



General Assembly

**Amendment**

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LCO No. 7548

**\*HB0633907548HDO\***

Offered by:

REP. TONG, 147<sup>th</sup> Dist.

SEN. LEONE, 27<sup>th</sup> Dist.

REP. ALBERTS, 50<sup>th</sup> Dist.

To: Subst. House Bill No. 6339

File No. 284

Cal. No. 194

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

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1 In line 120, after "state;" insert "or"

2 In line 121, strike the semicolon and "(3)"

3 After the last section, add the following and renumber sections and  
4 internal references accordingly:

5 "Sec. 501. (NEW) (*Effective October 1, 2013*) As used in this section  
6 and sections 2 to 7, inclusive, of this act:

7 (1) "Affiliated with" means that a person, directly or indirectly,  
8 through one or more intermediaries, controls, is controlled by or is  
9 under common control with another specified person;

10 (2) "Client" means a taxpayer with whom an exchange facilitator  
11 enters into an agreement, as described in subparagraph (B) of

12 subdivision (3) of this section;

13 (3) "Exchange facilitator" means a person who: (A) Maintains an  
14 office in this state for the purpose of soliciting business facilitating the  
15 exchange of like-kind property, as described in subparagraph (B) of  
16 this subdivision; or (B) for a fee (i) facilitates an exchange of like-kind  
17 property by entering into an agreement with a client pursuant to  
18 which the exchange facilitator acquires from such client the contractual  
19 rights to sell such client's relinquished property located in this state  
20 and transfer a replacement property to such client as a qualified  
21 intermediary, within the meaning of 26 CFR 1.1031(k)-1(g)(4), (ii)  
22 enters into an agreement with a client to take title to a property in this  
23 state as an exchange accommodation titleholder, as defined in Revenue  
24 Procedure 2000-37 issued by the Internal Revenue Service, or (iii)  
25 enters into an agreement with a client to act as a qualified trustee or  
26 qualified escrow holder, as such terms are defined in 26 CFR 1.1031(k)-  
27 1(g)(3); but shall not include:

28 (I) Any financial institution, as defined in subdivision (6) of this  
29 section, that is acting solely as a depository for exchange funds or  
30 solely as a qualified escrow holder or qualified trustee, as such terms  
31 are defined in 26 CFR 1.1031(k)-1(g)(3), and is not otherwise facilitating  
32 exchanges in accordance with this subparagraph;

33 (II) An individual or entity that is teaching seminars or classes or  
34 giving other presentations to attorneys, accountants, real estate  
35 professionals, tax professionals or other professionals where the  
36 primary purpose is to teach about tax deferred exchanges or to train  
37 such professionals to act as exchange facilitators, or any individual or  
38 entity advertising for such seminars, classes or other presentations; or

39 (III) An entity that is wholly owned by an exchange facilitator or by  
40 a person representing the exchange facilitator and used by such  
41 exchange facilitator or person to facilitate exchanges or take title to  
42 property in this state as an exchange accommodation titleholder;

43 (4) "Exchange funds" means the funds received by an exchange  
44 facilitator from or on behalf of a client for the purpose of facilitating an  
45 exchange of like-kind property;

46 (5) "Fee" means compensation of any nature, direct or indirect,  
47 monetary or in-kind, that is received by a person or related person, as  
48 defined in Section 267(b) or Section 707(b) of the Internal Revenue  
49 Code of 1986, or any subsequent corresponding internal revenue code  
50 of the United States, as amended from time to time, for any services  
51 relating or incidental to the exchange of like-kind property under  
52 Section 1031 of said Internal Revenue Code;

53 (6) "Financial institution" means any bank, federal credit union,  
54 Connecticut credit union, savings and loan holding company, savings  
55 and loan association, savings bank, trust company or trust bank, as  
56 such terms are defined in section 36a-2 of the general statutes,  
57 chartered under the laws of this state or the United States whose  
58 accounts are insured by the full faith and credit of the United States of  
59 America, the Federal Deposit Insurance Corporation, the National  
60 Credit Union Share Insurance Fund or other similar or successor  
61 programs;

62 (7) "Person" means a natural person, cooperative association, limited  
63 liability company, firm, partnership, corporation or other legal entity,  
64 and includes any agent or employee of any such person;

65 (8) "Pool" means to (A) aggregate exchange funds of multiple  
66 taxpayers for investment purposes to achieve common investment  
67 goals and efficiencies, and (B) ensure that such exchange funds are  
68 readily identifiable as to each taxpayer for whom they are held,  
69 through an accounting or subaccounting system;

70 (9) "Prudent investor standard" means the prudent investor rule, as  
71 set forth by the Connecticut Uniform Prudent Investor Act, or as  
72 otherwise defined by part VII of chapter 802c of the general statutes;  
73 and

74 (10) "Publicly traded company" means a corporation whose  
75 securities are publicly traded on the New York Stock Exchange, the  
76 American Stock Exchange, or the national market system of the  
77 National Association of Securities Dealers Automated Quotation  
78 System established pursuant to the Securities Exchange Act of 1934,  
79 and the subsidiaries of any such corporation.

80 Sec. 502. (NEW) (*Effective October 1, 2013*) An exchange facilitator  
81 shall notify each client whose relinquished property, as defined in 26  
82 CFR 1.1031(k)-1(a), is located in this state or whose replacement  
83 property, as defined in 26 CFR 1.1031(k)-1(a), held under a qualified  
84 exchange accommodation agreement is located in this state, of any  
85 change in control of the exchange facilitator. The exchange facilitator  
86 shall notify each such client not later than ten business days after the  
87 effective date of such change in control by facsimile, electronic mail  
88 transmission or first class mail and by posting such notice of change of  
89 control on the exchange facilitator's Internet web site for a period  
90 ending not earlier than ninety days after the change in control. Such  
91 notification shall set forth the name, address and other contact  
92 information of the persons to whom control was transferred.  
93 Notwithstanding the provisions of this section, if the exchange  
94 facilitator is a publicly traded company and remains a publicly traded  
95 company after a change in control, the publicly traded company shall  
96 not be required to notify its existing clients of such change in control.  
97 For purposes of this section, "change in control" means any transfer or  
98 transfers within a twelve-month period of more than fifty per cent of  
99 the assets or ownership interests, directly or indirectly, of the exchange  
100 facilitator.

101 Sec. 503. (NEW) (*Effective October 1, 2013*) An exchange facilitator at  
102 all times shall:

103 (1) Maintain a fidelity bond in an amount of not less than one  
104 million dollars executed by an insurer authorized to do business in this  
105 state;

106 (2) Deposit all exchange funds in a separately identified account, as  
107 defined in 26 CFR 1.468B-6(c)(2)(ii)(A), and provide that any  
108 withdrawals from such separately identified account require the  
109 written authorizations of both the client and the exchange facilitator.  
110 Deliver authorization for withdrawals by any commercially reasonable  
111 means, including (A) the client's delivery to the exchange facilitator of  
112 the client's authorization to disburse exchange funds and the exchange  
113 facilitator's delivery to the depository institution of the exchange  
114 facilitator's sole authorization to disburse exchange funds, or (B)  
115 delivery to the depository institution of both the client's and the  
116 exchange facilitator's authorizations to disburse exchange funds; or

117 (3) Deposit all exchange funds in a qualified escrow or qualified  
118 trust, as such terms are defined in 26 CFR 1.1031(k)-1(g)(3), with a  
119 financial institution and provide that any withdrawals from such  
120 qualified escrow or qualified trust require the taxpayer's and the  
121 exchange facilitator's written authorization.

122 Sec. 504. (NEW) (*Effective October 1, 2013*) An exchange facilitator at  
123 all times shall: (1) Maintain an errors and omissions policy of insurance  
124 in an amount not less than two hundred fifty thousand dollars  
125 executed by an insurer authorized to do business in this state; (2)  
126 deposit an amount of cash or securities; or (3) provide irrevocable  
127 letters of credit in an amount not less than two hundred fifty thousand  
128 dollars.

129 Sec. 505. (NEW) (*Effective October 1, 2013*) The Banking  
130 Commissioner may adopt regulations, in accordance with the  
131 provisions of chapter 54 of the general statutes, to implement the  
132 provisions of sections 1 to 8, inclusive, of this act. Any person claiming  
133 to have suffered damage by reason of the failure of an exchange  
134 facilitator to comply with the provisions of sections 2 to 7, inclusive, of  
135 this act may file a claim with the commissioner against the exchange  
136 facilitator to recover such damage from (1) the fidelity bond  
137 maintained in accordance with subdivision (1) of section 3 of this act,  
138 (2) cash or securities deposited in accordance with subdivision (2) of

139 section 4 of this act, (3) letters of credit provided in accordance with  
140 subdivision (3) of section 4 of this act, or (4) the errors and omissions  
141 policy maintained in accordance with subdivision (1) of section 4 of  
142 this act.

143 Sec. 506. (NEW) (*Effective October 1, 2013*) (a) An exchange facilitator  
144 shall hold all exchange funds, including money, property, other  
145 consideration or instruments received by the exchange facilitator from  
146 or on behalf of the client, but not including funds received as the  
147 exchange facilitator's compensation, in a manner that provides  
148 liquidity and preserves principal. An exchange facilitator shall provide  
149 the client with written notification of the manner in which the  
150 exchange funds will be invested or deposited and shall deposit or  
151 invest exchange funds in investments which meet the prudent investor  
152 standard and which satisfy investment goals of liquidity and  
153 preservation of principal. Exchange funds may be pooled. For  
154 purposes of this section, an exchange facilitator violates the prudent  
155 investor standard if:

156 (1) Exchange funds are knowingly commingled by the exchange  
157 facilitator with the operating accounts of the exchange facilitator; or

158 (2) Exchange funds are loaned or otherwise transferred to any  
159 person or entity affiliated with or related to the exchange facilitator  
160 except that this subdivision shall not apply to a transfer made  
161 pursuant to the exchange contract (A) for payment of an exchange  
162 expense or completion of the acquisition of the replacement property,  
163 (B) for depositing exchange funds with a financial institution, or (C) to  
164 an exchange accommodation titleholder, a trustee of a qualified trust  
165 or a qualified escrow agent.

166 (b) Exchange funds are not subject to execution or attachment on  
167 any claim against the exchange facilitator. An exchange facilitator shall  
168 not knowingly keep or cause to be kept any money in any financial  
169 institution under any name designating the money as belonging to a  
170 client of the exchange facilitator unless the money equitably belongs to

171 the client and was actually entrusted to the exchange facilitator by the  
172 client.

173 Sec. 507. (NEW) (*Effective October 1, 2013*) No exchange facilitator or,  
174 in the case of an exchange facilitator that is an entity, no owner, officer,  
175 director or employee of such exchange facilitator, shall knowingly:

176 (1) Make any material misrepresentations concerning any exchange  
177 facilitator transaction that are intended to mislead;

178 (2) Pursue a continued or flagrant course of misrepresentation or  
179 making false statements through advertising or by any other means;

180 (3) Fail, within a reasonable time, to account for any money or  
181 property belonging to another person that may be in the possession or  
182 under the control of the exchange facilitator;

183 (4) Engage in any conduct constituting fraudulent or dishonest  
184 dealings;

185 (5) Commit any crime related to the exchange facilitation business  
186 involving fraud, misrepresentation, deceit, embezzlement,  
187 misappropriation of funds, robbery or other theft of property, except  
188 that commission of such crime by an officer, director or employee shall  
189 not be considered a violation of this section, provided (A) the  
190 employment or appointment of such officer, director or employee has  
191 been terminated, and (B) no clients of the exchange facilitator were  
192 harmed or full restitution has been made to all harmed clients;

193 (6) Materially fail to fulfill the exchange facilitator's contractual  
194 duties to the client to deliver property or funds to the client unless  
195 such failure is due to circumstances beyond the control of the exchange  
196 facilitator; and

197 (7) Materially violate any provision of sections 2 to 6, inclusive, of  
198 this act or the regulations adopted by the Banking Commissioner in  
199 accordance with section 5 of this act.

200 Sec. 508. (NEW) (*Effective October 1, 2013*) (a) A person who violates  
201 any provision of sections 2 to 7, inclusive, of this act is subject to civil  
202 suit in a court of competent jurisdiction.

203 (b) Any person who commences a civil action pursuant to  
204 subsection (a) of this section shall notify the Department of Banking  
205 upon filing such action.

206 Sec. 509. Section 36a-330 of the general statutes is repealed and the  
207 following is substituted in lieu thereof (*Effective from passage*):

208 As used in sections 36a-330 to 36a-338, inclusive, unless the context  
209 otherwise requires:

210 (1) "Business day" means any day other than a Saturday, Sunday or  
211 day on which a financial institution is closed as required or authorized  
212 by state or federal law;

213 (2) "Close of business" means the time at which a financial  
214 institution closes for regular business operations on any business day;

215 (3) "Eligible collateral" means [(A) United States treasury bills, notes  
216 and bonds, (B) United States government agency securities, (C) United  
217 States agency variable-rate securities, (D) mortgage pass-through or  
218 participation certificates or similar securities, (E) performing one-to-  
219 four-family residential mortgage loans that meet the following criteria:  
220 (i) The mortgage loan has a loan-to-value ratio which is less than or  
221 equal to eighty per cent for loans without private mortgage insurance,  
222 or a loan-to-value ratio which is less than or equal to ninety-five per  
223 cent for loans with private mortgage insurance; and (ii) the mortgage  
224 loan has a payment history of not more than one payment over thirty  
225 days in arrears during the past twelve consecutive months or, if the  
226 loan has a payment history of less than twelve months in duration, the  
227 loan meets the documentation requirements of the Federal National  
228 Mortgage Association or the Federal Home Loan Mortgage  
229 Corporation; provided, in the case of a subsequent default under any  
230 such mortgage loan that continues uncured for more than sixty days,

231 such loan shall no longer qualify as eligible collateral and shall be  
232 replaced by a performing mortgage loan that meets the criteria set  
233 forth in this subdivision, and (F) state and municipal bonds] the  
234 following investments for which prices or values are quoted or readily  
235 available: (A) General obligations that are guaranteed fully as to  
236 principal and interest by the United States or this state or for which the  
237 full faith and credit of the United States or this state is pledged for the  
238 payment of principal and interest; (B) general obligations of any  
239 agency of the United States, including government sponsored  
240 enterprises, which are not guaranteed fully as to principal and interest  
241 by the United States or for which the full faith and credit of the United  
242 States is not pledged for the payment of principal and interest; (C)  
243 mortgage pass-through or participation certificates or similar securities  
244 that have been issued or guaranteed by the Federal National Mortgage  
245 Association, Federal Home Loan Mortgage Corporation or  
246 Government National Mortgage Association; (D) general obligations of  
247 municipalities and states other than this state that are rated in the three  
248 highest rating categories by a rating agency recognized by the  
249 commissioner; and (E) revenue obligations for essential services,  
250 including education, transportation, emergency, water and sewer  
251 services of municipalities and states that are rated in the three highest  
252 rating categories by a rating agency recognized by the commissioner  
253 and that are determined to be a prudent investment by the governing  
254 board of the qualified public depository, by a management committee  
255 or board committee appointed by such governing board or by an  
256 officer appointed by such governing board, management committee or  
257 board committee;

258 (4) "Financial institution" means a bank, Connecticut credit union,  
259 federal credit union or an out-of-state bank that maintains in this state  
260 a branch as defined in section 36a-410;

261 (5) "Loss" means issuance of an order of supervisory authority  
262 restraining a qualified public depository from making payments of  
263 deposit liabilities or the appointment of a receiver for a qualified

264 public depository;

265 (6) "Net worth ratio" has the same meaning as "net worth ratio" as  
266 provided in 12 CFR 702.2, as from time to time amended;

267 ~~[(6)]~~ (7) "Public deposit" means (A) moneys of this state or of any  
268 governmental subdivision of this state or any commission, committee,  
269 board or officer thereof, any housing authority or any court of this  
270 state and (B) moneys held by the Judicial Department in a fiduciary  
271 capacity;

272 ~~[(7)]~~ (8) "Qualified public depository" or "depository" means a bank,  
273 Connecticut credit union, federal credit union or an out-of-state bank  
274 that maintains in this state a branch, as defined in section 36a-410,  
275 which receives or holds public deposits and, to the extent applicable,  
276 (A) segregates eligible collateral for public deposits as described in  
277 section 36a-333, or (B) arranges for a letter of credit to be issued in  
278 accordance with section 36a-337;

279 (9) "Risk-based capital ratio" has the same meaning as "total risk-  
280 based capital ratio" as provided in Section 325.2 of Subpart 325 of the  
281 Federal Deposit Insurance Corporation Rules and Regulations, as  
282 amended from time to time;

283 (10) "Tier one leverage ratio" has the same meaning as "leverage  
284 ratio" as provided in Section 325.2 of Subpart 325 of the Federal  
285 Deposit Insurance Corporation Rules and Regulations, as amended  
286 from time to time; and

287 ~~[(8)]~~ (11) "Uninsured public deposit" means the portion of a public  
288 deposit that is not insured or guaranteed by the Federal Deposit  
289 Insurance Corporation or by the National Credit Union  
290 Administration. For purposes of this subdivision, amounts of a public  
291 deposit that are insured by the Federal Deposit Insurance Corporation  
292 or the National Credit Union Administration include amounts that  
293 have been redeposited, with the authorization of the public depositor,  
294 into deposit accounts in one or more federally insured banks, out-of-

295 state banks, Connecticut credit unions or federal credit unions,  
296 including the qualified public depository, provided the full amounts so  
297 included are eligible for insurance coverage by the Federal Deposit  
298 Insurance Corporation or by the National Credit Union  
299 Administration.

300 Sec. 510. Section 36a-333 of the general statutes is repealed and the  
301 following is substituted in lieu thereof (*Effective from passage*):

302 [(a) To secure public deposits, each qualified public depository shall  
303 at all times maintain, segregated from its other assets as provided in  
304 subsection (b) of this section, eligible collateral in an amount at least  
305 equal to the following percentage of uninsured public deposits held by  
306 the depository: (1) For any qualified public depository having a risk-  
307 based capital ratio of ten per cent or greater, a sum equal to ten per  
308 cent of all uninsured public deposits held by the depository; (2) for any  
309 qualified public depository having a risk-based capital ratio of less  
310 than ten per cent but greater than or equal to eight per cent, a sum  
311 equal to twenty-five per cent of all uninsured public deposits held by  
312 the depository; (3) for any qualified public depository having a risk-  
313 based capital ratio of less than eight per cent but greater than or equal  
314 to three per cent, a sum equal to one hundred per cent of all uninsured  
315 public deposits held by the depository; (4) for any qualified public  
316 depository having a risk-based capital ratio of less than three per cent,  
317 and, notwithstanding the provisions of subdivisions (1) to (3),  
318 inclusive, of this subsection, for any qualified public depository which  
319 has been conducting business in this state for a period of less than two  
320 years except for a qualified public depository that is a successor  
321 institution to a qualified public depository which conducted business  
322 in this state for two years or more, a sum equal to one hundred twenty  
323 per cent of all uninsured public deposits held by the depository;  
324 provided, the qualified public depository and the public depository  
325 may agree on an amount of eligible collateral to be maintained by the  
326 depository that is greater than the minimum amounts required under  
327 subdivisions (1) to (4), inclusive, of this subsection; (5) notwithstanding

328 the risk-based capital ratio provisions of subdivisions (1) to (3),  
329 inclusive, of this subsection, for any qualified public depository that is  
330 an uninsured bank, a sum equal to one hundred twenty per cent of all  
331 public deposits held by the depository; and (6) notwithstanding the  
332 risk-based capital ratio provisions of subdivisions (1) to (3), inclusive,  
333 of this subsection, for any qualified public depository that is subject to  
334 an order to cease and desist, consent order or a preliminary warning  
335 letter, or has entered into a stipulation and agreement, memorandum  
336 of understanding or a letter of understanding and agreement with a  
337 bank or credit union supervisor, a sum equal to one hundred twenty  
338 per cent of all uninsured public deposits held by the depository, or, in  
339 the case of such a qualified public depository that satisfies the  
340 requirements of subsection (f) of this section, a sum equal to one  
341 hundred per cent of all uninsured public deposits held by the  
342 depository.]

343 (a) (1) To secure public deposits, each qualified public depository  
344 that is not under a formal regulatory order shall at all times maintain,  
345 segregated from its other assets as provided in subsection (b) of this  
346 section, eligible collateral in an amount not less than twenty-five per  
347 cent of all uninsured public deposits held by the depository, provided  
348 if such depository: (A) Is a bank or out-of-state bank having a tier one  
349 leverage ratio of not less than six per cent and a risk-based capital ratio  
350 of not less than twelve per cent, or is a credit union or federal credit  
351 union having a net worth ratio of not less than eight per cent, the  
352 amount of eligible collateral shall be a sum not less than ten per cent of  
353 all uninsured deposits held by the depository; or (B) is a bank or out-  
354 of-state bank having a tier one leverage ratio of less than five per cent  
355 or a risk-based capital ratio of less than ten per cent, or is a credit  
356 union or federal credit union having a net worth ratio of less than  
357 seven per cent, the amount of eligible collateral shall be not less than a  
358 sum equal to one hundred ten per cent of all uninsured public deposits  
359 held by the depository.

360 (2) Notwithstanding the provisions of subdivisions (1) and (3) of

361 this subsection, to secure public deposits, each qualified public  
362 depository that (A) has been conducting business in this state for a  
363 period of less than two years, except for a depository that is a successor  
364 institution to a depository which conducted business in this state for  
365 two years or more, or (B) is an uninsured bank, shall at all times  
366 maintain, segregated from its other assets as required under subsection  
367 (b) of this section, eligible collateral in an amount not less than one  
368 hundred twenty per cent of all uninsured public deposits held by the  
369 depository.

370 (3) To secure public deposits, each qualified public depository that  
371 is under a formal regulatory order shall at all times maintain,  
372 segregated from its other assets as required under subsection (b) of this  
373 section, eligible collateral in an amount not less than one hundred ten  
374 per cent of all uninsured public deposits held by the depository.  
375 However, if such regulatory order is not related to capital, asset  
376 quality, earnings or liquidity, the depository notifies each of its public  
377 depositors of the issuance of such order and such depository is a bank  
378 or out-of-state bank having a tier one leverage ratio of not less than  
379 five per cent and risk-based capital ratio of not less than ten per cent or  
380 a credit union or federal credit union having a net worth ratio of not  
381 less than seven per cent, such depository may reduce the amount of  
382 eligible collateral it is required to maintain under this subdivision to an  
383 amount not less than seventy-five per cent of all uninsured public  
384 deposits held by the depository, provided if such depository is a bank  
385 or out-of-state bank having a tier one leverage ratio of not less than  
386 seven and one-half per cent and a risk-based capital ratio of not less  
387 than fourteen per cent or a credit union or federal credit union having  
388 a net worth ratio of not less than nine and one-half per cent, the  
389 amount of eligible collateral may be reduced to a sum not less than  
390 fifty per cent of all uninsured public deposits held by the depository.

391 (4) Notwithstanding the provisions of this subsection, the qualified  
392 public depository and the public depositor may agree on an amount of  
393 eligible collateral to be maintained by the depository that is greater

394 than the minimum amounts required under [subdivisions (1) to (6),  
395 inclusive,] subdivision (1) or (3) of this subsection, as applicable. For  
396 purposes of this subsection, the amount of all uninsured public  
397 deposits held by the depository shall be determined at the close of  
398 business on the day of receipt of any public deposit and any deficiency  
399 in the amount of eligible collateral required under this section shall be  
400 cured not later than the close of business on the following business  
401 day. For purposes of this subsection, the depository's tier one leverage  
402 ratio and risk-based capital ratio or net worth ratio shall be  
403 determined, in accordance with applicable federal regulations and  
404 regulations adopted by the commissioner in accordance with chapter  
405 54, based on the most recent quarterly call report, provided [(A)] if,  
406 during any calendar quarter after the issuance of such report, the  
407 depository experiences a decline in its tier one leverage ratio, risk-  
408 based capital ratio or net worth ratio to a level that would require the  
409 depository to maintain a higher amount of eligible collateral under  
410 [subdivisions (1) to (4), inclusive, or subdivision (6)] subdivision (1) or  
411 (3) of this subsection, the depository shall increase the amount of  
412 eligible collateral maintained by it to the minimum required under  
413 [subdivisions (1) to (4), inclusive, or subdivision (6)] subdivision (1) or  
414 (3) of this subsection, as applicable, based on such lower tier one  
415 leverage ratio, risk-based capital ratio or net worth ratio and shall  
416 notify the commissioner of its actions. [; and (B) if, during any calendar  
417 quarter after the issuance of such report, the commissioner reasonably  
418 determines that the depository's risk-based capital ratio is likely to  
419 decline to a level that would require the depository to maintain a  
420 higher amount of eligible collateral under subdivisions (1) to (4),  
421 inclusive, or subdivision (6) of this subsection, the commissioner may  
422 require that the depository increase the amount of eligible collateral  
423 maintained by it to the minimum required under subdivisions (1) to  
424 (4), inclusive, or subdivision (6) of this subsection, as applicable, based  
425 on the commissioner's determination of such lower risk-based capital  
426 ratio. For purposes of determining the minimum market value of the  
427 eligible collateral under subsection (e) of this section, a qualified public  
428 depository shall apply the collateral ratio using uninsured public

429 deposits.] The commissioner may, at any time, require the depository  
430 to increase its eligible collateral to an amount greater than that  
431 required by subdivision (1) or (3) of this subsection, as applicable, up  
432 to a maximum amount of one hundred twenty per cent, if the  
433 commissioner reasonably determines that such increase is necessary  
434 for the protection of public deposits. If the commissioner determines  
435 that such increase in eligible collateral is no longer necessary for the  
436 protection of public deposits, the commissioner may allow the  
437 depository to adjust the amount downward, as the circumstances  
438 warrant, to an amount not less than the minimum amount required by  
439 subdivision (1) or (3) of this subsection, as applicable.

440 (5) For purposes of this subsection, "formal regulatory order" means  
441 a written agreement related to enforcement, including a letter of  
442 understanding or agreement or a written order, that a supervisory  
443 agency is required to publish or publishes on its web site, but does not  
444 include any written agreement or written order under which the sole  
445 obligation of the depository is to pay a civil money penalty, fine or  
446 restitution.

447 (b) Each qualified public depository that is a bank or out-of-state  
448 bank having a tier one leverage ratio of five per cent or greater or a  
449 risk-based capital ratio of [eight] ten per cent or greater shall transfer  
450 eligible collateral maintained under subsection (a) of this section to its  
451 own trust department, provided such trust department is located in  
452 this state unless the commissioner approves otherwise, to the trust  
453 department of another financial institution, provided such eligible  
454 collateral shall be maintained in such other financial institution's trust  
455 department located in this state unless the commissioner approves  
456 otherwise, or to a federal reserve bank or federal home loan bank. Each  
457 qualified public depository that is a bank or out-of-state bank having a  
458 tier one leverage ratio of less than five per cent or a risk-based capital  
459 ratio of less than [eight] ten per cent and each qualified public  
460 depository that is a credit union or federal credit union shall transfer  
461 eligible collateral maintained under subsection (a) of this section to the

462 trust department of a financial institution that is not owned or  
463 controlled by the depository or by a holding company owning or  
464 controlling the depository, provided such eligible collateral shall be  
465 maintained in such other financial institution's trust department  
466 located in this state unless the commissioner approves otherwise, or to  
467 a federal reserve bank or federal home loan bank. Such transfers of  
468 eligible collateral shall be made in a manner prescribed by the  
469 commissioner. [Eligible collateral shall be valued at market value or as  
470 determined by the commissioner if market value is not readily  
471 determinable, and the] The qualified public depository shall determine  
472 and adjust the market value of such eligible collateral [shall be  
473 determined and adjusted on a quarterly] on a monthly basis. Without  
474 the requirement of any further action, the commissioner shall have, for  
475 the benefit of public depositors, a perfected security interest in all such  
476 eligible collateral held in such segregated trust accounts, granted  
477 pursuant to and in accordance with the terms of the agreement  
478 between the public depositor and the qualified public depository. Such  
479 security interest shall have priority over all other perfected security  
480 interests and liens. The commissioner may, at any time, require the  
481 depository to value the collateral more frequently than monthly if the  
482 commissioner reasonably determines that such valuation is necessary  
483 for the protection of public deposits. Each holder of eligible collateral  
484 shall file with the commissioner, at the end of each calendar quarter, a  
485 report with the CUSIP number, description and par value of each  
486 investment it holds as eligible collateral.

487 (c) The depository shall have the right to make substitutions of  
488 eligible collateral at any time without notice. The depository shall have  
489 the right to reduce the amount of eligible collateral maintained by it  
490 that is in excess of the amount required under subsection (a) of this  
491 section. [provided such reduction shall be determined based on the  
492 amount of all uninsured public deposits held by the depository and  
493 the depository's risk-based capital ratio as determined in accordance  
494 with said subsection (a). The depository shall provide written notice to  
495 its public depositors of any such reduction in the amount of eligible

496 collateral maintained under subsection (a) of this section.]

497 [(d)] The income from the assets which constitute segregated  
498 eligible collateral shall belong to the depository without restriction.

499 [(e) Eligible collateral pledged to secure public deposits under  
500 subsection (a) of this section shall have a minimum market value as  
501 expressed in the following collateral ratios:

T1		Collateral Ratio
T2	Form of Eligible	(Market value
T3	Collateral Pledged	divided by public
T4		deposit plus
T5		accrued interest)
T6	1. United States Treasury bills, notes and bonds	
T7	A. Maturing in less than one year	102%
T8	B. Maturing in one to five years	105%
T9	C. Maturing in more than five years	110%
T10	D. Zero-coupon treasury securities with	
T11	maturities exceeding ten years	120%
T12	2. Actively traded United States government	
T13	agency securities	
T14	A. Maturing in less than one year	103%
T15	B. Maturing in one to five years	107%
T16	C. Maturing in more than five years	115%
T17	3. United States government agency	
T18	variable rate securities	103%
T19	4. Government National Mortgage Association	
T20	mortgage pass-through or participation	
T21	certificates or similar securities	
T22	A. Current issues	115%
T23	B. Older issues	120%

T24	C. Issues for which prices are not quoted	125%
T25	5. Other United States government securities	125%
T26	6. Other mortgage pass-through or participation	
T27	certificates or similar securities	125%
T28	7. One-to-four family residential mortgages	125%
T29	8. State and municipal bonds	
T30	A. General obligation bonds	
T31	i. Maturing in less than one year	102%
T32	ii. Maturing in one to five years	107%
T33	iii. Maturing in more than five years	110%
T34	B. Revenue bonds	
T35	i. Maturing in less than one year	105-110%
T36	ii. Maturing in one to five years	110-120%
T37	iii. Maturing in more than five years	120-130%

502 (f) A qualified public depository that is subject to an order to cease  
503 and desist, consent order or a preliminary warning letter, or has  
504 entered into a stipulation and agreement, memorandum of  
505 understanding or a letter of understanding and agreement with a bank  
506 or credit union supervisor, may maintain eligible collateral in a sum  
507 equal to or greater than one hundred per cent of all uninsured public  
508 deposits held by the depository, provided (1) the depository has a risk-  
509 based capital ratio of twelve per cent or greater, and (2) the depository  
510 satisfies the following conditions, to the extent applicable: (A) The  
511 depository may not pledge eligible collateral in the form described in  
512 subsection (e)6. of this section, except for mortgage pass-through or  
513 participation certificates or similar securities that have been issued or  
514 guaranteed by the Federal National Mortgage Association or the  
515 Federal Home Loan Mortgage Corporation and for which prices are  
516 quoted; (B) the depository may not pledge eligible collateral in the  
517 form described in subsection (e)4.C. of this section; (C) if the public  
518 depository pledges eligible collateral in the form described in  
519 subsection (e)7. of this section, the collateral ratio for such mortgages

520 shall be one hundred fifty per cent; and (D) if the public depository  
521 pledges eligible collateral in the form described in subsection (e)8. of  
522 this section, such collateral shall be rated in the three highest rating  
523 categories by a rating service recognized by the commissioner. The  
524 depository may pledge any other eligible collateral that is not limited  
525 by subdivision (2) of this subsection.]

526 Sec. 511. Section 36a-338 of the general statutes is repealed and the  
527 following is substituted in lieu thereof (*Effective from passage*):

528 On each call report date, each qualified public depository shall file  
529 with the commissioner a written report, certified under oath,  
530 indicating (1) the qualified public depository's tier one leverage ratio  
531 and risk-based capital ratio [and total capital] or net worth ratio, as  
532 determined in accordance with applicable federal regulations and  
533 regulations adopted by the commissioner in accordance with chapter  
534 54, (2) the uninsured and total amount of public deposits held by the  
535 qualified public depository other than deposits that have been  
536 redeposited into the qualified public depository by another insured  
537 depository institution pursuant to a reciprocal deposit arrangement  
538 that makes such funds eligible for insurance coverage by the Federal  
539 Deposit Insurance Corporation or the National Credit Union  
540 Administration, (3) the [amount and nature] description and market  
541 value of any eligible collateral segregated and designated to secure the  
542 uninsured public deposits in accordance with sections 36a-330 to 36a-  
543 338, inclusive, as amended by this act, and (4) the amount and the  
544 name of the issuer of any letter of credit issued pursuant to section 36a-  
545 337. Each depository shall furnish a copy of its most recent report to  
546 any public depositor having public funds on deposit in the depository,  
547 upon request of the depositor. Any public depository which refuses or  
548 neglects to furnish any report or give any information as required by  
549 this section shall no longer be a qualified public depository and shall  
550 be excluded from the right to receive public deposits.

551 Sec. 512. Section 12-195h of the general statutes is repealed and the  
552 following is substituted in lieu thereof (*Effective October 1, 2013*):

553 Any municipality, by resolution of its legislative body, as defined in  
554 section 1-1, may assign, for consideration, any and all liens filed by the  
555 tax collector to secure unpaid taxes on real property as provided under  
556 the provisions of this chapter. The consideration received by the  
557 municipality shall be negotiated between the municipality and the  
558 assignee. The assignee or assignees of such liens shall have and possess  
559 the same powers and rights at law or in equity as such municipality  
560 and municipality's tax collector would have had if the lien had not  
561 been assigned with regard to the precedence and priority of such lien,  
562 the accrual of interest and the fees and expenses of collection. The  
563 assignee shall have the same rights to enforce such liens as any private  
564 party holding a lien on real property. The assignee, or any subsequent  
565 assignee, shall provide written notice of an assignment, not later than  
566 thirty days after the date of such assignment, to any holder of a  
567 mortgage, on the real property that is the subject of the assignment,  
568 provided such holder is of record as of the date of such assignment.  
569 Such notice shall include information sufficient to identify (1) the  
570 property that is subject to the lien and in which the holder has an  
571 interest, (2) the name and addresses of the assignee, and (3) the  
572 amount of unpaid taxes, interest and fees being assigned relative to the  
573 subject property as of the date of the assignment.

574 Sec. 513. Section 36a-275 of the general statutes is repealed and the  
575 following is substituted in lieu thereof (*Effective October 1, 2013*):

576 (a) As used in this section, the term "debt securities" means (1) any  
577 marketable obligation evidencing indebtedness of any person in the  
578 form of direct, assumed or guaranteed bonds, notes or debentures or  
579 any security that has attributes similar to such marketable obligations;  
580 (2) any obligation identified by certificates of participation in  
581 investments described in subdivision (1) of this subsection in which a  
582 Connecticut bank could invest directly; or (3) repurchase agreements,  
583 and the term "debt mutual fund" means a partnership interest in,  
584 shares of stock of, units of beneficial interest in or other ownership  
585 interest in any one investment company registered under the

586 Investment Company Act of 1940, as from time to time amended,  
587 commonly described as mutual funds, money market funds,  
588 investment trusts or business trusts, provided the portfolios of such  
589 investment companies consist solely of investments described in  
590 subdivision (1) of this subsection.

591 (b) In addition to other investments authorized by this part, any  
592 Connecticut bank may purchase or hold for its own account debt  
593 securities and debt mutual funds without regard to any other liability  
594 to the Connecticut bank of the maker, obligor, guarantor or issuer of  
595 such debt securities and debt mutual funds, provided: (1) The debt  
596 securities and debt mutual funds are rated in the three highest rating  
597 categories by a rating service of such securities recognized by the  
598 commissioner or, if not so rated, are determined by the bank's  
599 governing board to be a prudent investment; (2) unless the bank  
600 obtains the prior approval of the commissioner, the total amount of the  
601 debt securities and debt mutual funds of any one maker, obligor or  
602 issuer purchased or held by a Connecticut bank or for a Connecticut  
603 bank's account may not exceed, at any time, twenty-five per cent of its  
604 total equity capital and reserves for loan and lease losses; and (3) the  
605 total amount of any debt securities and debt mutual funds purchased  
606 or held by a Connecticut bank or for a Connecticut bank's account  
607 pursuant to this subsection may not exceed at any time twenty-five per  
608 cent of its assets.

609 (c) In addition to other investments authorized by this part, any  
610 Connecticut bank may purchase or hold for its own account the  
611 following debt securities and debt mutual funds without regard to any  
612 other liability to the Connecticut bank of the maker, obligor, guarantor  
613 or issuer of such debt securities and debt mutual funds, provided (1)  
614 the debt securities and debt mutual funds are rated in the three highest  
615 rating categories by a rating service recognized by the commissioner,  
616 or, if not so rated, determined by the bank's governing board to be a  
617 prudent investment; (2) unless the bank obtains the prior approval of  
618 the commissioner, the total amount of the debt securities and debt

619 mutual funds of any one maker, obligor or issuer purchased or held by  
620 a Connecticut bank or for a Connecticut bank's account may not  
621 exceed, at any time, seventy-five per cent of its total equity capital and  
622 reserves for loan and lease losses; and (3) the total amount of any debt  
623 securities and debt mutual funds purchased or held by a Connecticut  
624 bank or for a Connecticut bank's account pursuant to this subsection  
625 may not exceed at any time fifty per cent of its assets:

626 (A) General obligations of any agency of the United States,  
627 including government sponsored enterprises, which are not  
628 guaranteed fully as to principal and interest by the United States or for  
629 which the full faith and credit of the United States is not pledged for  
630 the payment of principal and interest;

631 (B) Residential mortgage pass-through securities and other  
632 residential mortgage-backed securities, including collateralized  
633 mortgage obligations and real estate investment conduits that are  
634 issued or guaranteed by the Federal National Mortgage Association or  
635 the Federal Home Loan Mortgage Corporation, provided said  
636 association or corporation is operating at the time of issuance or  
637 guarantee under the conservatorship or receivership of the Federal  
638 Housing Finance Agency; and

639 (C) Debt mutual funds, provided the portfolios of the investment  
640 companies consist solely of investments described in subparagraphs  
641 (A) and (B) of this subdivision.

642 [(c)] (d) In addition to other investments authorized by this part,  
643 any Connecticut bank may purchase or hold for its own account the  
644 following debt securities and debt mutual funds without regard to any  
645 other liability to the Connecticut bank of the maker, obligor, guarantor  
646 or issuer of such debt securities and debt mutual funds, provided the  
647 debt securities and debt mutual funds are rated in the three highest  
648 rating categories by a rating service recognized by the commissioner  
649 or, if not so rated, determined by the bank's governing board to be a  
650 prudent investment:

- 651 (1) The general obligations of the United States or this state;
- 652 (2) Securities which are guaranteed fully as to principal and interest  
653 by the United States or this state or for which the full faith and credit  
654 of the United States or this state is pledged for the payment of  
655 principal and interest;
- 656 (3) Securities, including repurchase agreements, the principal and  
657 interest of which are irrevocably secured by securities described in  
658 subdivisions (1) and (2) of this subsection; and
- 659 [(4) General obligations of any agency of the United States,  
660 including government sponsored enterprises, which are not  
661 guaranteed fully as to principal and interest by the United States or for  
662 which the full faith and credit of the United States is not pledged for  
663 the payment of principal and interest; and]
- 664 [(5)] (4) Debt mutual funds, provided the portfolios of the  
665 investment companies consist solely of investments described in  
666 subdivisions (1) to [(4)] (3), inclusive, of this subsection. "

This act shall take effect as follows and shall amend the following sections:		
Sec. 501	<i>October 1, 2013</i>	New section
Sec. 502	<i>October 1, 2013</i>	New section
Sec. 503	<i>October 1, 2013</i>	New section
Sec. 504	<i>October 1, 2013</i>	New section
Sec. 505	<i>October 1, 2013</i>	New section
Sec. 506	<i>October 1, 2013</i>	New section
Sec. 507	<i>October 1, 2013</i>	New section
Sec. 508	<i>October 1, 2013</i>	New section
Sec. 509	<i>from passage</i>	36a-330
Sec. 510	<i>from passage</i>	36a-333
Sec. 511	<i>from passage</i>	36a-338
Sec. 512	<i>October 1, 2013</i>	12-195h
Sec. 513	<i>October 1, 2013</i>	36a-275