

WAC 208-512-115 Investment securities—Proper management. (1)

If a bank holds at any time Type II or III securities that are not considered investment grade and represent an aggregate par value exceeding five percent of the bank's capital and surplus, the investment securities must be charged down to market value, or a specific reserve must be established within ninety days.

(2) Each bank shall maintain in its files credit information adequate to demonstrate that it has exercised prudence in carrying out the securities-related transactions involving the underwriting, the dealing in, and the purchase and sale of investment securities. This information shall be retained:

(a) When investment securities are purchased for the bank's own portfolio, as long as the investment security remains in the portfolio;

(b) When investment securities are underwritten by the bank, for the maturity or the life of the investment security; and

(c) With regard to dealer activities, for periods set forth in the relevant rules of the municipal securities rule-making board.

(3) When a bank purchases an investment security convertible into stock, or with stock purchase warrants attached, entries must be made by the bank at the time of purchase to write down the cost of such investment security to an amount that represents the investment value of the investment security independent of the conversion feature or attached stock purchase warrants. Purchase of investment securities convertible into stock at the option of the issuer is prohibited.

(4) When an investment security is purchased at a price exceeding par or face value, the bank shall:

(a) Charge off the entire premium at the time of purchase; or

(b) Provide for a program to amortize the premium paid or that portion of premium remaining after the write-down subject to subsection (1) of this section so that such premium or portion thereof shall be entirely extinguished at or before the maturity of the investment security.

(5) Each bank shall take measures to ensure the cumulative investment holdings do not exceed the limitations for a specific investment set forth in Titles 30A, 32, and 33 RCW, as applicable.

(6) The board of directors, a committee thereof, or a duly appointed committee of senior level management shall review at least quarterly the bank's investment portfolio to ensure compliance with the provisions contained in WAC 208-512-110 through 208-512-117, inclusive.

(7) The restrictions and limitations set forth in this section do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim, or to avoid a loss in connection with a debt previously contracted.

[Statutory Authority: RCW 43.320.040, 43.320.050, 30A.04.030, 30A.12.060, 30A.04.140, 30A.04.210, 30A.04.212, 30A.60.010 - [30A.60.]901, 30A.08.140, 30A.08.150, 30A.04.125 and section 939A of the Dodd-Frank Act. WSR 17-24-053, § 208-512-115, filed 12/1/17, effective 1/1/18. Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 01-06-024, § 208-512-115, filed 2/27/01, effective 3/30/01; WSR 00-17-141, recodified as § 208-512-115, filed 8/22/00, effective 9/22/00. Statutory Authority: RCW 30.08.140. WSR 87-20-036 (Order 70), § 50-12-115, filed 9/30/87.]