

THE GENERAL ASSEMBLY OF PENNSYLVANIA

---

HOUSE BILL

No. 2800 Session of  
2000

---

INTRODUCED BY BOYES AND TRELLO, OCTOBER 3, 2000

---

REFERRED TO COMMITTEE ON FINANCE, OCTOBER 3, 2000

---

AN ACT

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

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

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

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

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

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

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