



Monthly Bulletin

Volume 1, Number 8

February 2014

Drought Update

In January 2014, Governor Brown declared a statewide drought emergency. All Californians are being asked to reduce their water use by 20 percent to help address the challenging water needs in the upcoming year. Commissioner Owen encourages you to stay informed about this critical issue. For more information on the drought and for tips to help conserve water, please visit one of the following web sites:

- [Breaking Drought News](#)
- [California Water Plan](#)
- [Save Our Water](#)

Notice of Rulemaking Action: Banking

Derivative Transactions – Parity Regulations

The Department has filed a Notice of Rulemaking Action with the Office of Administrative Law to provide state chartered banks and savings associations with different options for measuring the credit exposure of derivatives transactions so that they may lawfully engage in them. The Department proposes to adopt sections 10.190500 and 10.190501 in Title 10 of the California Code of Regulations. The Notice of Rulemaking Action, proposed text, and initial statement of reasons are available at this [link](#).

On November 19, 2013, the Department adopted parity regulations in accordance with the special rulemaking procedures prescribed in Financial Code Section 332(c). These regulations expire on December 31, 2014.

The deadline to submit comments is **May 5, 2014**.

Please submit comments to regulations@dbo.ca.gov.

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Invitation for Comments on Proposed Regulations

Proposed Regulations under the California Deferred Deposit Transaction Law

The Department received a number of written comments on the proposed changes in response to the Invitation for Comments on Proposed Rulemaking under the California Deferred Deposit Transaction Law, dated May 29, 2013. These comments offered insights that may suggest the need for further consideration and the Commissioner believes it is in the public interest to obtain the views from all interested parties before initiating a rulemaking action. Accordingly, the Department is seeking additional information from interested parties and parties who would be subject to the regulations. The Invitation for Comments Notice is available at this [link](#).

The deadline to submit comments is **May 19, 2014**.

Please submit comments to regulations@dbo.ca.gov.

Proposed Regulations for Non-Depository Operating Subsidiaries

The Department is also requesting comments on proposed changes to the regulations under the California Finance Lenders Law and the California Residential Mortgage Lending Act. The proposed regulations would clarify that non-depository operating subsidiaries, affiliates, and agents of federal banks and other financial institutions are required to be licensed and regulated by the Department of Business Oversight. The Department is seeking comments from interested parties prior to initiating a rulemaking action. The Invitation for Comments Notice and proposed text is available at this [link](#).

The deadline to submit comments is **May 7, 2014**.

Please submit comments to regulations@dbo.ca.gov.

CUOLI Investments for Credit Unions

Section 14653.5 of the California Financial Code (“FC”) requires credit unions to file for approval from the Department of Business Oversight (“DBO”) prior to the purchase of credit union owned life insurance products (“CUOLI” for purposes of this article) since they are considered credit union investments. Credit union owned life insurance products are being used by credit unions to recognize the long-term service of key employees or as a means of protecting against the loss of key employees. The earnings from a CUOLI may be used to offset related benefit expenses and recover up to the cost of the benefit itself or to fund other employee benefits however, may not be used to cover unrelated operating expenses.

With the proper due diligence and controls in place, and when installed as part of a well-developed and specialized financing strategy, the DBO generally does not object to the use of CUOLIs. A complete discussion on the various types of life insurance products available to fund employee benefit plans, and their related risks, is beyond the scope of this article. The DBO does, however, expect the board of directors of any credit union to exercise reasonable care, skill and caution when performing its pre-purchase analysis of any such investments including but not limited to the amount of insurance needed and to perform a careful review of vendors and carriers of these products. The board of directors must

also demonstrate an understanding of its continuing responsibility for post-purchase review of these investments. The DBO will evaluate the effectiveness of the pre-purchase analysis and the risk management framework for the ongoing measurement and management of CUOLI risks.

CUOLI presents potential volatility to earnings and net worth due to liquidity and other considerations. Although credit unions can surrender their CUOLI policies for their cash surrender value, they typically would incur substantial cost to do so. Because of heightened liquidity, credit and other risks, purchasing or holding excessive CUOLI represents an unsafe and unsound practice. The DBO views any concentration of CUOLI in excess of 25% of a credit union's net worth to be a concern. Due to the similarity of CUOLI with BOLI, many of the general principles used by the DBO to make an assessment of a credit union's pre-purchase investment and post-purchase ongoing management of CUOLI are found in the [Interagency Statement on the Purchase and Risk Management of Life Insurance \(12/2004\)](#).

Residential Mortgage Loan Report under the Holden Act due By March 31, 2014

Licensees are reminded that in accordance with section 7119 of title 21 of the California Code of Regulations, the Residential Mortgage Loan Report is due by March 31, 2014, for all residential mortgage lenders that are not reporting to a federal or state regulatory agency as provided by the Home Mortgage Disclosure Act of 1975, as amended. Licensees making residential mortgages should consult with their internal compliance officers regarding whether they are required to file the state report. The Holden Act Report and more information can be found on our website at this [link](#).

Windows XP Support and Updates Ending

Microsoft has announced that technical assistance for Windows XP will no longer be available after April 8, 2014, including automatic updates that help protect your computer and ATM. If you continue to use Windows XP after support ends, your computer and ATM will still work but they might become more vulnerable to security risks and viruses.

All licensees should determine their risk due to the end of support and updates for Windows XP, and take appropriate steps to mitigate that risk. Mitigation may take the form of upgrading to a supported Windows operating system, migrating to another supported operating system, or other security software alternatives.

In accordance with vendor management guidelines, licensees should also contact their ATM vendor and other affected vendors to determine whether the vendor is taking steps, if needed, to assess and mitigate their risk.

Commercial Bank Activity

Merger

Mission Community Bank, San Luis Obispo, to merge with and into, Heritage Oaks Bank, Paso Robles

Approved: 2/18/14

Effectuated: 2/28/14

Acquisition of Control

Carpenter Bank Partners, Inc., CCFW, Inc. dba Carpenter & Company, Carpenter Fund Manager GP, LLC, Carpenter Fund Management Company, LLC, Carpenter Community BancFund L.P., Carpenter Community BancFund-A, L.P. and Carpenter Community Bancfund-CA, L.P., to acquire control of Heritage Oaks Bancorp and Heritage Oaks Bank

Filed: 2/6/14

Approved: 2/18/14

Purchase of Partial Business Unit

Americas United Bank, Glendale, to acquire the Lancaster branch of Silvergate Bank, La Jolla

Filed: 1/29/14

Credit Union Activity**Merger**

NBC Universal Employees Federal Credit Union, Burbank, to merge with and into Premier America Credit Union, Chatsworth

Filed: 2/5/14

North Hollywood Federal Credit Union, North Hollywood, to merge with Southern California Postal Credit Union, Long Beach

Filed: 1/14/14

Premium Finance Company Activity**New Premium Finance Company**

Bail Premium Financing

9025 Wilshire Boulevard, Beverly Hills, Los Angeles

Filed: 2/3/14

Delta Premium Financing, Inc.

660 Newport Center Drive, Newport Beach, Orange County

Approved: 2/5/14

Omnisure Group PFCA, Inc.

818 West Seventh Street, Los Angeles, Los Angeles County

Filed: 2/10/14

Approved: 2/24/14

Voluntary Surrender of License

Credit Suisse Premium Finance Corporation
Effected: 2/13/14

Rockridge Finance Corporation
Effected: 2/24/14

Trust Company Activity**Acquisition of Control**

Marc J. Rebboah, requests DBO's approval to acquire control of Enterprise Trust & Investment Company
Approved: 2/21/14

Foreign (Other Nation) Bank Activity**New Office**

Natixis
City and County of Los Angeles (Representative Office)
Filed: 2/11/14

Foreign (Other State) Bank Activity**New Office Application**

Bank of the Ozarks
1999 Avenue of the Stars, Century City, Los Angeles County (Facility – Insured Bank)
Opened: 2/24/14

Money Transmitter Activity**New Transmitter**

Payments Sub, Inc.
Approved: 2/28/14

Standard Co. USA Inc. D/b/a Standard Express
License issued: 12/19/13

Acquisition of Control

Sentinel Bidco Limited, requests DBO's approval to acquire control of Skrill USA, Inc.

Filed: 10/31/13

Approved: 2/4/14

JAN LYNN OWEN
Commissioner of Business Oversight

Bulletin for Month ended February 2014, issued pursuant to Financial Code section 376



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