



Substitute House Bill No. 5331

Public Act No. 08-39

AN ACT CONCERNING LETTERS OF CREDIT.

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

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 Subdivision (5) of section 36a-330 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2008*):

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

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 Section 36a-334 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2008*):

When the commissioner determines that a loss has occurred, the commissioner shall as soon as possible make payment to the proper public officers of all public deposits subject to such loss, pursuant to the following procedure: (1) For the purposes of determining the sums to be paid, the commissioner or receiver shall, within twenty days after

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

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

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

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public depository for any public deposit.

(b) In lieu of eligible collateral required under section 36a-333, at least to the extent provided by said section, not more than fifty per cent of the public deposits held by any qualified public depository may be secured solely by a private insurance policy purchased by the depository, the depositor, or any other third party. Any private insurance policy used to secure public deposits shall be issued by an insurance company licensed to do business in Connecticut.

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

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

On each call report date, each qualified public depository shall file with the commissioner a written report, certified under oath, indicating its risk-based capital ratio and total capital, as determined in accordance with applicable federal regulations and regulations adopted by the commissioner in accordance with chapter 54, the total amount of public deposits held by it and the amount and nature of the eligible collateral segregated and designated to secure the public deposits in accordance with sections 36a-330 to 36a-338, inclusive, as amended by this act, and the amount and the name of the issuer of any letter of credit issued pursuant to section 36a-337, as amended by this act. Each depository shall furnish a copy of its most recent report to

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any public depositor having public funds on deposit in the depository, upon request of the depositor. Any public depository which refuses or neglects to furnish any report or give any information as required by this section shall no longer be a qualified public depository and shall be excluded from the right to receive public deposits.

Approved May 7, 2008