

No. 56

AN ACT

SB 626

Amending the act of November 30, 1965 (P.L.847, No.356), entitled "An act relating to and regulating the business of banking and the exercise by corporations of fiduciary powers; affecting persons engaged in the business of banking and corporations exercising fiduciary powers and affiliates of such persons; affecting the shareholders of such persons and the directors, trustees, officers, attorneys and employes of such persons and of the affiliates of such persons; affecting national banks located in the Commonwealth; affecting persons dealing with persons engaged in the business of banking, corporations exercising fiduciary powers and national banks; conferring powers and imposing duties on the Banking Board, on certain departments and officers of the Commonwealth and on courts, prothonotaries, clerks and recorders of deeds; providing penalties; and repealing certain acts and parts of acts," providing for the designation of legal holidays for banking institutions and making partial repeals of other laws for that purpose, reducing the number of trustees of a savings bank, changing the maximum amount and term and repayment for installment loans, requiring annual audits to be made by certified public accountants and changing the limit on loans to officers and employes.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," is amended by adding a section to read:

Section 113. Legal Holidays

(a) Fixed holidays—An institution shall observe as a legal holiday:

- (i) New Year's Day (January 1);**
- (ii) Memorial Day (the last Monday in May);**
- (iii) Independence Day (July 4);**
- (iv) Labor Day (the first Monday in September);**
- (v) Thanksgiving Day (the fourth Thursday in November);**
- (vi) Christmas Day (December 25);**
- (vii) each Sunday;**
- (viii) each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Sunday; and**
- (ix) each day specifically appointed by the President of the United States or the Governor of the Commonwealth as a legal holiday or as a bank holiday.**

(b) Optional holidays—An institution may at its option observe as a legal holiday:

- (i) Lincoln's Birthday (February 12);**
- (ii) Washington's Birthday (the third Monday in February);**
- (iii) Good Friday;**
- (iv) Flag Day (June 14);**
- (v) Columbus Day (October 12);**

(vi) *Election Day (the first Tuesday after the first Monday in November);*

(vii) *Veterans' Day (November 11);*

(viii) *each Saturday either as a half-holiday after 12 o'clock noon or as a full holiday;*

(ix) *each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Saturday; and*

(x) *each day which the department permits all institutions by public announcement, or an individual institution by written permission, to observe as a legal holiday.*

(c) *Geographic variations—In designating a permissive optional holiday under subsection (b), the department may limit the designation to particular geographic areas based on political subdivisions, banking classifications such as Federal Reserve districts or otherwise. An institution may observe any optional holiday at one or more, but fewer than all, of its offices.*

(d) *Effect of section—This effect of a legal holiday under this section shall be that provided by law but this section shall supersede other law as to the determination of days that are legal holidays for banking institutions.*

(e) *National banks—This section shall apply to offices of national banks located in Pennsylvania except to the extent that Federal law specifically provides otherwise.*

Section 2. Subsections (c), (d) and (e) of section 309 of the act are amended to read:

Section 309. Installment Loans (Including Revolving Credit Plans)

* * *

(c) *Term—The term within which all loans which at any time have been made under a revolving credit plan shall become due shall be [five] ten years from the date of the last loan made under the plan. The term of any other installment loan shall be a period not in excess of [fifty-nine] one hundred nineteen months calculated from the payment date of the first installment which shall be scheduled no longer than forty-five days after the time of making the loan. The aggregate period for which the final maturity of any loan may be extended shall be six months.*

(d) *Maximum amount—The original principal amount of any loan, and the total of the principal balances of all loans to one borrower outstanding at any time, for which a charge is made pursuant to the authorization of this section shall not be in excess of [five thousand dollars (\$5,000)] ten thousand dollars (\$10,000). For any portion of one or more loans to one borrower in excess of such amount, the charge which the institution may make shall be governed by law other than this section.*

(e) *Installments—The total amount payable on the loan shall be payable in installments of substantially equal amounts at substantially equal intervals of not more than three months each, except that*

installments may be omitted, because of the borrower's receipt of income on an intermittent basis, for a total period which is not more than three months in each calendar year, *and except that in the case of a loan or loans made under a revolving credit plan the amounts of installments may be based on a percentage of the balance of all loans outstanding under the plan.*

* * *

Section 3. Subsection (a) of section 1403 of the act is amended to read:

Section 1403. Number, Qualifications and Eligibility of Directors or Trustees

(a) Number—The by-laws may fix the number of trustees of a savings bank at not less than **[fifteen] eleven**. The by-laws of any other institution may fix the number of directors at not less than five or more than twenty-five and may provide that the board may, within such limitation, increase the number of directors by not more than two in any one year.

* * *

Section 4. Subsections (a) and (b) of section 1407 of the act are amended to read:

Section 1407. Audits and Reports by Directors or Trustees; Accountants; Internal Auditors

(a) Annual audit—Except as provided in subsection (c) of this section, the board of directors or trustees shall at least once each year have made, by **[at least three of the directors or trustees or by] certified public** accountants selected by the institution and satisfactory to the department, an audit of the books and affairs of the institution including such matters as may be required by the department and including, in the case of a bank and trust company or a trust company, *if required by the department*, accounts held in a fiduciary or other representative capacity. **[Directors or trustees who make such an audit may assign the performance thereof to assistants but may not delegate responsibility therefor.]** The department may by regulation establish minimum standards for audits and reports under this subsection (a).

(b) Audit report—A report of the audit made under subsection (a) of this section shall be signed by the **[directors or trustees or the] certified public** accountants who make it and filed with the department and a signed copy of the report shall be submitted to the board and kept in the files of the institution.

* * *

Section 5. Subsection (b) of section 1415 of the act, amended November 27, 1968 (P.L.1104, No.345), is amended to read:

Section 1415. Loans to, and Agreements for the Payment of Money of Directors, Trustees, Officers and Employes of Institutions and Affiliates

* * *

(b) Limitations as to salaried officers or employes of the institution or an affiliate—An institution shall not make a loan to a salaried officer or employe of the institution or of an affiliate of the institution, or acquire an agreement for the payment of money on which he is liable, in an amount in excess of **[five thousand dollars (\$5,000)] ten thousand dollars (\$10,000)** exclusive of interest and charges, except one which either:

(i) is secured by deposits in the institution or cash surrender value of life insurance in an amount equal to, or by other collateral with a market value of at least twenty percent more than, the amount of the loan or agreement for the payment of money,

(ii) is secured by a mortgage on the home of such officer or employe,

(iii) is guaranteed, or is one for which a written commitment to guarantee has been made, by the Veterans Administration pursuant to the Veterans' Benefits Act,

(iv) is insured, or is one for which a written commitment to insure has been issued, pursuant to national housing legislation, or

(v) is an extension of credit not at any time exceeding ten thousand dollars (\$10,000) for the purpose of financing the education of a child or children of a salaried officer or employe.

The aggregate of all loans and extensions of credit to one officer or employe and of all agreements for the payment of money on which he is liable shall not at any time exceed ten percent of the aggregate of surplus, undivided profits, unallocated reserves and subordinated securities in the case of a savings bank and ten percent of the aggregate of capital, surplus and capital securities in the case of any other institution.

* * *

Section 6. Section 2202 of the act is amended by adding clauses to read:

Section 2202. Specific Repealers

Except as provided in section 2204, the following acts and parts of acts and all amendments thereof are hereby repealed to the extent specified:

* * *

(f) *The act of May 31, 1893 (P.L.188, No.138) entitled, as amended, "An act designating the days and half days to be observed as legal holidays, and for the payment, acceptance and protesting of bills, notes, drafts, checks, and other negotiable paper on such days" is hereby repealed to the extent it provides for the designation of legal holidays with respect to banking institutions.*

(g) *All other acts and parts of acts inconsistent with section 113 are hereby repealed to the extent they provide for the designation of legal holidays with respect to banking institutions.*

Section 7. This act shall take effect immediately.

APPROVED—The 30th day of July, A. D. 1975.

MILTON J. SHAPP