

## No. 1978-254

## AN ACT

## SB 1455

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 deposit insurance or a pledge of assets to secure deposits.

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

Section 1. Subsection (a) of section 1908, act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," is amended and a subsection is added to read:

Section 1908. Powers of Private Banks

(a) Extent of powers—Except as otherwise specifically provided in this act, a private bank shall have all of the powers of a natural person and, except for general corporate powers under this act, it shall also have all of the powers of a bank, but it shall be subject to the same restrictions and limitations as are imposed upon a bank by this act regarding direct leasing of personal property, indebtedness acquired from a single customer, real estate loans, loans secured by shares of corporate stock, pledges for deposits *except as provided hereafter*, bonds and suretyship, borrowings, preferential rates of interest and loans to and agreements for the payment of money of officers and employes. *After December 31, 1980, each consumer deposit in a private bank at any office thereof in Pennsylvania shall be either:*

*(i) insured in such amounts as provided by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits;*

*(ii) insured in such amounts as provided by the Securities Investor Protection Corporation or by any other Federal agency authorized by law to insure cash held by securities brokers or dealers or members of a national securities exchange for the accounts of their customers;*

*(iii) insured by any State agency or private corporation authorized by law to insure deposits and approved by the department, in an amount equal to that set forth in subsection (d)(i);*

- (iv) *secured by a pledge of assets as provided for by this act; or*
- (v) *insured or secured by any combination of the above in a total amount equal to that set forth in subsection (d)(i). A consumer deposit shall be a deposit of one or more individuals other than one in which any beneficial interest is held by a corporation, partnership, association, joint venture or other organization operated for profit.*

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*(d) Pledge of assets to secure consumer deposits.—A pledge of assets to secure consumer deposits shall comply with the following requirements:*

*(i) The amount of the pledge shall be equal to the aggregate amount of insurance which would from time to time be provided if the consumer deposits with the private bank were insured by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits.*

*(ii) The assets pledged shall consist of:*

- (A) United States coin and currency;*
- (B) obligations issued by or fully insured or guaranteed by the United States Government or any governmental agency thereof;*
- (C) obligations insured or guaranteed in part by the United States Government or any governmental agency thereof, at a value equal to the amount of the insurance or guaranty;*

*(D) obligations issued by or fully guaranteed by the International Bank for Reconstruction and Development or the Inter-American Development Bank;*

*(E) obligations of the Commonwealth of Puerto Rico;*

*(F) obligations of the Commonwealth of Pennsylvania, any political subdivision of the Commonwealth, any public body of the Commonwealth or any public body of any political subdivision of the Commonwealth which are not in default as to payments on principal or interest;*

*(G) obligations of other states and political subdivisions of other states which are not in default as to payments on principal or interest;*

*(H) obligations of any corporation or similar entity organized under the laws of the United States or any state which may be purchased by banks as investment securities under the provisions of this act, specifically not including common or preferred stock; or*

*(I) any other securities that are marketable and approved by regulation of the department for the purpose of this section. Such assets shall be deposited, subject to an agreement approved by the department, with an incorporated depository located in the Commonwealth and authorized by section 105(a) to engage in the business of receiving money for deposit. Whenever the department shall determine that the market value of such assets is less than the amount of the deposits which it secures, the private bank shall pledge additional assets having a market value not less than the amount of*

*such deficiency. With subsequent notice to the department within three business days, the private bank may from time to time make substitutions of assets pledged so long as the value of the total assets pledged shall be equal to the aggregate amount required under clause (i), and subject to the right of the department to disapprove the inclusion of specific assets so substituted.*

*(iii) The assets pledged shall constitute a fund for the benefit of the owners of consumer deposits with the private bank in the same manner and to the same extent as deposit insurance benefits would be available if such consumer deposits were insured by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits, and other creditors of the private bank shall not have any rights whatsoever against such assets pledged.*

*(iv) After December 31, 1980, all passbooks, certificates of deposit and similar instruments issued as evidence of ownership for deposit accounts, which are not insured or covered by a pledge of assets, shall bear the legend "This Account is Not Insured" in such size and print as to be clearly legible or as may be prescribed by regulation of the department. A copy of this section and all amendments thereto shall be maintained in every private banking office and shall be available for review upon demand by any member of the public, and reference to this section shall appear in any solicitation of consumer deposits.*

*(v) After December 31, 1980, failure to conform to the requirements of this section shall prohibit a private bank from accepting further consumer deposits or creating new consumer deposit accounts.*

Section 2. This act shall take effect immediately.

APPROVED—The 5th day of October, A. D. 1978.

MILTON J. SHAPP