



General Assembly

February Session, 2016

Raised Bill No. 173

LCO No. 1302



Referred to Committee on BANKING

Introduced by:
(BA)

AN ACT CONCERNING CONNECTICUT FINANCIAL INSTITUTIONS.

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

1 Section 1. Subsection (b) of section 36a-448a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (b) The governing board of a Connecticut credit union shall consist
5 of an odd number of directors, at least five in number. The initial
6 governing board shall be elected at the organization meeting of the
7 Connecticut credit union as provided in subsection (e) of section 36a-
8 437a, and thereafter by the members of the Connecticut credit union at
9 the annual meeting as provided in section 36a-440a. [Any director
10 elected or appointed to serve on the governing board of a troubled
11 Connecticut credit union shall be approved by the commissioner prior
12 to any such service.] The commissioner shall approve the election,
13 appointment or employment of any director or potential member of
14 the senior management of a troubled Connecticut credit union prior to
15 such director or member taking such position. For the purposes of this
16 subsection, "troubled Connecticut credit union" means any

17 Connecticut credit union that, in the written opinion of the
18 commissioner is (1) in danger of becoming insolvent, (2) not likely to
19 be able to meet the demands of its members, or pay its obligations in
20 the normal course of business or is likely to incur losses that may
21 deplete all or substantially all of its capital, or (3) being operated in an
22 unsafe and unsound manner.

23 Sec. 2. Subdivision (1) of subsection (a) of section 36a-34 of the
24 general statutes is repealed and the following is substituted in lieu
25 thereof (*Effective from passage*):

26 (1) "Eligible entity" means any entity that (A) received a composite
27 rating of one or two under the Uniform Financial Institutions Rating
28 System as a result of its most recent safety and soundness examination;
29 (B) received a compliance rating of one or two on its most recent
30 compliance examination; (C) received a satisfactory or better rating on
31 its most recent community reinvestment performance evaluation; (D)
32 is well capitalized [in that it (i) has a total risk-based capital ratio of ten
33 per cent or greater; (ii) has a tier one risk-based capital ratio of six per
34 cent or greater; (iii) has a tier one leverage capital ratio of five per cent
35 or greater; and (iv) is not subject to any written agreement, order,
36 capital directive or prompt corrective action directive issued pursuant
37 to Section 8 or 38 of the Federal Deposit Insurance Act, 12 USC 1818
38 and 12 USC 1831o, respectively, as amended from time to time, the
39 International Lending Supervision Act, 12 USC 3907, as amended from
40 time to time, the Home Owners' Loan Act, 12 USC 1461, as amended
41 from time to time, or any regulation thereunder, to meet and maintain
42 a specific capital level for any capital measure] as defined in 12 CFR
43 324.403(b)(1), as amended from time to time; (E) is not subject to a
44 cease and desist order, consent order, prompt correction action
45 directive, written agreement, memorandum of understanding or other
46 administrative agreement with its primary state or federal banking
47 regulator; and (F) is not subject to any formal or informal
48 administrative action by its primary state or federal banking regulator.

49 Sec. 3. Subdivision (1) of subsection (b) of section 36a-333 of the
50 general statutes is repealed and the following is substituted in lieu
51 thereof (*Effective from passage*):

52 (b) (1) Each qualified public depository that is a bank or out-of-state
53 bank having a tier one leverage ratio of five per cent or greater or a
54 risk-based capital ratio of ten per cent or greater shall transfer eligible
55 collateral maintained under subsection (a) of this section to its own
56 trust department, provided such trust department is located in this
57 state unless the commissioner approves otherwise, to the trust
58 department of another financial institution, provided such eligible
59 collateral shall be maintained in such other financial institution's trust
60 department located in this state unless the commissioner approves
61 otherwise, or to a federal reserve bank or federal home loan bank. Each
62 qualified public depository that is a bank or out-of-state bank having a
63 tier one leverage ratio of less than five per cent or a risk-based capital
64 ratio of less than ten per cent and each qualified public depository that
65 is a credit union or federal credit union shall transfer eligible collateral
66 maintained under subsection (a) of this section to the trust department
67 of a financial institution that is not owned or controlled by the
68 depository or by a holding company owning or controlling the
69 depository, provided such eligible collateral shall be maintained in
70 such other financial institution's trust department located in this state
71 unless the commissioner approves otherwise, or to a federal reserve
72 bank or federal home loan bank. Such transfers of eligible collateral
73 shall be made in a manner prescribed by the commissioner. The
74 qualified public depository shall determine and adjust the market
75 value of such eligible collateral on a monthly basis. Without the
76 requirement of any further action, the commissioner shall have, for the
77 benefit of public depositors, a perfected security interest in all such
78 eligible collateral held in such segregated trust accounts, [granted
79 pursuant to and in accordance with the terms of the agreement
80 between the public depositor and the qualified public depository.]
81 Such security interest shall have priority over all other perfected

82 security interests and liens. The commissioner may, at any time,
83 require the depository to value the collateral more frequently than
84 monthly if the commissioner reasonably determines that such
85 valuation is necessary for the protection of public deposits. Each
86 holder of eligible collateral shall file with the commissioner, at the end
87 of each calendar quarter, a report with the CUSIP number, description
88 and par value of each investment it holds as eligible collateral.

89 Sec. 4. Subsection (q) of section 36a-70 of the general statutes is
90 repealed and the following is substituted in lieu thereof (*Effective from*
91 *passage*):

92 (q) (1) As used in this subsection, "bankers' bank" means (A) (i) a
93 Connecticut bank that is [(A)] owned exclusively by any combination
94 of banks, out-of-state banks, Connecticut credit unions, federal credit
95 unions, or out-of-state credit unions, [having their principal office in
96 Connecticut, Maine, Massachusetts, New Hampshire, New Jersey,
97 New York, Pennsylvania, Rhode Island or Vermont] or (ii) a bank
98 holding company that is owned exclusively by any such combination,
99 and (B) [organized to engage] engaged exclusively in providing
100 services for, or that indirectly benefit, other banks, out-of-state banks,
101 Connecticut credit unions, federal credit unions, or out-of-state credit
102 unions and their directors, officers and employees.

103 (2) One or more persons may organize a bankers' bank in
104 accordance with the provisions of this section, except that subsections
105 (g) and (h) of this section shall not apply. The approving authority for
106 a bankers' bank shall be the commissioner acting alone. Before
107 granting a temporary certificate of authority in the case of an
108 application to organize a bankers' bank, the approving authority shall
109 consider (A) whether the proposed bankers' bank will facilitate the
110 provision of services that such banks, out-of-state banks, Connecticut
111 credit unions, federal credit unions, or out-of-state credit unions would
112 not otherwise be able to readily obtain, and (B) the character and
113 experience of the proposed directors and officers. The application to

114 organize a bankers' bank shall be approved if the approving authority
115 determines that the interest of the public will be directly or indirectly
116 served to advantage by the establishment of the proposed bankers'
117 bank, and the proposed directors possess capacity and fitness for the
118 duties and responsibilities with which they will be charged.

119 (3) A bankers' bank shall have all of the powers of and be subject to
120 all of the requirements applicable to a Connecticut bank under this title
121 which are not inconsistent with this subsection, except [; (A) A
122 bankers' bank may only provide services for, or that indirectly benefit,
123 other banks, out-of-state banks, Connecticut credit unions, federal
124 credit unions, or out-of-state credit unions and for the directors,
125 officers and employees of such banks, out-of-state banks, Connecticut
126 credit unions, federal credit unions, or out-of-state credit unions; (B)
127 only banks, out-of-state banks, Connecticut credit unions, federal
128 credit unions, or out-of-state credit unions having their principal office
129 in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey,
130 New York, Pennsylvania, Rhode Island or Vermont may own the
131 capital stock of or otherwise invest in a bankers' bank; (C) upon] to the
132 extent the commissioner limits such powers by regulation. Upon the
133 written request of a bankers' bank, the commissioner may waive
134 specific requirements of this title and the regulations adopted
135 thereunder if the commissioner finds that [(i)] (A) the requirement
136 pertains primarily to banks that provide retail or consumer banking
137 services and is inconsistent with this subsection, and [(ii)] (B) the
138 requirement may impede the ability of the bankers' bank to compete or
139 to provide desired services to its market provided, any such waiver
140 and the commissioner's findings shall be in writing and shall be made
141 available for public inspection.]; and (D) the commissioner may, by
142 regulation, limit the powers that may be exercised by a bankers' bank.]

143 (4) The commissioner may adopt regulations, in accordance with
144 chapter 54, to administer the provisions of this subsection.

145 Sec. 5. Subsection (a) of section 36a-21 of the general statutes is

146 repealed and the following is substituted in lieu thereof (*Effective from*
147 *passage*):

148 (a) Notwithstanding any provision of state law and except as
149 provided in subsections (b) and (d) of this section and subdivision (2)
150 of subsection (a) of section 36a-534b, the following records of the
151 Department of Banking shall not be disclosed by the commissioner or
152 any employee of the Department of Banking, or be subject to public
153 inspection or discovery:

154 (1) Examination and investigation reports and information
155 contained in or derived from such reports, including examination
156 reports prepared by the commissioner or prepared on behalf of or for
157 the use of the commissioner;

158 (2) Confidential supervisory or investigative information and
159 records obtained [from] or collected by a state, federal or foreign
160 regulatory or law enforcement agency;

161 (3) Information obtained, collected or prepared in connection with
162 examinations, inspections or investigations, and complaints from the
163 public received by the Department of Banking, if such records are
164 protected from disclosure under federal or state law or, in the opinion
165 of the commissioner, such records would disclose, or would
166 reasonably lead to the disclosure of: (A) Investigative information the
167 disclosure of which would be prejudicial to such investigation, until
168 such time as the investigation and all related administrative and legal
169 actions are concluded; (B) personal or financial information, including
170 account or loan information, without the written consent of the person
171 or persons to whom the information pertains; or (C) information that
172 would harm the reputation of any person or affect the safety and
173 soundness of any person whose activities in this state are subject to the
174 supervision of the commissioner, and the disclosure of such
175 information under this subparagraph would not be in the public
176 interest; and

177 (4) Information obtained, collected or prepared in connection with
178 the organization of an expedited Connecticut bank prior to the
179 issuance of a final certificate of authority to commence the business of
180 a Connecticut bank pursuant to section 36a-70, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	36a-448a(b)
Sec. 2	<i>from passage</i>	36a-34(a)(1)
Sec. 3	<i>from passage</i>	36a-333(b)(1)
Sec. 4	<i>from passage</i>	36a-70(q)
Sec. 5	<i>from passage</i>	36a-21(a)

Statement of Purpose:

To update certain provisions of the banking statutes related to Connecticut financial institutions.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]