

## **808 KAR 15:010. Exceptions to bank lending limits.**

RELATES TO: KRS 286.3-280, 286.3-290, 286.3-300

STATUTORY AUTHORITY: KRS 286.1-011, 286.1-020, KRS 286.3-290(2)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 286.1-011(2) requires the Department of Financial Institutions to exercise all administrative functions of the state in relation to the regulation, supervision, chartering, and licensing of banks. KRS 286.1-020(1) authorizes the commissioner to promulgate administrative regulations as are necessary to interpret and carry out the provisions and intent of KRS Chapter 286.1. KRS 286.3-290(2) establishes exceptions to the maximum debt to banks and authorizes the commissioner to make, alter, and repeal administrative regulations respecting the total liabilities of any person which meets the requirements of KRS 286.3-290(2)(a) through 2(c). This administrative regulation establishes the status of excess funds (federal funds) transactions so as to ensure the maintenance of competitive equality between state and national banks in Kentucky, and provides for an exception to the bank lending limits for excess funds transactions and loans, or extensions of credit secured by certain types of government obligations.

Section 1. Definition. "Excess funds transaction" means a transaction between commercial banks involving the adjustment of their legal reserve positions through the short term transfer of reserve deposits.

Section 2. Excess funds transactions between state banks, and between state and national banks shall be regarded as the interbank transfer of reserve deposits.

Section 3. The lending limits and reserve requirements set forth by KRS 286.3-280 and 286.3-300 shall not apply to:

- (1) Excess fund transactions;
- (2) Loans or extensions of credit secured by:
  - (a) Bonds, notes, certificates of indebtedness, treasury bills, and other direct obligations of the United States; or
  - (b) General obligations of the Commonwealth of Kentucky.

Section 4. To qualify for the exemption set forth in Section 3(2) of this administrative regulation, government obligations shall have a face value at least equal to the total of the principal of the loan or extension of credit, and shall mature within five (5) years of the date of the loan or extension of credit. (45 Ky.R. 2278, 2913; eff. 5-3-2019.)