CONNECTICUT BANKERS
ASSOCIATION

March 11, 2010

TO: MEMBERS OF THE BANKS COMMITTEE

FR: CONNECTICUT BANKERS ASSOCIATION

CONTACTS: TOM MONGELLOW, FRITZ CONWAY

S.B. No. 271 AN ACT CONCERNING THE TREASURER'S TRUST PREFERRED SECURITY PURCHASE PROGRAM.

Position: Support

Recent turmoil in the financial markets has created a situation where *healthy community banking institutions* have found access to normal capital markets to be limited. One of the markets that has been extremely strained is the market for a form of hybrid security known as "trust preferred securities". This type of security is often used by healthy banks (particularly "mutual" institutions) to raise a form of capital known as "Tier 1 Capital". A bank's capital is directly related to the number of loans that can be delivered to its local community. Every dollar of capital can be "leveraged" into multiple loans.

Trust preferred securities are typically structured in pooled securitization arrangements. The markets for these securities have been restricted for the past year and one-half, *not* because of the health and creditworthiness of participating banks, but rather because of the turmoil in the global financial markets.

This bill would create a program (in cooperation with the Treasurer's office) to allow for the sale of trust preferred securities to the Connecticut Retirement Pension and Trust Fund (CRPTF). The proposed program would allow Connecticut based banks to participate in the program, thereby allowing them to better serve their communities through loans to Connecticut individuals and businesses.

The CBA urges your support for this bill. We would also like to continue to work with the Committee and the Treasurer's office to make certain technical changes to the bill to better reflect certain regulatory and structural considerations.

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