



COLORADO

**Department of
Regulatory Agencies**

Division of Banking

1560 Broadway, Suite 975
Denver, CO 80202

November 17, 2017

**BEFORE THE
COLORADO STATE BANKING BOARD**

IN THE MATTER OF)
)
RULE AMENDMENT) **NOTICE OF PROPOSED RULEMAKING**

I. Notice of hearing

PLEASE BE ADVISED THAT, as required by Section 24-4-103, C.R.S., of the State Administrative Procedures Act, the Colorado State Banking Board (Banking Board) hereby gives notice of proposed rulemaking. A hearing is scheduled for January 18, 2018, commencing at 10:00 a.m., at 1560 Broadway, Suite 975, Denver, Colorado, Division of Banking (Division) Conference Room, which facility is accessible in compliance with the Americans with Disabilities Act (ADA) guidelines.

II. Purpose of the proposed rulemaking

The purpose of the hearing is to hear comments concerning the proposed amendment of the following Banking Board Rules to update the rules to reflect changes made to the Prompt Corrective Action Guidelines, effective January 1, 2015. A Statement of Basis, Purpose, and Specific Statutory Authority for each rule follows this notice and is incorporated by reference.

- PDP1 Capital Standards for Eligible Public Depositories
- PDP3 List of Approved eligible Collateral Instruments and Obligations
- PDP4 Standards for Establishing Current Market Value of Eligible Collateral
- 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
- PDP7 Reporting Requirements
- PDP8A Directors' Examination of Public Deposits
- PDP9 Assessments and Fees



III. Statutory authority for proposed rulemaking

The proposed amendment of the rules is being held under the authority given the Banking Board by the Colorado Banking Code in accordance with Section 11-102-104(1), C.R.S., which states "the banking board is the policy-making and rule-making authority for the division of banking and has the power to: (a) make, modify, reverse, and vacate rules for the proper enforcement and administration of this code..."

IV. Opportunity to testify and submit written comments

Any interested person(s) has the right to submit written comments or data, view, or argument. Written information should be filed with the Division no later than January 8, 2018. To submit written comments, please contact Diana Gutierrez, Banking Board Secretary, at diana.gutierrez@state.co.us. In addition, any interested person(s) has the right to make an oral presentation at the Hearing, unless the Banking Board deems any oral presentation unnecessary.

SUBMITTED ON BEHALF OF THE
COLORADO STATE BANKING BOARD



Chris R. Myklebust
State Bank Commissioner



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**STATE BANKING BOARD
RULE 3-CCR 701-4 PDP3
PERTAINING TO TITLE 11, ARTICLE 10.5, SECTION 107(1)
COLORADO REVISED STATUTES**

STATEMENT OF BASIS, PURPOSE AND SPECIFIC AUTHORITY

Statutory Basis

The statutory basis for Banking Board Rule 3-CCR 701-4 PDP3 is found in section 11-10.5-107(1) of the Colorado Revised Statutes (C.R.S.). The purpose of this rule modification is to provide clarification as to what eligible collateral is defined as by the Division.

Purpose of this Rulemaking

The purpose of the proposed revision to amend 3-CCR 701-4 PDP3(A)(2) is to reflect technical changes in the definition of Separate Trading of Registered Interest and Paid Principal (STRIPS) and defining Treasury-Inflated Protected Securities (TIPS), which is not currently specified in the rules. The proposed amendment to the rule would read as such:

1. Adding to the parenthesis the full definition of STRIPS. Also, adding TIPS to this item, since TIPS are not currently specified in the rules and it will share some pricing/liquidity characteristics with STRIPS.

The purpose of the proposed rulemaking is to amend 3-CCR 701-4 PDP3(A)(3) through 3-CCR 701-4 PDP3(A)(8) to reflect how the Division defines eligible collateral. The proposed amendment to the rule would read as such:

1. (A)(3) shall read: Farm Credit Systemwide Bonds, Notes and Discount Notes, issued as a Federal Farm Credit Bank (FFCB) securities, excluding multi-asset class structured notes.
2. (A)(4) shall read: Federal Home Loan Bank (FHLB) Bonds, Notes and Discount Notes, excluding multi-asset class structured notes.
3. (A)(5) shall read: Federal National Mortgage Association (FNMA or Fannie Mae) Bonds, Notes, Discount Notes and Mortgage-Backed Pass-Through Securities, excluding multi-asset class structured notes.
4. (A)(6) shall read: Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) Bonds, Notes, Discount Notes and Mortgage-Backed Pass-Through Securities, excluding multi-asset class structured notes.
5. (A)(7) shall read: Government National Mortgage Association (GNMA or Ginnie Mae) Pass-Through Securities.



6. (A)(8) shall read: Student Loan Marketing Association (SLMA or Sallie Mae) Bonds and Discount Notes, excluding multi-asset class structured notes, excluding debt securities issued by SLM Corporation.

- In the clarification, only SLMA securities will be accepted. SLM Corporation is the private-sector corporation that is the successor of the Student Loan Marketing Association. SLM has issued debt securities including commercial paper.

The purpose of the proposed rulemaking is to amend 3-CCR 701-4 PDP3(A)(9) to reflect a change in the amount of Small Business Administration (SBA) securities a bank is allowed to pledge as a percentage of their total pledging. The 85% haircut of SBA securities combined with the Division being able to obtain independent factors mitigates the need for the limit. The proposed amendment to the rule would be to eliminate the following verbiage:

1. "In no event shall any eligible public depository's pledged collateral portfolio consist of more the 50 percent loans."

Rulemaking Authority

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| 11-101-102. | Declaration of policy. |
| 11-102-104. | Powers and duties of the banking board. |
| 11-10.5-107 | Eligible collateral – uninsured public deposits. |