

## No. 213

## AN ACT

To further amend section nine hundred eight, subsection A of section one thousand six, and subsection B of section one thousand one hundred 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," by further providing for the powers and duties and limitations upon powers of corporations and persons authorized to engage in a banking or fiduciary business, or both.

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

Section 1. Section nine hundred eight 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," as last amended by the act, approved the twenty-second day of April, one thousand nine hundred and thirty-seven (Pamphlet Laws, three hundred forty-nine), is hereby further amended to read as follows:

Section 908, act of May 15, 1933, P. L. 624, as last amended by act of April 22, 1937, P. L. 349, further amended.

Section 908. Reserve Fund Against Deposits and Demand Liabilities.—A. *Except as otherwise provided in this act, every bank, bank and trust company, or private bank shall establish and maintain a reserve fund in an amount [equal to at least] to be fixed, from time to time, by the department with the approval of the Banking Board: Provided, however, That such reserve fund shall not be required to be established and maintained in an amount exceeding fifteen per centum of the total of its demand deposits and demand liabilities, plus seven and one-half per centum of its total time deposits, as herein defined.*

B. Except in the case of a savings bank, the term “demand deposits” shall be construed to refer to all deposits, payment of which can legally be required on demand, or within any period less than thirty days after demand.

The term “demand liabilities” shall be construed to refer to all obligations of the institution,\* other than deposits, payment of which can legally be required on demand.

Except in the case of a savings bank, the term “time deposits” shall be construed to refer to all deposits, payment of which cannot legally be required within thirty days.

C. Except in the case of a savings bank, the total of such reserve fund may, and [at least one-third of the reserve fund against demand deposits and demand liabilities shall, unless the department gives its written approval of a lesser amount] *in the case of the reserve fund against demand deposits and demand liabilities, at least such amount thereof as may be fixed from time to time by the department, with the approval of the Banking Board, shall consist of gold bullion, gold coin, silver coin, United States gold or silver certificates, notes or bills issued by any national banking association or Federal reserve\*\* bank, or any other form of currency of the United States, and be kept on hand at the place of business of the institution, unpledged, unassigned and unhypothecated.*

[One-third] *Such amount of such reserve fund as shall be fixed from time to time by the department, with the approval of the Banking Board, may consist of bonds or other interest-bearing obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision thereof. Such bonds, while being carried in the reserve fund, shall be computed at their current market value. They shall be the absolute property of the institution and shall not be pledged, assigned, or hypothecated in any manner whatsoever.*

\* “Institutions” in original.

\*\* “reserve” omitted in original.

Any part of such reserve fund not required to consist of gold bullion, gold coin, or any form of currency kept on hand at the place of business of the institution, may consist of an actual net balance of moneys on deposit, subject to call without notice, in any reserve agent as hereinbefore defined.

D. Every savings bank shall establish and maintain a reserve fund in an amount equal to at least seven and one-half per centum of the total of its deposits.

E. In the case of savings banks, the total of such reserve fund may, and at least one-third thereof shall, consist of gold bullion, gold coin, silver coin, United States gold or silver certificates, notes or bills, issued by any national banking association or Federal reserve bank, or any other form of currency of the United States, kept on hand at the place of business of the\* institution, unpledged, unassigned, and unhypothecated, or an actual net balance of moneys on deposit, subject to call without notice, in any reserve agent, as hereinbefore defined.

The balance of such reserve fund may consist of bonds or other interest-bearing obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision thereof. Such bonds, while being carried in the reserve fund, shall be computed at their current market value. They shall be the absolute property of the institution and shall not be pledged, assigned, or hypothecated in any manner whatsoever.

F. The reserve fund prescribed by this section may be increased or decreased by the department, with the approval of the Banking Board. However, the reserve fund shall not at any time be required to be more than double the *maximum amount provided in clause A hereof, and in the case of savings banks, the amount prescribed in clause D hereof*, [amount prescribed by this section] nor *in the case of savings banks* shall it be decreased to less than the amount prescribed by this section. In the case of a savings bank, the additional reserve fund provided for by this paragraph, may consist of bonds or other interest-bearing obligations of the United States or of the Commonwealth of Pennsylvania.

G. *The department may, upon written application of a bank, a bank and trust company or a private bank, approve a lesser amount of cash reserve than that fixed pursuant to the provisions of this section, to be kept on hand at the place of business of such institution, but in all other respects any regulation issued pursuant to the provisions of this section by the department, with the approval of the Banking Board, fixing the amount of the reserve fund to be established and maintained or the*

\* "United States, kept on hand at the place of business of the" omitted in original.

*component parts thereof, shall apply uniformly to all banks, bank and trust companies, private banks and savings banks, as the case may be.*

*H. Until six months after the cessation of hostilities in the present war, an institution shall not be required to maintain any reserve against deposits payable to the United States arising solely as the result of subscriptions made by or through such institution for the United States Government securities, issued under authority of the Second Liberty Bond Act, as amended.*

Section 1006 of said act, as last amended by act of June 24, 1939, P. L. 737, further amended.

Section 2. Subsection A of section one thousand six of said act, as last amended by the act, approved the twenty-fourth day of June, one thousand nine hundred and thirty-nine (Pamphlet Laws, seven hundred thirty-seven), is hereby further 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 ten per centum of the unimpaired capital and 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, *or loans or portions thereof, heretofore or hereafter, granted the payment of the principal and interest on which has been guaranteed by, or for which a written commitment to guarantee has been made by, or for the purchase of which a written commitment has been made by the United States War Department, Navy Department or Maritime Commission pursuant to the provisions of the Executive Order of the President, Number nine thousand one hundred twelve, dated the twenty-sixth day of March, one thousand nine hundred and forty-two.*

(2) Loans to the Commonwealth of Pennsylvania, or any county, city, borough, township, incorporated town, or school district thereof, or an\* Authority which has been created as a body corporate and politic under any law of this Commonwealth, or loans secured by bonds or other interest-bearing obligations of the Commonwealth,

\* "any" in original.

or of any county, city, borough, township, incorporated town, or school district thereof, or of any Authority which has been created as a body corporate and politic under any law of the Commonwealth, 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, city, borough, township, incorporated town, or school district thereof, or of any Authority which has been created as a body corporate and politic under any law of this Commonwealth 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.

Section 3. Subsection B of section one thousand one hundred nine of the said act, as last amended by the act, approved the twenty-fourth day of June, one thousand nine hundred thirty-nine (Pamphlet Laws, seven hundred twenty-six), is hereby further amended to read as follows:

Section 1109 of said act, as last amended by act of June 24, 1939. P. L. 726, further amended.

Section 1109. Common Trust Funds.—

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B. If the instrument under which a trust company or \* bank and trust company acts as fiduciary, whether such fiduciary capacity arose before or is created after this act takes effect, shall limit or restrict the investment of moneys of the estate in assets of the class authorized by law as legal investments, the trust company or bank and trust company may, in its capacity as sole fiduciary or with the consent of any person acting with it in a fiduciary capacity, invest and reinvest moneys of the estate in any such common trust fund maintained by the trust company or bank and trust company, provided, the assets composing such fund consist solely of assets of the class authorized as legal investments for funds held by fiduciaries.

If the instrument under which a trust company or bank and trust company acts as fiduciary, whether such fiduciary capacity arose before or is created after this

\* "a" in original.

act takes effect, shall authorize the investment of moneys of the estate in a common trust fund or in investments other than those designated by law as legal investments, or shall authorize the trust company or bank and trust company either alone or in conjunction with any person acting with it in a fiduciary capacity, to exercise its or their discretion with respect to the investment of moneys of the estate, the trust company or bank and trust company may, in its capacity as sole fiduciary or with the consent of any person acting with it in a fiduciary capacity, invest and reinvest moneys of the estate in any such common trust fund maintained by the trust company or bank and trust company. Any such common trust fund, consisting solely of moneys of estates contributed thereto by the trust company or bank and trust company pursuant to authority contained in any such instruments creating the fiduciary capacity to invest moneys of the estates in a common trust fund, or in investments other than such legal investments, or pursuant to such discretionary power with respect to the investment of moneys of the estates as contained in any such instruments creating the fiduciary capacity, may be composed of investments other than those of the class designated by law as legal investments for funds held by fiduciaries, including common and preferred stocks.\*

Bonds secured by mortgages and securities of the class authorized by law as legal investments for fiduciaries, shall be deemed proper investments for any such common trust funds: Provided, however, That no investment for a common trust fund shall be made or maintained in bonds, secured by mortgages, which would cause the total amount of the investment for such fund in bonds, secured by mortgages, to exceed forty per centum of the value of all the assets comprising such fund.

No moneys of any one estate [in excess of twenty-five thousand dollars] shall be invested in any one or more of such common trust funds as may be maintained by a trust company or bank and trust company, *if such investment would result in such estate having an interest in excess of ten per centum of the value of the assets of such common trust fund or funds, or the sum of twenty-five thousand dollars, whichever is less, at the time of investment.* In applying this limitation, if two or more trusts are created by the same settlor or settlors, and as much as one-half of the income or principal, or both, of each trust is payable or applicable to the use of the same person or persons, such trusts shall be considered as one.

Section 4. This act shall become effective immediately upon final enactment.

APPROVED—The 21st day of May, A. D. 1943.

EDWARD MARTIN

Act effective  
immediately.

\* "stock" in original.