

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 383

Session of
1971

INTRODUCED BY ZEMPRELLI, COPPERSMITH, HAWBAKER, W. E. FLEMING,
SNYDER, MAZZEI, NOSZKA, SESLER AND MAHADY, FEBRUARY 23, 1971

REFERRED TO BANKING, FEBRUARY 23, 1971

AN ACT

1 Standardizing the procedures for pledges of assets to secure
2 deposits of public funds with banking institutions pursuant
3 to other laws; establishing a standard rule for the types,
4 amounts and valuations of assets eligible to be used as
5 collateral for deposits of public funds; permitting assets to
6 be pledged against deposits on a pooled basis; and
7 authorizing the appointment of custodians to act as pledgees
8 of assets.

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

11 Section 1. Definitions.--As used in this act, the following
12 terms shall have, unless the context clearly indicates
13 otherwise, the following meanings:

14 (1) "Custodian." A Federal Reserve Bank, a bank, a bank and
15 trust company, a trust company or a national bank. The trust
16 department of a depository which is a bank and trust company or
17 a national bank may act as a custodian of assets pledged by such
18 depository with the prior written approval of each public body
19 whose deposits are secured by such assets.

20 (2) "Depository." A banking institution authorized to hold
21 deposits of public funds.

1 (3) "Public body." The Commonwealth or any political
2 subdivision thereof or any agency, authority, board, commission
3 or instrumentality of the Commonwealth or of any political
4 subdivision thereof.

5 (4) "Public funds." Funds of a public body.

6 (5) "Public deposits." Deposits of public funds.

7 Section 2. Scope of Act.--This act provides a standardized
8 procedure for pledging assets to secure deposits of public funds
9 required by other statutes or rules or regulations of public
10 bodies. This act supersedes such other statutes, rules and
11 regulations to the extent they are inconsistent with this act as
12 to pledging of assets on a pooled basis but does not otherwise
13 repeal or affect such other statutes, rules and regulations.

14 Section 3. Pooling of Pledges; Duties of Depositories.--A
15 depository may pledge assets to secure public deposits on a
16 pooled basis in order that the total amount of assets pledged is
17 at least equal to the total amount of such assets required to
18 secure all the public deposits of the depository. It shall be
19 the duty of each depository to maintain continuously the total
20 amount of assets pledged in the required amount and to carry in
21 its accounting records at all times a general ledger or other
22 appropriate account of the total amount of public deposits
23 required to be secured and the total amount of assets pledged to
24 secure such public deposits. The total amount of public deposits
25 required to be secured shall be determined as of the opening of
26 business each day on the basis of the public deposits collected
27 by the depository.

28 Section 4. Amounts Required to be Pledged; Eligible Assets
29 and Valuation.--The amount of assets required to secure public
30 deposits, the types of assets which may be used as security and

1 the valuation as collateral of assets pledged shall be the same
2 as those applicable to United States Treasury tax and loan
3 accounts under the provisions of United States Treasury Circular
4 No. 92 as in effect on the effective date of this act, except
5 that the valuation of obligations of the Commonwealth and public
6 bodies of the Commonwealth shall be at the face value thereof.

7 Section 5. Custodians.--Assets securing public deposits
8 shall be delivered to a custodian for the benefit of all public
9 bodies whose funds are secured by the assets from time to time.
10 A banking institution may act as custodian unless disapproved
11 for this purpose by the Comptroller of the Currency in the case
12 of a national bank or by the Department of Banking in the case
13 of a State banking institution. The depository may make changes
14 and substitutions in, additions to and withdrawals from the pool
15 of assets delivered to a custodian, subject to the duty of the
16 depository at all times to maintain the total amount of assets
17 pledged at least in the amount required for all public deposits
18 secured thereby. A custodian shall have no responsibility to
19 determine the validity of a pledge, the amount of assets
20 required to be pledged or the eligibility or adequacy of the
21 assets pledged but shall use reasonable care in the custody and
22 preservation of the assets in its possession. In the event of
23 insolvency of a depository, the custodian may surrender the
24 assets in its possession to the receiver or other successor in
25 interest of the depository.

26 Section 6. Reports.--Upon request of an appropriate official
27 of a public body whose funds are secured by pledged assets, a
28 depository shall make a report of the amount of the funds of
29 such public body on deposit with it, the total amount of public
30 funds on deposit with it and the total amount and valuation of

1 assets pledged to secure such public deposits and a custodian
2 shall make a report of the total amount and valuation of the
3 assets of the depository in its possession to secure public
4 deposits. Such reports shall be made as at such date as the
5 public body shall request and shall be given to such authorized
6 public official, accountant or auditor as the public body shall
7 designate in writing. A depository shall also make such periodic
8 reports to the Comptroller of the Currency in the case of a
9 national bank or to the Department of Banking in the case of a
10 State banking institution, as they shall require.

11 Section 7. Repealer.--All acts and parts of acts
12 inconsistent with the provisions of this act are hereby repealed
13 as to pledging of assets on a pooled basis as provided in
14 section 2.

15 Section 8. Effective Date.--This act shall take effect on
16 the first day of the third calendar month following the date of
17 its approval.