



Department of Business Regulation
Banking Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Banking Bulletin Number 2023-2

The purpose of this Bulletin is to clarify that any Rhode Island state chartered financial Institution that engages in lending is required to take into consideration the lending limits in R.I. Gen. Laws § 19-3-3 and any other relevant applicable lending limits in R.I. Gen. Laws Title 19 or Federal law.

A financial institution's total outstanding loans and extensions of credit to one borrower may not exceed fifteen percent (15%) of its capital and surplus. In calculating this limitation, a financial institution shall consider the credit exposure to any such person or entity arising from derivative transactions, as outlined in 230-RICR-40-10-1 Derivative Transactions in Lending Limits.

This limitation shall not include:

- Obligations issued by the United States;
- General obligations of the State of Rhode Island;
- Loans or any portion thereof that are insured or guaranteed by the United States or any agency thereof;
- Inter-bank transactions involving the transfer of immediately available funds resulting from credits to deposit balances at Federal Reserve banks or from credit to new or existing deposit balances due from a correspondent depository institution (commonly known as the sale of federal funds) with a maturity of one business day or less;
- Loans secured by deposits within the financial institution where a perfected interest in the deposits is on record.

Criteria for Evaluating Credit Exposure

Loans of a borrower will be attributed a guarantor when a common relationship exists between the borrower and the guarantor. A common relationship will be found when:

- The expected source of repayment of each loan is the same and neither borrower has another source of income from which the loan and the borrower's obligations can be fully repaid;
- When loans are made to borrowers who are related directly or indirectly through common relationship, including where one borrower is directly or indirectly controlled by another borrower and substantial financial interdependence exists between or among the borrowers; or
- When the financial institution based on an evaluation of the facts and circumstances of the particular transactions a common relationship exists.

All definitions herein may be superseded by applicable amendments by the Rhode Island Financial Institution's primary federal regulatory authority and any such amendment shall apply, as relevant and applicable, in that specific context.

If you have any questions regarding this bulletin or any other matters, please send an email to dbr.bankinquiry@dbr.ri.gov.

Elizabeth Kelleher Dwyer
Superintendent of Banking

