**Section 1000.720 Repurchase Agreements**

a) For the purposes of this Section

1) A repurchase agreement is a transaction wherein the association lends funds on the security of obligations of the U.S. government or of an instrumentality of the U.S. government to a financial institution the deposits of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or to a broker/dealer registered with the Securities and Exchange Commission (12 CFR 563d, May 31, 1986), subject to an agreement that the collateral will be repurchased at a specific time in the future at a specified price in excess of the sale price.

2) A reverse repurchase agreement occurs when an association borrows funds collateralized by the above-mentioned obligations (Section (a)(1)) and agrees to repurchase the collateral at a specific time in the future at a price in excess of the funds borrowed.

b) The written policies and procedures of associations entering into either of the above-described types of activities shall specify that the association:

1) Determine the exact identity of the entity they are doing business with;

2) Provide for acquisition, review, analysis of capitalization and credit analyses of the most recent available financial statement and records of filing with the Securities and Exchange Commission of the broker/dealer they are doing business with to determine the viability of the broker/dealer;

3) Obtain safe-keeping receipts that identify the holder of the collateral and the physical location of such collateral; and

4) Under Repurchase Agreements, either have physical possession of the collateral or a receipt for the same issued directly by an independent safekeeping agent.

(Source: Added at 10 Ill. Reg. 14290, effective August 20, 1986)