



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE
LEGISLATION AND REGULATION

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BULLETIN 10-08

TO: STATE OR FEDERALLY CHARTERED BANKS, SAVINGS BANKS, AND SAVINGS AND LOAN ASSOCIATIONS LOCATED IN NEW JERSEY WHICH HOLD OR MAY HOLD PUBLIC FUNDS; AND STATE OR FEDERALLY CHARTERED BANKS, SAVINGS BANKS, AND SAVINGS AND LOAN ASSOCIATIONS LOCATED IN ANOTHER STATE WITH A BRANCH OFFICE IN NEW JERSEY WHICH HOLD OR MAY HOLD PUBLIC FUNDS

FROM: THOMAS B. CONSIDINE, COMMISSIONER

RE: AMENDMENTS TO THE GOVERNMENTAL UNIT DEPOSIT PROTECTION ACT (GUDPA), N.J.S.A. 17:9-41 ET SEQ.

On January 18, 2010, P.L. 2009, c. 326 ("the Act"), which concerns governmental unit public funds deposited in public depositories and amends and supplements P.L. 1970, c. 236 and P.L. 2005, c. 199, was enacted. The New Jersey Department of Banking and Insurance (Department) is issuing this bulletin to advise all interested parties of substantial changes to N.J.S.A. 17:9-41 et seq. which will become effective July 1, 2010 as a result of P.L. 2009, c. 326. This Bulletin highlights certain of the statutory changes but interested parties need to review the actual statute for details. The statute is available on the website of the New Jersey Legislature at www.njleg.state.nj.us.

The amended GUDPA:

- Provides a greater level of security protection for deposits of governmental units, maintains a competitive balance for all interested parties and limits the risk of loss for participating banks;
- Provides that banks with the largest amount of deposits protect their government deposits by fully collateralizing deposits over \$200 million;
- Implements a revised enforcement protocol to help the Department respond promptly when a bank shows signs of stress and provides for corresponding risk-based collateral requirements to protect government deposits;

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- Provides for enhanced oversight by the Department, with the costs covered through fees paid by the banks holding government deposits; and
- Continues the GUDPA bank certification process and posts a list of eligible institutions on the Department's website.

The result is a new and improved system that provides a higher level of security and oversight that will be effectively transparent to government agencies. The Department will be providing additional information as program changes are implemented for the July 1, 2010 effective date.

The Act's provisions address the subjects listed below.

Collateral Requirements:

Uninsured GUDPA deposits up to 75% of New Jersey capital require:

- 5% collateral for Well Capitalized institutions;
- 30% collateral for Adequately Capitalized institutions;
- 60% collateral for Undercapitalized institutions;
- 90% collateral for Significantly Undercapitalized institutions; and
- 120% collateral for Critically Undercapitalized institutions.

All uninsured GUDPA deposits in excess of seventy-five percent of New Jersey capital require 100% collateral for the first \$200 million of uninsured deposits.

All uninsured GUDPA deposits over \$200 million require 100% collateral.

Collateral maintenance:

- Any Federal Reserve Bank;
- Any Federal Home Loan Bank; and
- Any other banking institution in New Jersey with at least \$25 million of Tier 1 Leverage Capital.

Reporting requirements:

- Quarterly;
- Electronic, secure;
- Due dates to coincide with Call Report / TFR due dates;
- Information reporting largely similar to current reporting requirements;
- New - PCA capital category is required;
- New - Tier 1 Leverage, Tier 1 Risk-based, and Total Risk-based capital ratios required;
- Department will no longer mail forms; and
- Electronic collateral reporting (including additions, releases, and substitutions.)

Certification process:

Full and limited status eligibility continued;
List of eligible institutions will be published electronically by the Department; and
Department will no longer mail individual hard copy certificates.

Fee structure:

Banks paying assessments under N.J.S.A. 17:1C-35 are exempt from fees;
other banks will pay annual fees from \$500 to \$6,000 per year, with fees to be paid
electronically.

The Department will require the initial annual fee to be due simultaneously with
the report for the period ending September 30, 2010, and subsequent annual fees
will be due with the June 30 GUDPA reports.

Interested parties are encouraged to review the Act with their legal counsel and to
visit the Department's website at <http://www.state.nj.us/dobi/index.html> where necessary
forms and Frequently Asked Questions (FAQs) will be posted in the near future.
Questions regarding this Bulletin and the implementation of the changes to the GUDPA
program may be directed to GUDPA@dobi.state.nj.us. Governmental units have been
advised of the GUDPA changes that affect them by the Department of Community Affairs,
(DCA), Division of Local Government Services. The DCA notice, dated February 2,
2010, is posted on their website at <http://www.state.nj.us/dca/lgs/lfns/10lfns/2010-05.doc>.

All recipients of this Bulletin are urged to provide a copy of it to the member of
their staff with supervisory responsibility for matters related to the maintenance of public
funds and the GUDPA.

April 24, 2010
Date



Thomas B. Considine
Commissioner