

BANKING  
DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF BANKING

Eligible Collateral

Adopted New Rule: N.J.A.C. 3:1-4.13

Proposed: July 15, 2002 at 34 N.J.R. 2363(a)

Adopted: October 24, 2002 by Holly C. Bakke, Commissioner, Department of Banking and Insurance

Filed: October 24, 2002 as R.2002 d.382, without change.

Authority: N.J.S.A. 17:1-8.1, 17:1-15(e) and 17:9-41 and 43(e).

Effective Date: November 18, 2002

Expiration Date: March 6, 2006

Summary of Public Comments and Agency Responses:

The Department of Banking and Insurance ("Department") received written comments from Paul Van Ostenbridge, President and CEO, Atlantic Stewardship Bank; Barry B. Davall, President and CEO, Two River Community Bank; Joseph B. Greer, President/CEO, Crown Bank, N.A.; Gary N. Pelehaty, President and CEO, Peoples Savings Bank; Christopher Martin, Executive Vice President/COO, First Savings Bank; Douglas E. Carll, Executive Vice President, The First National Bank of Elmer; Ronald E. Hermance, Jr., President and CEO, Hudson City Savings Bank; Michael W. Young, President and CEO, Cenlar F.S.B.; Donald L. Kovach, President/CEO, Sussex Bank; Larry C. Schmidt, President/CEO, First Bank of Sea Isle City; Michael M. Quick, Chairman and CEO, Equity Bank; James A. Hughes, Executive Vice President/CFO, Unity Bank; David Wojcik, Senior Vice President/Risk Management, Commerce Bank,

N.A.; Lewis R. Beatty, Vice President and Chief Financial Officer, First Hope Bank; Paul Schoenfield, Vice President Investments, Farmers and Mechanics Bank.

COMMENT: Several commenters supported the proposed new rule which would allow public depositors holding public unit funds to pledge irrevocable letters of credit issued by the Federal Home Loan Bank of New York as security for those deposits.

RESPONSE: The Department notes and appreciates the comments indicating support for the rule.

COMMENT: Several commenters stated that the new rule would allow their banking institutions to commit more funds to New Jersey communities in the form of loans, instead of using those same funds to purchase securities as collateral for public unit deposits. The commenters stated this would have a significant positive impact on the economic viability and growth of communities in the State of New Jersey as a whole.

RESPONSE: The Department notes and appreciates the comments indicating support for the rule.

COMMENT: Several commenters stated that the public funds that are deposited in New Jersey financial institutions will remain secure under the rule since the irrevocable letters of credit issued by the Federal Home Loan Bank of New York, a triple A rated financial institution, represent the highest form of quality collateral.

RESPONSE: The Department notes and appreciates the comments indicating support for the rule.

COMMENT: Several commenters applauded the Department for proposing the new rules because it provides additional flexibility to financial institutions in New Jersey.

RESPONSE: The Department notes and appreciates the comments indicating support for the rule.

#### Federal Standards Statement

A Federal standards analysis is not required because the adopted new rule is not subject to any Federal requirements or standards.

Full text of the adopted new rule follows:

gudad/INOREGS