



House of Representatives

General Assembly

File No. 284

January Session, 2013

Substitute House Bill No. 6339

House of Representatives, April 2, 2013

The Committee on Banks reported through REP. TONG of the 147th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING BANKS AND THE ECONOMIC DEVELOPMENT OF LOAN PRODUCTION OFFICES.

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

1 Section 1. Subsection (c) of section 36a-21 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2013*):

4 (c) No director, officer, employee or agent of any Connecticut bank,
5 [or] Connecticut credit union or licensee under section 36a-380 or 36a-
6 628 shall disclose without the prior written consent of the
7 commissioner any information contained in an examination report
8 about such bank, [or] credit union [,] or licensee which information is
9 not otherwise a matter of public record.

10 Sec. 2. Section 36a-127 of the general statutes is repealed and the
11 following is substituted in lieu thereof (*Effective from passage*):

12 A Connecticut bank may merge with one or more of its affiliates

13 that are not banks or out-of-state banks, provided the resulting
14 institution is a Connecticut bank. Such merger shall be effected in
15 accordance with the provisions of section 36a-125 as if such affiliate
16 were a constituent bank, except, with respect to any provision therein
17 governing corporate procedure, including the rights of dissenting
18 members or shareholders who assert existing appraisal rights, such
19 affiliate shall comply with the laws of the state or other jurisdiction
20 under which such affiliate is organized. Any such affiliate shall also
21 comply with other applicable laws of the state or other jurisdiction
22 under which such affiliate is organized concerning such mergers.

23 Sec. 3. Subsection (o) of section 36a-145 of the general statutes is
24 repealed and the following is substituted in lieu thereof (*Effective from*
25 *passage*):

26 (o) With the approval of the commissioner, a Connecticut bank may
27 establish a loan production office in or outside this state.

28 Sec. 4. Subsection (a) of section 36a-262 of the general statutes is
29 repealed and the following is substituted in lieu thereof (*Effective from*
30 *passage*):

31 (a) Except as otherwise provided in this section, the total direct or
32 indirect liabilities of any one obligor that are not fully secured,
33 however incurred, to any Connecticut bank, exclusive of such bank's
34 investment in the investment securities of such obligor, shall not
35 exceed at the time incurred fifteen per cent of the equity capital and
36 reserves for loan and lease losses of such bank. The total direct or
37 indirect liabilities of any one obligor that are fully secured, however
38 incurred, to any Connecticut bank, exclusive of such bank's investment
39 in the investment securities of such obligor, shall not exceed at the time
40 incurred ten per cent of the equity capital and reserves for loan and
41 lease losses of such bank, provided this limitation shall be separate
42 from and in addition to the limitation on liabilities that are not fully
43 secured. Notwithstanding any provision of this subsection, the
44 limitation on the liabilities of any one obligor shall take into account
45 the credit exposure to such obligor arising from a derivative

46 transaction. The commissioner shall have the authority to establish the
47 method for determining the credit exposure and the extent to which
48 the credit exposure shall be taken into account. As used in this
49 subsection, "derivative transaction" includes any transaction that is a
50 contract, agreement, swap, warrant, note or option that is based, in
51 whole or in part, on the value of any interest in, or any quantitative
52 measure or the occurrence of any event [leading] relating to, one or
53 more commodities, securities, currencies, interest or other rates,
54 indices or other assets. The commissioner may adopt regulations in
55 accordance with the provisions of chapter 54 establishing the method
56 for determining credit exposure to derivative transactions and the
57 extent to which the credit exposure shall be taken into account. For
58 purposes of this section, a liability shall be considered to be fully
59 secured if it is secured by readily marketable collateral having a
60 market value, as determined by reliable and continuously available
61 price quotations, at least equal to the amount of the liability. For
62 purposes of determining the limitations of this section, in computing
63 the liabilities of an obligor, a liability is incurred at the time of the
64 closing of the transaction, unless such closing is preceded by a legally
65 binding written commitment to enter into the transaction, in which
66 case such liability is incurred at the time of commitment and is net of
67 any liabilities of the obligor to such bank that will be paid with the
68 proceeds of the commitment at the time of closing. The limitations
69 provided for in this subsection may be exceeded for a period of time
70 not to exceed six hours if at the closing of any transaction at which
71 such obligor incurs such liabilities to a Connecticut bank in excess of
72 such limitations, such bank immediately assigns or participates out to
73 one or more other persons an amount that constitutes not less than the
74 excess over the applicable limitation. Obligations as endorser or
75 guarantor of negotiable or nonnegotiable installment consumer paper
76 which carry an agreement to repurchase on default, unless the bank's
77 sole recourse is to an agreed reserve held by it, in which case the
78 liability shall be excluded, a full recourse endorsement or an
79 unconditional guarantee by the person, partnership, association or
80 corporation transferring the same, shall be subject under this section to

81 a limitation of fifteen per cent of the bank's equity capital and reserves
82 for loan and lease losses in addition to the applicable limitations of this
83 section with respect to the makers of such obligations; provided, upon
84 certification by an officer of the bank designated for that purpose by
85 the governing board that the responsibility of each maker of such
86 obligations has been evaluated and the bank is relying primarily upon
87 each such maker for the payment of such obligations, the limitations of
88 this section as to the obligations of each maker shall be the sole
89 applicable loan limitation; and provided such certification shall be in
90 writing and shall be retained as part of the records of such bank.

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|---|------------------------|------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>October 1, 2013</i> | 36a-21(c) |
| Sec. 2 | <i>from passage</i> | 36a-127 |
| Sec. 3 | <i>from passage</i> | 36a-145(o) |
| Sec. 4 | <i>from passage</i> | 36a-262(a) |

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill results in no fiscal impact to the Department of Banking as it is procedural and clarifying in nature.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis

sHB 6339

AN ACT CONCERNING BANKS AND THE ECONOMIC DEVELOPMENT OF LOAN PRODUCTION OFFICES.

SUMMARY:

This bill prohibits directors, officers, employees, or agents of licensed business and industrial development corporations and entities licensed to act as trustees from disclosing non-public information contained in a licensee's Banking Department examination report without the banking commissioner's prior written consent. Under existing law, this restriction applies to Connecticut banks and Connecticut credit unions. By law a "business and industrial development corporation" is a person approved or seeking approval from the federal Small Business Administration as a participating lender under its loan guarantee programs.

The bill clarifies that when a Connecticut bank merges with affiliates that are not banks under Connecticut law, it must be done as if the affiliate were a constituent bank.

The bill allows Connecticut banks, with the banking commissioner's approval, to establish loan production offices out of state, instead of just in state. A "loan production office" is an office whose activities are limited to loan production and solicitation.

The bill also makes a technical change.

EFFECTIVE DATE: Upon passage, except the restriction on disclosing information in examination reports is effective October 1, 2013.

MERGERS WITH AFFILIATES

By law, a Connecticut bank can merge with one of its affiliates that is not a bank if the resulting institution is a Connecticut bank. The merger must be done in accordance with the law on merging Connecticut banks. The bill clarifies that the affiliate restricted as a constituent bank for purposes of these merger proceedings. The bill maintains the exception that for issues related to corporate procedure and mergers, an affiliate should comply with the laws of the state under which it was organized.

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/14/2013)