

AN ACT

To amend the act, approved the fifteenth day of May, one thousand nine hundred and thirty-three (Pamphlet Laws, six hundred twenty-four), entitled "An act relating to the business of banking, and to the exercise of fiduciary powers by corporations; providing for the organization of corporations with fiduciary powers, and of banking corporations, with or without fiduciary powers, including the conversion of National banks into State banks, and for the licensing of private bankers; defining the rights, powers, duties, liabilities, and immunities of such corporations, of existent corporations authorized to engage in a banking business, with or without fiduciary powers, of private bankers, and of the officers, directors, trustees, shareholders, attorneys, and other employes of all such corporations or private bankers, or of affiliated corporations, associations, or persons; restricting the exercise of banking powers by any other corporation, association, or person, and of fiduciary powers by any other corporation; conferring powers and imposing duties upon the courts, prothonotaries, recorders of deeds, and certain State departments, commissions, and officers; imposing penalties; and repealing certain acts and parts of acts," by further providing for the powers and limitations upon the acts of corporations or persons authorized to engage in a banking or fiduciary business or both, and of affiliates of such corporations or persons, and officers, directors, trustees, and employes of such corporations and persons.

Banking Code.

Sections 1006,
1007, and 1009,
act of May 15,
1933 (P. L. 624),
amended.

Section 1. Be it enacted, &c., That section one thousand six, section one thousand seven, and section one thousand nine of the act, approved the fifteenth day of May, one thousand nine hundred and thirty-three (Pamphlet Laws, six hundred twenty-four), entitled "An act relating to the business of banking, and to the exercise of fiduciary powers by corporations; providing for the organization of corporations with fiduciary powers, and of banking corporations, with or without fiduciary powers, including the conversion of National banks into State banks, and for the licensing of private bankers; defining the rights, powers, duties, liabilities, and immunities of such corporations, of existent corporations authorized to engage in a banking business, with or without fiduciary powers, of private bankers, and of the officers, directors, trustees, shareholders, attorneys, and other employes of all such corporations or private bankers, or of affiliated corporations, associations, or persons; restricting the exercise of banking powers by any other corporation, association, or person, and of fiduciary powers by any other corporation; conferring powers and imposing duties upon the courts, prothonotaries, recorders of deeds, and certain State departments, commissions, and officers; imposing penalties; and repealing certain acts and parts of acts," are hereby amended to read as follows:

Section 1006. Limitations upon Loans to One Corporation or Person.—A. A bank or a bank and trust company shall not, directly or indirectly, lend to any

corporation or person an amount which, including any extension of credit to such corporation or person by means of letters of credit or by acceptance of drafts for, or the discount or purchase of the notes, bills of exchange, or other commercial paper of, such corporation or person, shall exceed [twenty-five] *ten* per centum of the unimpaired capital and [twenty-five] *ten* per centum of the unimpaired surplus of the bank or bank and trust company. However, this restriction shall have no application whatsoever to the following:

(1) Loans to the United States, or loans secured by not less than the face amount of bonds or other interest-bearing obligations of the United States, or bonds or other interest-bearing obligations for the payment of the principal and interest on which the faith and credit of the United States is pledged.

(2) Loans to the Commonwealth of Pennsylvania, or any county or city thereof, or loans secured by bonds or other interest-bearing obligations of the Commonwealth, or of any county or city thereof, or bonds or other interest-bearing obligations for the payment of the principal and interest on which the faith and credit of the Commonwealth, or any county or city thereof, is pledged.

(3) *The discount of drafts or bills of exchange drawn in good faith against actual existing values.*

(4) *The discount of trade acceptances or other commercial paper, actually owned by the corporation or person negotiating it to the bank or bank and trust company, and endorsed without restriction by such corporation or person.*

(5) *The discount of notes secured by shipping documents, warehouse receipts, or other similar documents conveying or securing title to readily marketable non-perishable staple goods, including live-stock, when the actual market value of the property, securing the obligations, is not at any time less than one hundred fifteen per centum of the face amount of the notes secured by such documents, and when such property is fully covered by insurance.*

B. However, a bank or a bank and trust company may, in addition to the [twenty-five] *ten* per centum authorized by this section, lend to any corporation or person an additional fifteen per centum of the unimpaired capital and fifteen per centum of the unimpaired surplus of the bank or the bank and trust company, if such additional fifteen per centum is secured by collateral having an ascertained market value of at least twenty per centum more than the amount of the liability so secured.

C. In computing the total liabilities of any individual to a bank or a bank and trust company, there shall be included all liabilities to the bank or bank and trust

company of any partnership or any unincorporated association of which he is a member, [and] any loans made for his benefit or for the benefit of such partnership or unincorporated association, *and any loans made to, or for the benefit of, a corporation of which he owns fifty per centum or more of the capital.*

In computing the total liabilities of any partnership or unincorporated association to a bank or a bank and trust company, there shall be included all liabilities of its individual members to such bank or bank and trust company, [or] loans made for the benefit of such partnership or unincorporated association, or any member thereof, *and loans made to, or for the benefit of, any corporation of which the partnership or unincorporated association, or any member thereof, owns fifty per centum or more of the capital.*

In computing the total liabilities of any corporation to a bank or a bank and trust company, there shall be included all loans made for the benefit of the corporation, *and all loans to, or for the benefit of, any individual to any partnership or unincorporated association, or any member thereof, who owns fifty per centum or more of the capital of such corporation.*

A loan shall be deemed to be made for the benefit of a corporation or a person to the extent that the proceeds of such loan are transferred to such corporation or person.

Section 1007. Loans to Directors, Officers or Employes of a Bank or Bank and Trust Company; Penalty.—A. [A bank or a bank and trust company shall not grant any loan to a director thereof, either directly or indirectly, in an amount which, including therein any extension of credit by means of letters of credit or by acceptance of drafts for, or the discount or purchase of notes, bills of exchange, or other obligations of, such director, will exceed ten per centum of the unimpaired capital, plus ten per centum of the unimpaired surplus, of such bank or bank and trust company, unless any such loan, in excess of such ten per centum of the unimpaired capital and the unimpaired surplus, shall be secured by not less than a like amount of bonds or other interest-bearing obligations of the United States or of the Commonwealth of Pennsylvania]

[B] A bank or a bank and trust company shall not, unless such loan shall be secured by collateral having an ascertained market value of at least twenty per centum more than the amount of the loan so secured, grant to any director, officer, or employe thereof any loan or line of credit without (1) the prior affirmative vote, or the prior written assent filed in the place of business of the institution, of a majority of all the directors of the bank or bank and trust company granting the loan, except that, if it is a director who is directly or indi-

rectly interested in obtaining the loan, he shall not have a vote, or (2) the prior vote of a majority of the executive committee of the board of directors subsequently ratified by an affirmative vote of a majority of the members of the board of directors present at the meeting at which such action of the executive committee shall be ratified.

[C] *B.* A bank or a bank and trust company shall not grant a loan in excess of one thousand dollars to a salaried officer or employe thereof, or to a salaried officer or employe of an affiliated bank, bank and trust company, or trust company, or an affiliated national banking association, as defined in this act, unless the amount of the loan in excess of one thousand dollars be secured by readily marketable collateral, the market value of which shall at no time be less than one hundred and twenty per centum of the amount of the loan in excess of one thousand dollars. This section shall not apply to loans to any such salaried officer or employe upon the security of a mortgage upon the home of such salaried officer or employe.

[D] *C.* Any director, officer, or employe of a bank or a bank and trust company who, on behalf of such bank or bank and trust company, knowingly grants a loan in violation of this section, and any director, officer, or employe of such bank, bank and trust company, trust company, or national banking association, who wilfully accepts such a loan with knowledge that it was granted in violation of this section, shall be guilty of a misdemeanor, and shall upon conviction thereof, be subject to imprisonment for a period not exceeding one year, or a fine not exceeding one thousand dollars, or both; he shall also be subject to a further fine of a sum equal to the amount of the loan; he shall furthermore be forever disqualified from acting as a director, officer, or employe of any institution in this Commonwealth.

Section 1009. Limitation upon Investing in Shares.—

A. Except as otherwise specifically authorized by this act, a bank or a bank and trust company shall not purchase or invest in the shares of capital of any corporation whatsoever.

B. Any bank or bank and trust company may purchase or invest in the shares of a Federal Reserve Bank, national banking association, or any bank, bank and trust company, or trust company, incorporated under the laws of this Commonwealth, or of any corporation organized for the purpose of conducting a safe deposit business. [and may also purchase or invest in the shares of other corporations an amount which shall not exceed twenty-five per centum of the unimpaired capital and twenty-five per centum of the unimpaired surplus of such bank or bank and trust company in the shares of any corporation.]

C. Any bank and trust company may, in exchange or in consideration for such assets and property as comprised its title insurance business, take and hold the shares of any corporation, organized and existing under the laws of this Commonwealth, for the purpose of conducting a title insurance business, provided that such shares shall not, except with the written approval of the department, be entered upon its books at an amount greater than the amount at which the assets and property, which comprised its title insurance business, were theretofore entered upon its books.

[C] *D. This section shall not be construed to affect the power of a bank or a bank and trust company to take or hold shares of capital of a corporation in accordance with the provisions of this act, as security for loans granted by such bank or bank and trust company.*

APPROVED—The 21st day of June, A. D. 1935.

GEORGE H. EARLE.

No. 170

AN ACT

To amend the act, approved the eighth day of March, one thousand nine hundred and thirty-three (Pamphlet Laws, nine), entitled "An act relating to banks, trust companies, savings banks and other banking institutions; providing for the protection of depositors therein, and empowering the Secretary of Banking to permit the withholding of payments to depositors, under certain conditions," by extending its effective period.

Banks.

Section 5,
act of March 8,
1933 (P. L. 9),
amended.

Section 1. Be it enacted, &c., That section five of the act, approved the eighth day of March, one thousand nine hundred and thirty-three (Pamphlet Laws, nine), entitled "An act relating to banks, trust companies, savings banks and other banking institutions; providing for the protection of depositors therein, and empowering the Secretary of Banking to permit the withholding of payments to depositors, under certain conditions," is hereby amended to read as follows:

Section 5. The powers hereby conferred upon the Secretary of Banking shall terminate six months after the approval of this act by the Governor; but the Governor may extend the effective period of this act, by proclamation, for an additional period not exceeding [two] four years.

APPROVED—The 21st day of June, A. D. 1935.

GEORGE H. EARLE.