HOUSE DOCKET, NO. 681 FILED ON: 1/18/2011

HOUSE . . . . . No. 303

The Commonwealth of Massachusetts

PRESENTED BY:

Ronald Mariano

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to derivative activities of state banks.

PETITION OF:

NAME:	DISTRICT/ADDRESS:
Ronald Mariano	*3rd Norfolk*

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HOUSE . . . . . No. 303

By Mr. Mariano of Quincy, a petition (accompanied by bill, House, No. 303) of Ronald Mariano relative to derivative activities of state banks. Financial Services.

The Commonwealth of Massachusetts

In the Year Two Thousand Eleven

An Act relative to derivative activities of state banks.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 6(a) of Chapter 167E of the General Laws is hereby amended by inserting a new clause (6) as follows:

(6) The total obligations of one borrower for the purposes of this section shall include credit exposures as a counterparty in derivative transactions with the bank. For purposes of this clause (6), (i) the term "derivative transaction" shall include any transaction that is a contract, agreement, swap, warrant, note, or option that is based, in whole or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets; and (ii) "credit exposure" to a counterparty in connection with derivative transactions shall be determined based on an amount that the bank reasonably determines under the terms of the derivative or otherwise would be its loss were the counterparty to default on that date, taking into account any netting and collateral arrangements, and any guarantees or other credit enhancements; provided that the

13 bank may elect to determine credit exposure on the basis of such other method of determining

14 credit exposure as may be permitted by the bank's primary Federal regulatory authority.