives to the merger
3495 are not reasonably available to protect the credit unions' members and
3496 creditors, or an emergency requiring expeditious action exists, which
3497 certification shall be attached to the [Commissioner of Banking's]
3498 commissioner's approval.

3499 (3) If the [Commissioner of Banking] commissioner is satisfied that
3500 the requirements of this chapter have been complied with, the
3501 [Commissioner of Banking] commissioner shall issue an approval of
3502 the merger, which approval may contain such terms and conditions as
3503 the [Commissioner of Banking] commissioner deems necessary or
3504 appropriate. After approval of the merger by the [Commissioner of
3505 Banking] commissioner, the resulting credit union shall file a copy of
3506 the merger agreement, the plan of merger, the certificate of
3507 amendment to its certificate of incorporation, if any, and the
3508 [Commissioner of Banking's] commissioner's approval in the office of
3509 the Secretary of the State. Within ten days after such documents are
3510 filed with the Secretary of the State, the resulting credit union shall file
3511 with the [Commissioner of Banking] commissioner copies of such filed
3512 documents, and in the case of a Connecticut credit union that is the
3513 resulting credit union, a copy of its amended bylaws, if any.

3514 (c) Upon the effective date of the merger, (1) the corporate existence
3515 of the parties to the merger shall be continued by and in the resulting
3516 credit union; (2) the entire assets, business, good will and franchises of
3517 each of the parties to the merger shall be vested in the resulting credit
3518 union without any deed, endorsement or other instrument of transfer;
3519 and (3) all of the debts, obligations and liabilities of the parties to the
3520 merger shall be assumed by the resulting credit union.

3521 Sec. 70. Section 36a-468b of the general statutes is repealed and the
3522 following is substituted in lieu thereof (*Effective from passage*):

3523 (a) A Connecticut credit union that has been in existence and
3524 continuously operating for at least five years may convert into a
3525 federal credit union upon the approval of the conversion by the
3526 [Commissioner of Banking] commissioner as provided in this section.

3527 (b) The Connecticut credit union proposing to convert shall file an
3528 application with the [Commissioner of Banking] commissioner. Such
3529 application shall include (A) a plan of conversion adopted by a
3530 majority vote of the governing board and a copy of the governing
3531 board's resolution adopting the plan of conversion, (B) a proposed
3532 written notice of the date, time and place of a regular or special
3533 meeting of the members of the converting Connecticut credit union for
3534 the vote on the proposed conversion, including a proposed form of
3535 any proxy and mail ballot, (C) proof of compliance with all applicable
3536 federal laws to effect the conversion, and (D) any additional
3537 information as the [Commissioner of Banking] commissioner may
3538 require.

3539 (c) The converting Connecticut credit union shall give written notice
3540 of the date, time and place of the meeting at which the plan of
3541 conversion is to be considered, which notice shall be hand-delivered or
3542 mailed to each member of the converting Connecticut credit union at
3543 such member's last-known address as shown on the records of such
3544 Connecticut credit union not less than thirty nor more than fifty days
3545 prior to the date of the meeting.

3546 (d) Each member of the converting Connecticut credit union may
3547 cast one vote on the proposed plan of conversion. The affirmative vote
3548 of two-thirds of all the members voting, including those votes cast in
3549 person and those ballots properly completed and received by the
3550 credit union prior to the time of the meeting, shall be required for
3551 approval of the proposed conversion. A statement of the results of the
3552 vote, verified by the secretary of the meeting, shall be filed with the
3553 [Commissioner of Banking] commissioner within ten days after the

3554 meeting.

3555 (e) The [Commissioner of Banking] commissioner shall approve a
3556 conversion under this section if the [Commissioner of Banking]
3557 commissioner determines that the converting credit union has
3558 complied with the requirements of sections 36a-435a to 36a-472a,
3559 inclusive.

3560 (f) Promptly after receipt of the [Commissioner of Banking's]
3561 commissioner's approval and in no event later than ninety days
3562 thereafter, the converting Connecticut credit union shall take such
3563 action as may be necessary under the applicable federal law to make it
3564 a federal credit union. Within ten days after the converting
3565 Connecticut credit union receives a federal credit union charter and a
3566 certificate of insurance, such credit union shall file with the
3567 [Commissioner of Banking] commissioner a copy of the federal charter
3568 and certificate of insurance.

3569 (g) The converting credit union shall, within ninety days after the
3570 receipt of a charter as a federal credit union: (A) File with the Secretary
3571 of the State a certificate, signed by any two officers under oath stating
3572 that the credit union has converted to a federal credit union pursuant
3573 to this section and the approval of the [Commissioner of Banking]
3574 commissioner; (B) obtain from the Secretary of the State one or more
3575 certified copies of the certificate and the [Commissioner of Banking's]
3576 commissioner's approval; and (C) record the certified copies in the
3577 office of the town clerk of each town in this state where such credit
3578 union owns real property.

3579 (h) The converted federal credit union possesses all of the rights,
3580 privileges and powers granted to it by its federal charter, and all of the
3581 assets, business and good will of the converting institution are
3582 transferred to and vested in it without any deed or instrument of
3583 conveyance provided the converting credit union may execute any
3584 deed or instrument of conveyance as is convenient to confirm such
3585 transfer. The converted credit union is subject to all of the duties,
3586 relations, obligations, trusts and liabilities of the converting credit

3587 union, whether as debtor, depository, registrar, transfer agent,
3588 executor, administrator, trustee or otherwise, and is liable to pay and
3589 discharge all such debts and liabilities, to perform all such duties and
3590 to administer all such trusts in the same manner and to the same extent
3591 as if the converted credit union had itself incurred the obligation or
3592 liability or assumed the duty, relation or trust. All rights of creditors of
3593 the converting credit union and all liens upon the property of such
3594 institution are preserved unimpaired and the converted credit union is
3595 entitled to receive, accept, collect, hold and enjoy any and all gifts,
3596 bequests, devises, conveyances, trusts and appointments in favor of or
3597 in the name of the converting credit union and whether made or
3598 created to take effect prior to or after the conversion.

3599 Sec. 71. Section 36a-469b of the general statutes is repealed and the
3600 following is substituted in lieu thereof (*Effective from passage*):

3601 (a) A federal credit union or an out-of-state credit union may
3602 convert into a Connecticut credit union by (1) complying with all
3603 federal requirements or requirements of the chartering state for
3604 conversion; (2) filing with the [Commissioner of Banking]
3605 commissioner proof of such compliance; and (3) filing with the
3606 [Commissioner of Banking] commissioner an application which shall
3607 include: (A) A plan of conversion and a copy of the governing board's
3608 resolution adopting the plan of conversion, (B) a three-year business
3609 plan, including pro forma financial statements, (C) a copy of the
3610 proposed certificate of incorporation signed by the proposed directors
3611 and a copy of the proposed bylaws, (D) information addressing the
3612 determinations contained in subsection (b) of this section, and (E) any
3613 additional information as the [Commissioner of Banking]
3614 commissioner may require.

3615 (b) When the [Commissioner of Banking] commissioner has been
3616 satisfied that all of the requirements of subsection (a) of this section,
3617 and all other requirements of sections 36a-435a to 36a-472a, inclusive,
3618 have been complied with, and the [Commissioner of Banking]
3619 commissioner determines that (1) the conversion would serve the

3620 economic needs of the proposed field of membership and is in
3621 accordance with sound credit union practices, (2) the converting credit
3622 union will have the managerial capacity and the financial resources to
3623 serve the proposed membership group, and (3) the converting credit
3624 union has adequate net worth to meet all applicable regulatory
3625 requirements, the [Commissioner of Banking] commissioner shall (A)
3626 issue an approval of the conversion, which may contain such
3627 conditions as the [Commissioner of Banking] commissioner may
3628 require, and (B) issue a certificate of authority to engage in the
3629 business of a Connecticut credit union.

3630 (c) The converting credit union shall promptly file and record the
3631 approval, its certificate of incorporation and the certificate of authority
3632 with the Secretary of the State. Upon such filing and recording, the
3633 federal credit union or out-of-state credit union shall become a
3634 Connecticut credit union as of the date it ceases to be a federal credit
3635 union or out-of-state credit union. A copy of the converting credit
3636 union's certificate of incorporation and the certificate of authority,
3637 certified by the Secretary of the State, shall be filed with the
3638 [Commissioner of Banking] commissioner within ten days of the filing
3639 of such documents.

3640 (d) The converted Connecticut credit union possesses all of the
3641 rights, privileges and powers granted to it by its certificate of
3642 incorporation, and all of the assets, business and good will of the
3643 converting credit union are transferred to and vested in it without any
3644 deed or instrument of conveyance provided the converting credit
3645 union may execute any deed or instrument of conveyance as is
3646 convenient to confirm such transfer. The converted credit union is
3647 subject to all of the duties, relations, obligations, trusts and liabilities of
3648 the converting credit union, whether as debtor, depository, registrar,
3649 transfer agent, executor, administrator, trustee or otherwise, and is
3650 liable to pay and discharge all such debts and liabilities, to perform all
3651 such duties and to administer all such trusts in the same manner and
3652 to the same extent as if the converted credit union had itself incurred
3653 the obligation or liability or assumed the duty, relation or trust. All

3654 rights of creditors of the converting credit union and all liens upon the
3655 property of such credit union are preserved unimpaired and the
3656 converted institution is entitled to receive, accept, collect, hold and
3657 enjoy any and all gifts, bequests, devises, conveyances, trusts and
3658 appointments in favor of or in the name of the converting credit union
3659 and whether made or created to take effect prior to or after the
3660 conversion.

3661 (e) Within ninety days of conversion, the Connecticut credit union
3662 shall record a certificate, signed by any two officers stating that the
3663 conversion is effective, in the office of the town clerk in each town in
3664 this state where the Connecticut credit union owns real property.

3665 Sec. 72. Section 36a-469c of the general statutes is repealed and the
3666 following is substituted in lieu thereof (*Effective from passage*):

3667 (a) (1) Any Connecticut credit union or federal credit union may
3668 convert into a mutual savings bank, a mutual savings and loan
3669 association, or a mutual community bank, as defined in subsection (r)
3670 of section 36a-70, in accordance with the provisions of this section.

3671 (2) Any conversion of a federal credit union pursuant to this section
3672 shall be authorized only if permitted by federal law and shall be
3673 subject to all requirements prescribed by federal law.

3674 (3) The converting credit union shall file with the [Commissioner of
3675 Banking] commissioner: (A) A proposed plan of conversion which
3676 shall include current financial reports, current delinquent loan
3677 schedules, a combined financial report if applicable, a proposed
3678 business plan, a three-year financial forecast prepared by a certified
3679 public accounting firm or other professional firm approved by the
3680 commissioner, analyses of the regulatory effect of the conversion
3681 brought about by a change in the regulator, a method and schedule for
3682 terminating any nonconforming activities that would result from such
3683 conversion; (B) a copy of the proposed certificate of incorporation and
3684 proposed bylaws; and (C) a certificate by the secretary of the
3685 converting credit union that the proposed conversion has been

3686 approved by the governing board and the members, in accordance
3687 with subdivision (4) of this subsection in the case of a converting
3688 Connecticut credit union, and in accordance with federal law in the
3689 case of a converting federal credit union.

3690 (4) In the case of a converting Connecticut credit union, the plan of
3691 conversion shall require the approval of a majority of the governing
3692 board. After approving the plan of conversion, the governing board of
3693 the converting Connecticut credit union shall establish the date and
3694 time of a regular or special meeting of members for vote on the
3695 proposal. Written notice of the meeting at which the proposal is to be
3696 considered together with a mail ballot and a disclosure statement shall
3697 be hand-delivered or mailed to each member, at such member's last-
3698 known address as shown on the records of the converting Connecticut
3699 credit union, not more than thirty days nor less than fourteen days
3700 prior to the date of the meeting. The disclosure statement shall include,
3701 at a minimum, a description of (A) the reasons for the proposed
3702 conversion; (B) the differences between membership rights in the
3703 converting credit union and depositor rights in the proposed mutual
3704 savings bank, mutual savings and loan association or mutual
3705 community bank; and (C) the significant differences between the
3706 authorized powers of the converting credit union and those of the
3707 proposed mutual savings bank, mutual savings and loan association or
3708 mutual community bank. The notice, disclosure statement and mail
3709 ballot shall comply with the requirements of Appendix A to 12 CFR
3710 Part 708a, as from time to time amended, and shall be submitted to the
3711 commissioner for approval prior to distribution to members. Each
3712 member of the converting Connecticut credit union may cast one vote
3713 on the proposal. The affirmative vote of two-thirds of all the members
3714 voting, including those votes cast in person and those ballots properly
3715 completed and received by the converting Connecticut credit union
3716 prior to the time of the meeting, shall be required for approval of the
3717 conversion.

3718 (b) The [Commissioner of Banking] commissioner shall not approve
3719 the conversion unless the commissioner makes the considerations,

3720 determinations and findings required by subsections (c), (d) and (e) of
3721 this section.

3722 (c) The [Commissioner of Banking] commissioner shall not approve
3723 the conversion unless the commissioner considers the following
3724 factors: (1) The population of the area to be served by the proposed
3725 mutual Connecticut bank; (2) the adequacy of existing banking
3726 facilities in the area to be served by the proposed mutual Connecticut
3727 bank; and (3) the character and experience of the proposed directors
3728 and officers.

3729 (d) The [Commissioner of Banking] commissioner shall not approve
3730 the conversion unless the commissioner determines that: (1) The
3731 converting credit union has complied with all applicable provisions of
3732 law; (2) the converting credit union has equity capital at least equal to
3733 the minimum equity capital required for the organization of the type
3734 of mutual Connecticut bank to which it is converting; (3) the proposed
3735 conversion will serve the public necessity and convenience; (4)
3736 conditions in the locality in which the proposed mutual Connecticut
3737 bank will transact business afford reasonable promise of successful
3738 operation; and (5) the proposed directors and executive officers
3739 possess capacity and fitness for the duties and responsibilities with
3740 which they will be charged. If the commissioner cannot make such
3741 determination with respect to any such proposed director or proposed
3742 executive officer, the commissioner may refuse to allow such proposed
3743 director or proposed executive officer to serve in such capacity in the
3744 proposed mutual Connecticut bank. As used in this subsection,
3745 "executive officer" means every officer of the proposed mutual
3746 Connecticut bank who participates or has authority to participate,
3747 other than in the capacity of a director, in major policy-making
3748 functions of the proposed mutual Connecticut bank, regardless of
3749 whether such officer has an official title or whether such officer's title
3750 contains a designation of assistant or whether such officer serves
3751 without salary or other compensation. The vice president, the chief
3752 financial officer, secretary and treasurer of the proposed mutual
3753 Connecticut bank are presumed to be executive officers, unless, by

3754 resolution of the governing board or by the proposed mutual
3755 Connecticut bank's bylaws, any such officer is excluded from
3756 participation in major policy-making functions, other than in the
3757 capacity of a director of the proposed mutual Connecticut bank, and
3758 such officer does not actually participate in major policy-making
3759 functions.

3760 (e) The [Commissioner of Banking] commissioner shall not approve
3761 the conversion unless the commissioner finds that the proposed
3762 mutual Connecticut bank will provide adequate services to meet the
3763 banking needs of all community residents, including low-income
3764 residents and moderate-income residents in accordance with a plan
3765 submitted by the converting credit union to the commissioner, in such
3766 form and containing such information as the commissioner may
3767 require. Upon receiving any such plan, the commissioner shall make
3768 the plan available for public inspection and comment at the
3769 Department of Banking and cause notice of its submission and
3770 availability for inspection and comment to be published in the
3771 department's weekly bulletin. With the concurrence of the
3772 commissioner, the converting credit union shall publish, in the form of
3773 a legal advertisement in a newspaper having a substantial circulation
3774 in the area, notice of such plan's submission and availability for public
3775 inspection and comment. The notice shall state that the inspection and
3776 comment period will last for a period of thirty days from the date of
3777 publication. The commissioner shall not make such finding until the
3778 expiration of such thirty-day period. In making such finding, the
3779 commissioner shall consider, among other factors, whether the plan
3780 identifies specific unmet credit and consumer banking needs in the
3781 local community and specifies how such needs will be satisfied,
3782 provides for sufficient distribution of banking services among
3783 branches or satellite devices, or both, located in low-income
3784 neighborhoods, contains adequate assurances that banking services
3785 will be offered on a nondiscriminatory basis and demonstrates a
3786 commitment to extend credit for housing, small business and
3787 consumer purposes in low-income neighborhoods.

3788 (f) If the conversion is approved by the [Commissioner of Banking]
3789 commissioner and the commissioner receives notification from the
3790 converting credit union that all approvals required under federal law,
3791 including approvals needed for deposit insurance by the Federal
3792 Deposit Insurance Corporation or its successor agency have been
3793 obtained and that any waiting period prescribed by federal law has
3794 expired, a certificate of authority to commence business shall be issued
3795 by the commissioner. After receipt of the certificate of authority, the
3796 converting credit union shall promptly file such certificate of authority
3797 and its certificate of incorporation with the Secretary of the State and
3798 with the town clerk of the town in which its principal office is located.
3799 Upon such filing, the license of the converting credit union shall
3800 automatically lapse and the converting credit union shall cease to be a
3801 credit union and shall become a mutual savings bank, mutual savings
3802 and loan association or mutual community bank, as the case may be.
3803 Upon such conversion, the converted mutual Connecticut bank shall
3804 possess all of the rights, privileges and powers granted to it by its
3805 certificate of incorporation and by the provisions of the general
3806 statutes applicable to the type of institution into which it converted,
3807 and all of the assets and business of the converting credit union shall
3808 be transferred to and vested in it without any deed or instrument of
3809 conveyance, provided the converting credit union may execute any
3810 deed or instrument of conveyance as is convenient to confirm such
3811 transfer. The converted mutual Connecticut bank shall be subject to all
3812 of the duties, relations, obligations and liabilities of the converting
3813 credit union, whether as debtor, depository or otherwise, and shall be
3814 liable to pay and discharge all such debts and liabilities, to perform all
3815 such duties in the same manner and to the same extent as if the
3816 converted mutual Connecticut bank had itself incurred the obligation
3817 or liability or assumed the duty or relation. All rights of creditors of
3818 the converting credit union and all liens upon the property of such
3819 credit union shall be preserved unimpaired and the converted mutual
3820 Connecticut bank shall be entitled to receive, accept, collect, hold and
3821 enjoy any and all gifts, bequests, devises, conveyances and
3822 appointments in favor of or in the name of the converting credit union

3823 and whether made or created to take effect prior to or after the
3824 conversion.

3825 (g) Within ninety days after the conversion, the converted mutual
3826 Connecticut bank shall record a certificate, signed by the secretary and
3827 stating that the conversion is effective, in the office of the town clerk in
3828 each town in this state where the converted mutual Connecticut bank
3829 owns real property.

3830 (h) The converted mutual Connecticut bank may not exercise any of
3831 the fiduciary powers granted to Connecticut banks by law until
3832 express authority therefor has been given by the commissioner.

3833 Sec. 73. Section 36a-470a of the general statutes is repealed and the
3834 following is substituted in lieu thereof (*Effective from passage*):

3835 (a) A Connecticut credit union may terminate its corporate existence
3836 and be dissolved in accordance with a plan of dissolution as provided
3837 in this section.

3838 (b) Within three days after a majority of the governing board has
3839 adopted a plan of dissolution of the Connecticut credit union, the
3840 governing board shall file with the [Commissioner of Banking]
3841 commissioner a copy of such plan of dissolution, attested by the
3842 chairman or vice chairman and the secretary or treasurer, and inform
3843 the [Commissioner of Banking] commissioner of the date on which the
3844 plan will be voted on by the members of the Connecticut credit union.
3845 The plan of dissolution shall be approved at an annual or special
3846 meeting of the members. Written notice of the date, time and place of
3847 the meeting at which the plan of dissolution is to be considered shall
3848 be hand-delivered or mailed to each member at such member's last-
3849 known address as shown on the records of the Connecticut credit
3850 union, not more than thirty nor less than seven days prior to the date
3851 of the vote. The written notice shall clearly describe the plan and the
3852 reasons for the plan and shall notify the member of such member's
3853 right to vote on the plan in person, by proxy or by mail ballot, and
3854 shall have an official form of proxy or mail ballot attached. The

3855 affirmative vote of two-thirds of those members voting shall be
3856 required to approve the proposal. Upon receipt of the filing, the
3857 [Commissioner of Banking] commissioner may by order appoint the
3858 National Credit Union Administration or its successor agency to act as
3859 liquidating agent.

3860 (c) Within three days after the members of such Connecticut credit
3861 union have voted on the plan of dissolution, the Connecticut credit
3862 union shall file with the [Commissioner of Banking] commissioner a
3863 statement of the results of the vote, certified by the secretary of the
3864 credit union. The statement shall state the number of members who
3865 voted on the plan and the number of members who voted in favor of
3866 adopting such plan.

3867 (d) On receipt of the statement, the [Commissioner of Banking]
3868 commissioner shall:

3869 (1) Take possession of the property and business of the Connecticut
3870 credit union; or

3871 (2) Notify the liquidating agent, if one is appointed as provided in
3872 subsection (b) of this section, to take possession of the property and
3873 business of the Connecticut credit union; or

3874 (3) Apply to the superior court for the judicial district of Hartford
3875 for the appointment of a receiver for the Connecticut credit union. The
3876 court may appoint the receiver after reasonable notice to the
3877 Connecticut credit union.

3878 (e) The [Commissioner of Banking] commissioner may seek the
3879 appointment of a conservator or receiver for any Connecticut credit
3880 union, in accordance with section 36a-220, if the [Commissioner of
3881 Banking] commissioner certifies, in writing, that no other reasonable
3882 alternatives are available to protect the members and creditors of such
3883 Connecticut credit union and, it appears that:

3884 (1) The Connecticut credit union, through insolvency, repeated
3885 gross mismanagement or repeated neglect in the conduct of its

3886 operations, is no longer able to carry out the purposes for which it was
3887 formed;

3888 (2) The Connecticut credit union has abandoned its activities and is
3889 no longer functioning as a Connecticut credit union and termination
3890 cannot be accomplished by any other means; or

3891 (3) Any reason specified in subsection (a) of section 36a-220 exists.

3892 Sec. 74. Section 36a-471a of the general statutes is repealed and the
3893 following is substituted in lieu thereof (*Effective from passage*):

3894 The [Commissioner of Banking] commissioner may adopt such
3895 regulations in accordance with the provisions of chapter 54 and make
3896 such findings, consistent with sections 36a-435a to 36a-472a, inclusive,
3897 as may be necessary for the conduct of Connecticut credit unions and
3898 the enforcement of the provisions of said sections. The commissioner
3899 may adopt regulations in accordance with the provisions of chapter 54
3900 to establish rates to be paid as dividends on shares having an agreed
3901 maturity subject to the conditions in section 36a-456c.

3902 Sec. 75. Section 36a-37e of the general statutes is repealed and the
3903 following is substituted in lieu thereof (*Effective from passage*):

3904 The [Commissioner of Banking] commissioner shall annually
3905 prepare and submit to the State Treasurer a list of community credit
3906 unions that the commissioner rated in a community reinvestment
3907 performance evaluation prepared pursuant to section 36a-37a as: (1)
3908 Needs to improve record of meeting community credit needs; or (2)
3909 substantial noncompliance in meeting community credit needs. No
3910 community credit union included in such list may receive funds under
3911 the provisions of section 4-33 or 7-402.

3912 Sec. 76. Subsections (b) and (c) of section 36a-37a of the general
3913 statutes are repealed and the following is substituted in lieu thereof
3914 (*Effective from passage*):

3915 (b) Not later than six months following July 1, 2001, each

3916 community credit union shall delineate one or more assessment areas
3917 within which the [Commissioner of Banking] commissioner shall
3918 evaluate the community credit union's community reinvestment
3919 performance in this state and shall file such delineations with the
3920 commissioner. An assessment area shall consist only of whole
3921 geographies, and may not (1) reflect illegal discrimination, (2)
3922 arbitrarily exclude low-income or moderate-income geographies, or (3)
3923 extend substantially beyond a consolidated metropolitan statistical
3924 area boundary or beyond a state boundary, unless the assessment area
3925 is located in a multistate metropolitan statistical area. A community
3926 credit union may adjust the boundaries of its assessment areas to
3927 include only the portion of a political subdivision that it reasonably
3928 can be expected to serve. A community credit union shall immediately
3929 file an amendment with the [Commissioner of Banking] commissioner
3930 reflecting an adjustment of the boundaries of an assessment area.

3931 (c) The [Commissioner of Banking] commissioner shall assess
3932 periodically the community reinvestment performance of a community
3933 credit union consistent with the safe and sound operation of the
3934 community credit union. The commissioner shall assess the
3935 community reinvestment performance of such community credit
3936 union based on: (1) The community credit union's record of helping to
3937 meet the credit needs of its assessment area or areas through qualified
3938 investments that benefit its assessment area or areas or a broader state-
3939 wide or regional area that includes its assessment area or areas; (2) the
3940 community credit union's record of helping to meet the credit needs of
3941 its assessment area or areas, by analyzing both the availability and
3942 effectiveness of its systems for delivering retail credit union services
3943 and the extent and innovativeness of its community development
3944 services; (3) loan-to-share ratio given the community credit union's
3945 size and financial condition, credit needs of the assessment area or
3946 areas, other lending-related activities, considering seasonal variations,
3947 as used in 12 CFR 228.26; (4) percentage of total loans and other
3948 lending-related activities within the assessment area or areas; (5)
3949 record of lending and other lending-related activities to borrowers of
3950 different income levels, and businesses and farms of different sizes; (6)

3951 geographic distribution of loans; (7) action taken in response to written
3952 complaints with respect to community reinvestment performance; (8)
3953 efforts of the community credit union to work with delinquent
3954 residential mortgage customers who are unemployed or
3955 underemployed to facilitate a resolution of the delinquency; and (9)
3956 written comments received by the commissioner.

3957 Sec. 77. Subsection (a) of section 36a-37b of the general statutes is
3958 repealed and the following is substituted in lieu thereof (*Effective from*
3959 *passage*):

3960 (a) Each community credit union shall provide to the public upon
3961 request copies of the most recent community reinvestment
3962 performance evaluation prepared by the [Commissioner of Banking]
3963 commissioner pursuant to section 36a-37a, as amended by this act. A
3964 community credit union may charge a reasonable fee not to exceed the
3965 cost of copying and mailing, if applicable.

3966 Sec. 78. Section 36a-37c of the general statutes is repealed and the
3967 following is substituted in lieu thereof (*Effective from passage*):

3968 Each community credit union shall provide in the public lobby of its
3969 principal office and each of its subsidiary offices in this state a public
3970 notice substantially similar to the following:

3971 STATE OF CONNECTICUT
3972 COMMUNITY REINVESTMENT NOTICE

3973 The [Commissioner of] Banking Commissioner evaluates our record
3974 of helping to meet the credit needs of this community consistent with
3975 safe and sound operations. The [Commissioner of] Banking
3976 Commissioner may also consider this record when deciding on certain
3977 applications submitted by us.

3978 Your involvement is encouraged.

3979 You may review today our most recent community reinvestment
3980 performance evaluation prepared by the [Commissioner of] Banking

3981 Commissioner.

3982 You may send written comments about our community
3983 reinvestment performance to the [Commissioner of] Banking
3984 Commissioner (address). Your comments, together with any response
3985 by us, will be considered by the [Commissioner of] Banking
3986 Commissioner in evaluating our community reinvestment
3987 performance and may be made public.

3988 You may ask to look at any comments received by the
3989 [Commissioner of] Banking Commissioner.

3990 Sec. 79. Section 36a-44a of the general statutes is repealed and the
3991 following is substituted in lieu thereof (*Effective from passage*):

3992 Each financial institution that is a bank, Connecticut credit union,
3993 federal credit union, an out-of-state bank that maintains a branch in
3994 this state, an out-of-state trust company or out-of-state credit union
3995 that maintains an office in this state, a licensee under this title or any
3996 person subject to the jurisdiction of the [Commissioner of Banking]
3997 commissioner under title 36b shall comply with all provisions of
3998 Subtitle A of Title V of the Gramm-Leach-Bliley Financial
3999 Modernization Act of 1999, 15 USC 6801 et seq., and the regulations
4000 promulgated thereunder that apply to such financial institution, except
4001 to the extent that this section is inconsistent with the provisions of
4002 sections 36a-41 to 36a-44, inclusive, in which case the provisions that
4003 afford the customer greater protection shall control. For purposes of
4004 this section, "financial institution" has the meaning given to that term
4005 in Section 509 of the Gramm-Leach-Bliley Financial Modernization Act
4006 of 1999, 15 USC 6809, and the regulations promulgated thereunder.

4007 Sec. 80. Subsection (b) of section 36a-758a of the general statutes is
4008 repealed and the following is substituted in lieu thereof (*Effective from*
4009 *passage*):

4010 (b) The [Commissioner of Banking] commissioner may suspend,
4011 revoke or refuse to renew a license pursuant to section 36a-51 issued to

4012 a person or entity engaged in the business of making first mortgage
 4013 loans in this state and licensed in accordance with sections 36a-485 to
 4014 36a-498, inclusive, that fails to comply with subsection (a) of this
 4015 section.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage</i>
Sec. 5	<i>from passage</i>
Sec. 6	<i>from passage</i>
Sec. 7	<i>from passage</i>
Sec. 8	<i>from passage</i>
Sec. 9	<i>from passage</i>
Sec. 10	<i>from passage</i>
Sec. 11	<i>from passage</i>
Sec. 12	<i>from passage</i>
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Sec. 77	<i>from passage</i>
Sec. 78	<i>from passage</i>
Sec. 79	<i>from passage</i>
Sec. 80	<i>from passage</i>

BA *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Banking Dept.	BF - None	None	None

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill alters the manner in which the banking commissioner is reflected in the statutes and makes various other changes that do not result in a fiscal impact to the state.

OLR Bill Analysis

sSB 982

AN ACT CONCERNING THE COMMISSIONER OF BANKING AND DEPARTMENT OF BANKING EMPLOYEES**SUMMARY:**

This bill bars the banking commissioner from being employed by, or being an officer or director of a holding company with, a capital stock Connecticut bank as a wholly owned subsidiary. He is already prohibited from holding these positions at several other types of financial institutions. But the bill allows him to have an indirect financial interest in: (1) a federal bank, (2) a federal credit union, (3) an out-of-state bank, (4) an out-of-state credit union, (5) a holding company with a capital stock Connecticut bank as a wholly-owned subsidiary, or (6) any person or entity subject to the commissioner's general supervision, as long as he does not control the securities in his portfolio that give rise to his ownership or beneficial interest. Under the bill, the commissioner's spouse and resident dependent children's interests are considered the same as the commissioner's interest.

The law already subjects the commissioner's staff to the same restrictions as the commissioner regarding relationships and transactions with financial institutions. The bill adds holding companies with capital stock Connecticut banks as wholly owned subsidiaries to the list of restricted institutions that apply to the staff.

The bill also makes minor technical changes.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 19 Nay 0