

TO BE RESCINDED

1301:2-3-02

Repurchase and reverse repurchase agreements.

- (A) A savings and loan association may enter repurchase or reverse repurchase agreements, including those involving government securities, in accordance with the written guidelines adopted by the board of directors. Such guidelines must provide for the safe and sound investment in securities under repurchase or reverse repurchase agreements, be reviewed and adopted annually by the board of directors, and require:
- (1) That transactions involving repurchase or reverse repurchase agreements be conducted in accordance with all applicable securities laws, including those laws relating to the licensing of securities brokers and salespersons;
 - (2) That the investment in repurchase or reverse repurchase agreements not exceed a stated percentage of the savings and loan association's assets;
 - (3) That the savings and loan association list the brokers through which it intends to transact business and that any changes to this list must be approved by the superintendent;
 - (4) That the savings and loan association enter a repurchase or reverse repurchase agreement only pursuant to a written contract with a broker;
 - (5) That the savings and loan association may transact no more than a stated amount of business through each broker; and
 - (6) That the savings and loan association maintain in its files, the most recent unconsolidated audited financial statement for each broker.
- (B) The written contract required by paragraph (A)(4) of this rule shall specify whether the collateral shall be controlled by physical possession or otherwise and that the savings and loan association shall not offer more collateral than is required by prudent industry practice, with consideration given to the length of the contract and the type of underlying security.
- (C) Any savings and loan association which collateralizes a reverse repurchase agreement with obligations of the government national mortgage association (GNMA), the federal national mortgage association (FNMA), or the federal home loan mortgage corporation (FHLMC) at greater than one hundred eight per cent of market value, or United States government treasury securities at greater than one hundred two per

cent of market value, shall detail the reasons for such excess collateralization in the minutes of the next meeting of the savings and loan association's board of directors.

- (D) Any savings and loan association that collateralizes a reverse repurchase agreement with GNMA, FNMA or FHLMC obligations at greater than one hundred ten per cent of market value, or United States government treasury securities at greater than one hundred five per cent of market value, shall report such excess collateralization together with the reasons therefore, to the superintendent within three business days.
- (E) The superintendent may deny permission to engage in repurchase and reverse repurchase agreements, if, in his discretion, the savings and loan association's investments therein have been made in an unsafe and unsound manner.

Effective:

Five Year Review (FYR) Dates:

Certification

Date

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