

2013 -- S 0636

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2013

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A N A C T

RELATING TO FINANCIAL INSTITUTIONS -- POWERS AND OPERATIONS

Introduced By: Senators Picard, and Walaska

Date Introduced: March 06, 2013

Referred To: Senate Corporations

(Business Regulation)

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 19-3-3 of the General Laws in Chapter 19-3 entitled "Powers and
2 Operations" is hereby amended to read as follows:

3 **19-3-3. Maximum aggregate liability of one person or company.** -- (a) No financial
4 institution shall permit any person or entity to borrow or guaranty an amount(s), directly or
5 indirectly, in the aggregate, which exceeds fifteen percent (15%) of its unimpaired capital. In
6 calculating this limitation, a financial institution shall take into account the credit exposure to any
7 such person or entity arising from derivative transactions. The director shall have the authority to
8 establish the method for determining the credit exposure and the extent to which the credit
9 exposure shall be taken into account. As used in this subsection, "derivative transaction" includes
10 any transaction that is a contract, agreement, swap, warrant, note or option that is based, in whole
11 or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any
12 event leading to, one or more commodities, securities, currencies, interest or other rates, indices
13 or other assets. The director may adopt regulations establishing the method for determining credit
14 exposure to derivative transaction and the extent to which the credit exposure shall be taken into
15 account. The director shall apply the limitation included herein to derivative transaction entered
16 into on or after January 1, 2013.

17 This limitation shall not include:

- 18 (1) Obligations issued by the United States;
19 (2) General obligations of the state of Rhode Island;

1 (3) Loans or any portion thereof which are insured or guaranteed by the United States or
2 any agency thereof;

3 (4) Inter-bank transactions involving the transfer of immediately available funds
4 resulting from credits to deposit balances at federal reserve banks or from credit to new or
5 existing deposit balances due from a correspondent depository institution (commonly known as
6 the sale of federal funds) with a maturity of one business day or less; or

7 (5) Loans secured by deposits within the financial institution where a perfected interest
8 in the deposits is on record.

9 (b) To the extent that a deposit taking institution regulated by the federal office of thrift
10 supervision and insured by the federal deposit insurance corporation is expressly permitted to
11 make loans that would exceed the limitations set forth in this section, the lending limitations of
12 the office of thrift supervision shall apply. Nothing herein shall limit the department of business
13 regulation from taking any action it deems appropriate to maintain appropriate safety and
14 soundness standards relative to any loan or loans made by any financial institutions.

15 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO FINANCIAL INSTITUTIONS -- POWERS AND OPERATIONS

1 This act would amend the financial institutions lending limits language of the general
2 laws to ensure that such limits are also applied to derivative transactions entered into by financial
3 institutions.

4 This act would take effect upon passage.

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