Ohio Revised Code

Section 1109.54 Conditions for engage in covered transaction with affiliate.

Effective: January 1, 1997
Legislation: House Bill 538 - 121st General Assembly

(A) A bank and its subsidiaries may engage in a covered transaction with an affiliate only if both of the following apply:

(1) The aggregate amount of covered transactions by the bank and its subsidiaries with the particular affiliate will not exceed ten per cent of the bank's capital.

(2) The aggregate amount of all covered transactions by the bank and its subsidiaries with all of the bank's affiliates will not exceed twenty per cent of the bank's capital.

(B) A bank and its subsidiaries may not purchase a low quality asset from an affiliate unless the bank or its subsidiary, pursuant to an independent credit evaluation, committed itself to purchase the asset prior to the time the asset was acquired by the affiliate.

(C) Any covered transactions and any transactions between a bank and an affiliate shall be on terms and conditions that are consistent with safe and sound banking practices.

(D) Except as provided in division (E)(4) of this section, any loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of, an affiliate by a bank or its subsidiary shall be secured at the time of the transaction by collateral having a market value equal to any of the following:

(1) One hundred per cent of the amount of the loan or extension of credit, guarantee, acceptance, or letter of credit, if the collateral is composed of any of the following:

(a) Obligations of the United States or its agencies or instrumentalities;

(b) Obligations fully guaranteed as to principal and interest by the United States or its agencies or instrumentalities;

(c) Notes, drafts, bills of exchange, or bankers' acceptances described in division (B) or)C) of section 1109.17 of the Revised Code;

(d) A segregated, earmarked deposit account with the bank.

(2) One hundred ten per cent of the amount of the loan or extension of credit, guarantee, acceptance, or letter of credit, if the collateral is composed of obligations of any state or political subdivision of any state;

(3) One hundred twenty per cent of the amount of the loan or extension of credit, guarantee, acceptance, or letter of credit, if the collateral is composed of other debt instruments, including receivables;

(4) One hundred thirty per cent of the amount of the loan or extension of credit, guarantee, acceptance, or letter of credit, if the collateral is composed of stock, leases, or other real or personal property.

(E) For purposes of division (D) of this section:

(1) Any collateral that is subsequently retired or amortized shall be replaced by additional eligible collateral as needed to keep the percentage of the collateral value relative to the amount of the outstanding loan or extension of credit, guarantee, acceptance, or letter of credit equal to the minimum percentage required at the inception of the transaction.

(2) A low quality asset is not acceptable as collateral for a loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of, an affiliate.

(3) The securities issued by an affiliate of the bank are not acceptable as collateral for a loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of, that affiliate or any other affiliate of the bank.

(4) The collateral requirements set forth in divisions (D) and (E)(1) of this section do not apply to

any acceptance that is fully secured by either attached documents or other property that is involved in the transaction and that has an ascertainable market value.