

**CHAPTER 11
INVESTMENTS**

Authority

N.J.S.A. 17:1-15(e), 17:2-10, 17:9A-24, 24.13, 25(12), 25.3, 26(7), 60, 62 and 182.1 through 182.3, and 17:12B-165 and 168.

Source and Effective Date

R.2005 d.165, effective April 29, 2005.
See: 37 N.J.R. 162(a), 37 N.J.R. 2008(a).

Chapter Expiration Date

In accordance with N.J.S.A. 52:14B-5.1c, Chapter 11, Investments, expires on October 26, 2010. See: 42 N.J.R. 1273(a).

Chapter Historical Note

Chapter 11, Investments, became effective prior to September 1, 1969.

Subchapter 7, Limitation of Liability to a Bank, was adopted as R.1973 d.58, effective March 1, 1973. See: 5 N.J.R. 32(b), 5 N.J.R. 103(b).

Subchapter 1, Loan and Investment Approval, was adopted as R.1973 d.116, effective May 1, 1973. See: 5 N.J.R. 77(a), 5 N.J.R. 136(b).

Subchapter 9, Standby Letters of Credit, was adopted as R.1976 d.306, effective October 1, 1976. See: 8 N.J.R. 411(a), 8 N.J.R. 499(c).

Subchapter 10, Savings Banks: Credit Cards, was adopted as R.1981 d.91, effective March 10, 1981. See: 13 N.J.R. 61(b), 13 N.J.R. 185(b).

Pursuant to Executive Order No. 66(1978), Subchapter 1, Loan and Investment Approval, was readopted as R.1983 d.264, effective June 14, 1983. See: 15 N.J.R. 658(b), 15 N.J.R. 1094(a).

Subchapter 5, Limitation on Investment, Commissioner Approval and Additional Power of Commissioner, was repealed and Subchapter 5, Investment by Bank in Capital Stock of Domestic Operating Subsidiaries, was adopted as new rules by R.1984 d.69, effective March 19, 1984. See: 15 N.J.R. 1787(a), 16 N.J.R. 520(b).

Pursuant to Executive Order No. 66(1978), Subchapter 10, Savings Banks: Credit Cards, was readopted as R.1986 d.93, effective March 19, 1986. See: 18 N.J.R. 241(a), 18 N.J.R. 639(a).

Subchapter 11, Restriction of Leeway Investments, was adopted as R.1986 d.245, effective July 7, 1986. See: 18 N.J.R. 132(a), 18 N.J.R. 1370(b).

Subchapter 12, Savings Banks: Commercial Loans, was adopted as R.1988 d.230, effective May 16, 1988. See: 19 N.J.R. 1679(b), 20 N.J.R. 1075(a).

Pursuant to Executive Order No. 66(1978), Chapter 11, Investments, expired on March 19, 1989.

Chapter 11, Investments, was adopted as new rules by R.1989 d.236, effective May 1, 1989. See: 21 N.J.R. 367(a), 21 N.J.R. 1121(a). Pursuant to Executive Order No. 66(1978), Chapter 11 expired on May 1, 1994.

Chapter 11, Investments, was adopted as new rules by R.1994 d.377, effective July 18, 1994. See: 26 N.J.R. 1909(a), 26 N.J.R. 2892(a). Pursuant to Executive Order No. 66(1978), Chapter 11 expired on July 18, 1999.

Chapter 11, Investments, was adopted as new rules by R.2000 d.36, effective January 18, 2000. See: 31 N.J.R. 1657(a), 32 N.J.R. 265(a).

Chapter 11, Investments, was readopted as R.2005 d.165, effective April 29, 2005. See: Source and Effective Date. See, also, section annotations.

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SUBCHAPTER 1. LOAN AND INVESTMENT APPROVAL

3:11-1.1 Approval to exceed 15 percent limitation

(a) The following are persons which may become liable to a bank or obligations in which a bank may invest in an unlimited amount subject only to the exercise of prudent banking judgment.

1. General obligations of any State of the United States or any political subdivision thereof.

2. Such other individual obligations as the Commissioner may from time to time prescribe. A list of these individual obligations shall be kept on file in the office of the Commissioner.

i. Following is the current listing of obligations approved by the Commissioner pursuant to the provisions of this paragraph:

- (1) Banks for Cooperatives;
- (2) Commodity Credit Corporation;
- (3) Export-Import Bank (Participation Certificates or Debentures);
- (4) Farmers Home Administration;

(5) Federal Farm Credit Banks Consolidated Systemwide Bonds and Discount Notes;

(6) Federal Home Loan Bank System;

(7) Federal Intermediate Credit Banks;

(8) Federal Land Bank;

(9) Federal National Mortgage Association;

(10) Government National Mortgage Association;

(11) New Jersey Health Care Facilities Financing Authority (provided that no more than 15 percent may be invested in one obligor (individual hospital) which is responsible for the payment of the particular issue);

(12) New Jersey Economic Development Authority (provided that no more than 15 percent may be invested in bonds issued on behalf of one person. Such bonds, exclusive of any portion that may be guaranteed by the Authority, will be aggregated with any other obligations of that person at the bank for determining the 15 percent limitation. The obligations should be classified as loans and will be reported as such in the Department's examination report).

(b) The following are persons which may become liable to a bank or obligations in which a bank may invest in excess of 15 percent, but not in excess of 25 percent of the capital funds of such bank subject to the exercise of prudent banking judgment.

1. Those obligations as the Commissioner may from time-to-time prescribe. A list of these obligations shall be kept on file in the office of the Commissioner.

i. The following is the current listing of obligations subject to the provisions of this paragraph:

- (1) Delaware River and Bay Authority;
- (2) Delaware River Port Authority;
- (3) New Jersey Housing Finance Agency;
- (4) New Jersey Mortgage Finance Agency;
- (5) New Jersey Sports and Exposition Authority;
- (6) New Jersey Turnpike Authority;
- (7) Port Authority of New York and New Jersey (secured by general reserve fund only).

(c) Prudent banking judgment requires that every bank shall maintain in its files credit information adequate to demonstrate that it has exercised prudence in making the determination to invest in a particular obligation.

(d) Request for addition of an obligation to the listings noted in (a) or (b) above may be made by any bank to the commissioner. Such request should be supported by information in sufficient detail to enable the Commissioner to make the necessary determination and should include the bank's appraisal of the information furnished.