



Dora
Department of Regulatory Agencies

Division of Banking
Fred J. Joseph
Acting State Bank Commissioner

Bill Ritter, Jr.
Governor

D. Rico Munn
Executive
Director

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**STATE BANKING BOARD
RULE PDP5
PERTAINING TO TITLE 11, ARTICLE 102, SECTION 104
COLORADO REVISED STATUTES**

STATEMENT OF BASIS AND PURPOSE

The amendment of Banking Board Rule PDP5, as authorized by Section 11-102-104, C.R.S., is necessary to ensure conformance of the Rule to Section 11-10.5-107, C.R.S. The passage of House Bill 09-1053 amended Section 11-10.5-107, C.R.S., which necessitates the amending of existing Banking Board Rule PDP5, to require the Banking Board to (1) establish criteria and procedures for reducing or removing any uninsured public funds deposited in an eligible public depository that fails to comply with established capital or safety and soundness standards; and, (2) to incorporate safety and soundness requirements into Banking Board Rule PDP5, which will require an eligible public depository that fails to comply with the established capital or safety and soundness standards to secure any uninsured public funds with adequate collateral to fully protect the public funds.



PDP5

Criteria and Procedures for Reducing/Removing Uninsured Public Deposits From a Bank, or Increasing Collateral Requirements, if the Eligible Public Depository Fails to Comply With Minimum Capital Standards OR SAFETY AND SOUNDNESS STANDARDS. [Sections 11-10.5-107(4)(a)] and [11-10.5-107(4)(b)], C.R.S.

A. DEFINITIONS.

FOR THE PURPOSES OF THIS RULE:

- 1. THE "COMPOSITE CAMELS RATING" IS THE NUMERICAL RATING ASSIGNED BY A STATE OR FEDERAL BANKING AGENCY AT THE CONCLUSION OF AN EXAMINATION OR VISITATION.**

B.A. Each eligible public depository (hereinafter "depository") is required to pledge the HIGHER OF THE following amounts of eligible collateral REQUIRED UNDER THIS PARAGRAPH OR PARAGRAPH C BELOW:

1. If the total capital to risk-weighted asset ratio of a depository is equal to or exceeds 8 percent, the depository shall pledge eligible collateral having a market value at all times in excess of 102 percent of the aggregate of uninsured public deposits held by it.
2. If the total capital to risk-weighted asset ratio of a depository is less than 8 percent but greater than, or equal to 7 percent, the depository shall pledge eligible collateral having a market value at all times in excess of 120 percent of the aggregate of uninsured public deposits held by it.
3. If the total capital to risk-weighted asset ratio of a depository is less than 7 percent but greater than or equal to 6 percent, the depository shall pledge eligible collateral having a market value at all times in excess of 140 percent of the aggregate of uninsured public deposits held by it.
4. If the total capital to risk-weighted asset ratio of a depository is less than 6 percent, the depository shall pledge eligible collateral having a market value at all times in excess of 160 percent of the aggregate of uninsured public deposits held by it.
- ~~5. If a depository's total capital to risk-weighted asset ratio is less than 6 percent, said depository shall not accept any additional uninsured public deposits or renew any uninsured public deposits beyond the original maturity dates.~~
- ~~6. If a depository's total capital to risk-weighted asset ratio is 5 percent or below 5 percent, said depository shall eliminate all public deposits in an orderly manner, under a plan and timeframe approved by the Banking Board.~~

~~B. Compliance with this Rule shall be the responsibility of each depository regardless of the frequency or form of the reports required by the Banking Board.~~

- C. EACH DEPOSITORY IS REQUIRED TO PLEDGE THE HIGHER OF THE AMOUNT OF ELIGIBLE COLLATERAL REQUIRED UNDER THIS PARAGRAPH OR PARAGRAPH B ABOVE:**
- 1. UPON RECEIPT OF A FINAL REPORT OF EXAMINATION OR OTHER NOTICE THAT A DEPOSITORY HAS BEEN ASSIGNED A COMPOSITE CAMELS RATING OF 4, THE DEPOSITORY SHALL PLEDGE COLLATERAL HAVING A MARKET VALUE AT ALL TIMES IN EXCESS OF 120 PERCENT OF THE AGGREGATE OF UNINSURED PUBLIC DEPOSITS HELD BY IT.**
 - 2. UPON RECEIPT OF A FINAL REPORT OF EXAMINATION OR OTHER NOTICE THAT A DEPOSITORY HAS BEEN ASSIGNED A COMPOSITE CAMELS RATING OF 5, THE DEPOSITORY SHALL PLEDGE ELIGIBLE COLLATERAL HAVING A MARKET VALUE AT ALL TIMES IN EXCESS OF 160 PERCENT OF THE AGGREGATE OF UNINSURED PUBLIC DEPOSITS HELD BY IT.**
- D. A DEPOSITORY SHALL NOT ACCEPT ANY ADDITIONAL UNINSURED PUBLIC DEPOSITS OR RENEW ANY UNINSURED PUBLIC DEPOSITS BEYOND THE ORIGINAL MATURITY DATES:**
- 1. IF THE DEPOSITORY'S TOTAL CAPITAL TO RISK-WEIGHTED ASSET RATIO IS BELOW 6 PERCENT; OR**
 - 2. IF THE DEPOSITORY HAS RECEIVED A FINAL REPORT OF EXAMINATION OR OTHER NOTICE THAT THE DEPOSITORY HAS BEEN ASSIGNED A COMPOSITE CAMELS RATING OF 5.**
- E. A DEPOSITORY SHALL ELIMINATE ALL PUBLIC DEPOSITS IN AN ORDERLY MANNER, UNDER A PLAN AND A TIMEFRAME APPROVED BY THE BANKING BOARD:**
- 1. IF THE DEPOSITORY'S TOTAL CAPITAL TO RISK-WEIGHTED ASSET RATIO IS EQUAL TO OR LESS THAN 5 PERCENT; OR**
 - 2. IF THE DEPOSITORY HAS RECEIVED A FINAL REPORT OF EXAMINATION OR OTHER NOTICE THAT THE DEPOSITORY HAS BEEN ASSIGNED A COMPOSITE CAMELS RATING OF 5.**
- F. COMPLIANCE WITH THIS RULE SHALL BE THE RESPONSIBILITY OF EACH DEPOSITORY REGARDLESS OF THE FREQUENCY OR FORM OF THE REPORTS REQUIRED BY THE BANKING BOARD.**