

No. 2000-139

AN ACT

HB 2800

Amending the act of August 6, 1971 (P.L.281, No.72), entitled "An act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgees of assets," further providing for amounts required to be pledged and for eligible assets and valuation.

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

Section 1. Section 4 of the act of August 6, 1971 (P.L.281, No.72), entitled "An act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as pledgees of assets," is amended to read:

Section 4. Amounts Required to be Pledged; Eligible Assets and Valuation.—Unless the public body shall have instructed the depository in writing that the assets securing its deposits may not be pooled the amount of assets required to secure public deposits, the types of assets which may be used as security and the valuation as collateral of assets pledged shall be *either*:

(1) the same as those applicable to United States Treasury tax and loan accounts under the provisions of United States Treasury Circular No. 92 as in effect on the effective date of this act, except that the valuation of obligations of the Commonwealth and public bodies of the Commonwealth shall be at the face value thereof[.]; *or*

(2) *an irrevocable letter of credit issued by a Federal Home Loan Bank in an amount equal to or greater than the total amount of public deposits being secured provided that the Federal Home Loan Bank issuing the irrevocable letter of credit maintains a rating of at least the second highest rating level from one nationally recognized rating agency. If the line of credit to the United States Treasury as set forth in the Federal Home Loan Bank Act (47 Stat. 733, 12 U.S.C. § 1431(i)) is revoked or reduced, then irrevocable letters of credit issued by a Federal Home Loan Bank shall continue to be eligible to secure public deposits only if the Federal Home Loan Bank issuing the irrevocable letter of credit has the highest rating level from one nationally recognized rating agency.*

Section 2. This act shall take effect in 60 days.

APPROVED—The 20th day of December, A.D. 2000.

THOMAS J. RIDGE