



General Assembly

Substitute Bill No. 5331

February Session, 2008

* HB05331BA 030508 *

AN ACT CONCERNING LETTERS OF CREDIT.

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

1 Section 1. Subdivision (5) of section 36a-330 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2008*):

4 (5) "Qualified public depository" or "depository" means a bank,
5 Connecticut credit union, federal credit union or an out-of-state bank
6 that maintains in this state a branch, as defined in section 36a-410 of
7 the 2008 supplement to the general statutes, which receives or holds
8 public deposits and (i) segregates eligible collateral for public deposits
9 as described in section 36a-333, or (ii) arranges for a letter of credit to
10 be issued in accordance with section 36a-337, as amended by this act.

11 Sec. 2. Section 36a-334 of the general statutes is repealed and the
12 following is substituted in lieu thereof (*Effective October 1, 2008*):

13 When the commissioner determines that a loss has occurred, the
14 commissioner shall as soon as possible make payment to the proper
15 public officers of all public deposits subject to such loss, pursuant to
16 the following procedure: (1) For the purposes of determining the sums
17 to be paid, the commissioner or receiver shall, within twenty days after
18 issuance of a restraining order or taking possession of any qualified
19 public depository, ascertain the amount of public deposits held by the

20 depository as disclosed by its records and the amount thereof covered
21 by deposit insurance and certify the amounts to each public depositor
22 having public funds on deposit in the depository; (2) within ten days
23 after receipt of such certification, each such public depositor shall
24 furnish to the commissioner verified statements of its deposits in the
25 depository as disclosed by its records plus information concerning any
26 letters of credit issued to the public depositor pursuant to section 36a-
27 337, as amended by this act; (3) upon receipt of such certificate and
28 statements, the commissioner shall ascertain and fix the amount of
29 such public deposits, net after deduction of any deposit insurance and
30 any amount received or to be received by the public depositor
31 pursuant to a letter of credit issued in accordance with section 36a-337,
32 as amended by this act, and assess the same against the depository in
33 which the loss occurred; (4) the assessment made by the commissioner
34 shall be payable on the second business day following demand, and in
35 case of the failure of the qualified public depository so to pay, the
36 commissioner shall immediately take possession of the eligible
37 collateral, if any, segregated by the depository pursuant to sections
38 36a-330 to 36a-338, inclusive, as amended by this act, and liquidate the
39 same for the purpose of paying such assessment; (5) upon receipt of
40 the assessment, the commissioner shall reimburse the public
41 depositors of the depository in which the loss occurred to the extent of
42 the depository's net deposit liability to them.

43 Sec. 3. Section 36a-337 of the general statutes is repealed and the
44 following is substituted in lieu thereof (*Effective October 1, 2008*):

45 (a) All qualified public depositories shall have power to secure
46 public deposits in accordance with sections 36a-330 to 36a-338,
47 inclusive, as amended by this act. Except as provided in said sections,
48 no bond or other security shall be required of or given by any qualified
49 public depository for any public deposit.

50 (b) In lieu of eligible collateral required under section 36a-333, at
51 least to the extent provided by said section, not more than fifty per
52 cent of the public deposits held by any qualified public depository may

53 be secured solely by a private insurance policy purchased by the
54 depository, the depositor, or any other third party. Any private
55 insurance policy used to secure public deposits shall be issued by an
56 insurance company licensed to do business in Connecticut.

57 (c) In lieu of eligible collateral required under section 36a-333,
58 public deposits held by any qualified public depository may be
59 secured solely by an irrevocable letter of credit issued by the Federal
60 Home Loan Bank of Boston, provided such federal home loan bank has
61 a rating of the highest rating level from a rating service recognized by
62 the commissioner and provided further the amount of the letter of
63 credit, as a percentage of the public deposits, is no less than the
64 amount required by section 36a-333 for eligible collateral for the
65 particular depository.

66 Sec. 4. Section 36a-338 of the general statutes is repealed and the
67 following is substituted in lieu thereof (*Effective October 1, 2008*):

68 On each call report date, each qualified public depository shall file
69 with the commissioner a written report, certified under oath,
70 indicating its risk-based capital ratio and total capital, as determined in
71 accordance with applicable federal regulations and regulations
72 adopted by the commissioner in accordance with chapter 54, the total
73 amount of public deposits held by it and the amount and nature of the
74 eligible collateral segregated and designated to secure the public
75 deposits in accordance with sections 36a-330 to 36a-338, inclusive, as
76 amended by this act, and the amount and the name of the issuer of any
77 letter of credit issued pursuant to section 36a-337, as amended by this
78 act. Each depository shall furnish a copy of its most recent report to
79 any public depositor having public funds on deposit in the depository,
80 upon request of the depositor. Any public depository which refuses or
81 neglects to furnish any report or give any information as required by
82 this section shall no longer be a qualified public depository and shall
83 be excluded from the right to receive public deposits.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2008</i>	36a-330(5)
Sec. 2	<i>October 1, 2008</i>	36a-334
Sec. 3	<i>October 1, 2008</i>	36a-337
Sec. 4	<i>October 1, 2008</i>	36a-338

BA *Joint Favorable Subst.*