

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

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
JULY 7, 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

1 deposits of public funds.

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

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

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

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

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

30 Section 4. Amounts Required to be Pledged; Eligible Assets

1 and Valuation.--~~The~~ UNLESS THE PUBLIC BODY SHALL HAVE INSTRUCTED <—
2 THE DEPOSITORY IN WRITING THAT THE ASSETS SECURING ITS DEPOSITS
3 MAY NOT BE POOLED THE amount of assets required to secure public
4 deposits, the types of assets which may be used as security and
5 the valuation as collateral of assets pledged shall be the same
6 as those applicable to United States Treasury tax and loan
7 accounts under the provisions of United States Treasury Circular
8 No. 92 as in effect on the effective date of this act, except
9 that the valuation of obligations of the Commonwealth and public
10 bodies of the Commonwealth shall be at the face value thereof.

11 Section 5. Custodians.--Assets securing public deposits
12 shall be delivered to a custodian for the benefit of all public
13 bodies whose funds are secured by the assets from time to time.
14 A banking institution may act as custodian unless disapproved
15 for this purpose by the Comptroller of the Currency in the case
16 of a national bank or by the Department of Banking in the case
17 of a State banking institution. The depository may make changes
18 and substitutions in, additions to and withdrawals from the pool
19 of assets delivered to a custodian, subject to the duty of the
20 depository at all times to maintain the total amount of assets
21 pledged at least in the amount required for all public deposits
22 secured thereby. ~~A custodian shall have no~~ IF THE CUSTODIAN IS <—
23 THE TRUST DEPARTMENT OF A DEPOSITORY BANK IT SHALL HAVE THE
24 responsibility to determine the validity of a pledge, the amount
25 of assets required to be pledged ~~or~~ AND the eligibility or <—
26 adequacy of the assets pledged ~~but~~ AND shall use reasonable care <—
27 in the custody and preservation of the assets in its possession.
28 ~~In~~ EXCEPT WHERE AN AGREEMENT AMONG THE PUBLIC BODY, THE <—
29 DEPOSITORY AND THE CUSTODIAN, WITH RESPECT TO THE HANDLING AND
30 DISPOSITION OF PLEDGED ASSETS WHICH ARE NOT POOLED WITH OTHER

1 SUCH ASSETS PROVIDES OTHERWISE, IN the event of insolvency of a
2 depository, the custodian may surrender the assets in its
3 possession to the receiver or other successor in interest of the
4 depository.

5 Section 6. Reports.--Upon request of an appropriate official
6 of a public body whose funds are secured by pledged assets, a
7 depository shall make a report of the amount of the funds of
8 such public body on deposit with it, the total amount of public
9 funds on deposit with it and the total amount and valuation of
10 assets pledged to secure such public deposits and a custodian
11 shall make a report of the total amount and valuation of the
12 assets of the depository in its possession to secure public
13 deposits. Such reports shall be made as at such date as the
14 public body shall request and shall be given to such authorized
15 public official, accountant or auditor as the public body shall
16 designate in writing. A depository shall also make such periodic
17 reports to the Comptroller of the Currency in the case of a
18 national bank or to the Department of Banking in the case of a
19 State banking institution, as they shall require.

20 Section 7. Repealer.--All acts and parts of acts
21 inconsistent with the provisions of this act are hereby repealed
22 as to pledging of assets on a pooled basis as provided in
23 section 2.

24 Section 8. Effective Date.--This act shall take effect on
25 the first day of the third calendar month following the date of
26 its approval.