17:9A-48 and 17:9A-49

LEGISLATIVE HISTORY CHECKLIST

NJSA 17:9A-48 and 17:9A-49 (Non-member banks -- reserve levels -- allow Commissioner of Banking to examine levels set by Federal Reserve Board)

LAWS 1981 CHAPTER 373

Bill No. A3470

Sponsor(s) T. Gallo and others

Date Introduced June 8, 1981

Committee: Assembly ---

Senate Labor, Industry and Professions

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks, not attached since identical to A3470

Date of Passage: Assembly June 15, 1981

Senate Nov. 12, 1981

Date of approval Dec.30, 1981

Following statements are attached if available:

Sponsor statement		Yes	~~No~~
Committee Statement:	Assembly	~~Yes~~	No
	Senate	Yes	~~No~~ 2 on 6-18-81
Fiscal Note		~~Yes~~	No
Veto Message		~~Yes~~	No
Message on signing		~~Yes~~	No

Following were printed:

Reports	~~Yes~~	No
Hearings	~~Yes~~	No

Regulations by Federal Reserve Board pursuant to 96-221: 12CFR parts 7, 29, 201, 204, 217, 225, 523, 526, 534, 541, 545, 550, 561, 563, 570, 571, 518, 590, 701, 742, 1204

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ASSEMBLY, No. 3470

STATE OF NEW JERSEY

INTRODUCED JUNE 8, 1981

By Assemblymen T. GALLO, BORNHEIMER, ADUBATO, KOSCO and HURLEY

(Without Reference)

AN ACT to amend "The Banking Act of 1948," approved April 29, 1948 (P. L. 1948, c. 67).

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. Section 48 of P. L. 1948, c. 67 (C. 17:9A-48) is amended to read as follows:

48. Nonmembers of Federal Reserve System.

A. A bank which is not a member of the Federal Reserve System shall, subject to the provision of subsection B of this section, at all times have in available funds consisting of (1) lawful currency of the United States, or (2) balances due on demand from reserve depositaries, or (3) direct obligations of the United States which have a maturity of not more than 18 months, [not less than an amount equal to the aggregate of 15% of its immediate liabilities 3% of its time liabilities.] *or (4) such other assets as the Commissioner of Banking may from time to time prescribe by regulation, reserve balances on deposits and such other liabilities in amounts *as prescribed by the Federal Reserve Board pursuant to the "Depository Institutions Deregulation and Monetary Control Act of 1980," P. L. 96-221, and in such additional amounts* as the Commissioner of Banking may prescribe by regulation. *[In establishing such amounts, the commissioner shall be guided by the reserve requirements established by the Federal Reserve Board for member banks and other depository institutions. He shall also consider the reserve requirements established by the Federal Reserve Board for nonmember banks. If the commissioner deems the reserve requirements established by the Federal Reserve Board*

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

for such nonmember banks as being adequate, he need not impose any additional reserve requirement for nonmember banks pursuant to the provisions of this section.

The amount of any additional reserve requirements imposed by the commissioner may not exceed the amount of reserve balances established by the Federal Reserve Board for member banks.

The amount of direct obligations of the United States, if any, which may be included in available funds shall be established by regulation of the Commissioner of Banking but in no case shall such amount exceed 50% of the total required available fund.]* _*if he deems those additional amounts necessary for the safety and soundness of the institution. Any additional reserve amounts prescribed by the commissioner pursuant to this subsection shall not exceed the amount established for like institutions by the Federal Reserve Board**[, whether member banks or non-member banks]**. Not more than 50% of the additional reserve balances required by the commissioner under this subsection may be made up of obligations of the United States or of instrumentalities of the United States maturing within 1 year.*_ [The commissioner may from time to time with the concurrence of the banking advisory board, increase or decrease such percentages; provided, that, in the case of immediate liabilities, such percentage shall not be lower than 15 or higher than 30 and, in the case of time liabilities, such percentage shall not be lower than 3 or higher than 6. Notwithstanding the foregoing provisions of this section, the amount of available funds required of such a bank shall at no time exceed the amount of the reserve balances it would be required to maintain were such a bank a member of the Federal Reserve System. The sufficiency of the available funds of any such bank upon a particular day shall be determined upon the basis of the bank's immediate liabilities at the opening of business on that day.]

B. [A bank shall be deemed to have complied with the requirements of subsection A of this section if its daily available funds, averaged over semimonthly periods beginning with the first and the sixteenth days of each month, shall at least equal the minimum amount prescribed by subsection A of this section.] _The Commissioner of Banking may by regulation prescribe the method to be used in computing the required reserve._

2. Section 49 of P. L. 1948, c. 67 (C. 17:9A-49) is amended to read as follows:

49. Definitions. For the purposes of this article.

[(1)] "Reserve depositary" includes

(a) A Federal Reserve bank,

(b) A member of a Federal Reserve bank organized in a Federal Reserve district which includes all or any part of this State, which shall be approved by the commissioner as a reserve depositary,

(c) A bank which is not a member of the Federal Reserve System, but which shall be approved by the commissioner as a reserve depositary, and

(d) A member of a Federal Reserve bank organized in a Federal reserve district which does not include all or any part of this State; provided, such member is approved by the commissioner as a reserve depositary;

[(2) "Immediate liabilities" shall include all deposits payable on demand, or in less than 30 days, or in less than 30 days after demand, and all other claims payable on demand;

(3) "Time liabilities" shall include all liabilities other than immediate liabilities;

(4) The commissioner, with the concurrence of the banking advisory board, may from time to time modify or supplement the definitions of immediate liabilities and time liabilities as set forth in this section, except that demand deposits shall always be included in the definition of immediate liabilities and time deposits shall always be included in the definition of time liabilities.]

3. This act shall take effect immediately.

(3) "Time liabilities" shall include all liabilities other than immediate liabilities;

(4) The commissioner, with the concurrence of the banking advisory board, may from time to time modify or supplement the definitions of immediate liabilities and time liabilities as set forth in this section, except that demand deposits shall always be included in the definition of immediate liabilities and time deposits shall always be included in the definition of time liabilities.]

3. This act shall take effect immediately.

STATEMENT

On March 31, 1980, President Carter signed into law the "Depository Institutions Deregulation and Monetary Control Act of 1980." Among its provisions is a requirement that banks, regardless of whether they are members of the Federal Reserve or not, must maintain reserves against deposit and other liability accounts as prescribed by the Federal Reserve, and regardless of the provisions in State law.

Under the Federal law, the new reserve requirements for all depository institutions will be phased in beginning October 30, 1980. (For non-member banks, the phase in period is to be over an 8 year period.)

To assure that our State chartered commercial banks may continue to operate on a parity with national banks, it is necessary to amend our existing law dealing with reserves so that the commissioner will have the ability to effect an orderly phase in of the mandated Federal program on reserves.

The bill permits the commissioner to examine the level of reserves established by the Federal Reserve Board for non-member banks, and to determine whether those levels are adequate. If so, no additional State reserve requirement need be imposed. If that level is deemed inadequate, the commissioner may impose additional reserve requirements, but in no event may that additional reserve requirement exceed the level established by the Federal Reserve for member banks. For example, if the Federal Reserve established a 4% level of reserves for member banks, the commissioner may, in addition to the reserves established by the Federal Reserve for non-member banks, impose a maximum of 4% upon such non-member banks.

A 3470 (1981)

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3470

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 18, 1981

On March 31, 1980, President Carter signed into law the "Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDAMCA)." Among its provisions is a requirement that various financial institutions, including banks which are not members of the Federal Reserve System, must maintain reserves against deposit and other liability accounts as prescribed by the Federal Reserve Board. The law was designed to allow more effective Federal control over monetary policy by allowing the Federal Reserve Board to establish reserve levels for all depository institutions. After the initial 8-year phasing-in period, all depository institutions will maintain the same reserve balance. No distinction will be made between member and nonmember banks.

This bill would allow the Commissioner of Banking, by regulation, to prescribe additional reserve requirements which could not exceed the amounts established for like institutions by the Federal Reserve Board.

As present, the Commissioner of Banking establishes reserves for State-chartered banks which are not members of the Federal Reserve System; these reserves may not be less than an amount equal to the aggregate of 15% of the bank's immediate liabilities and 3% of its time liabilities. At no time can the reserve set by the commissioner exceed the reserves established by the Federal Reserve Board for member banks. This bill would delete the statutory minimums for State-established reserves of 15% and 3% in favor of reserve balances to be established by the commissioner in amounts which he deems necessary for the safety and soundness of State-chartered nonmember banks.

Federal and State reserve requirements serve different purposes. Federal Reserve requirements under DIDAMCA may be imposed solely for the purpose of implementing monetary policy (§ 103(b) (2) (A)). This purpose is unrelated to the principal reason for State-imposed reserve requirements, i.e., liquidity and asset quality. Congressional recognition of the very different functions of State and Federal reserve requirements is evident in § 104(a) (2) of DIDAMCA, which provides that balances maintained to meet Federal Reserve requirements may be used to satisfy liquidity requirements which may be imposed under State law.

The Senate Labor, Industry, and Professions Committee understands that the Commissioner of Banking does not plan to depart from reserve requirement amounts established by the Federal Reserve Board. This bill, however, gives the commissioner authority to set additional reserves, should they be necessary under extraordinary circumstances, to insure the safety and soundness of New Jersey's banking institutions.

The committee understands that there is no intention under this legislation to establish any additional reserve requirement which would result in a competitive disadvantage for State-chartered nonmember banks.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3470

STATE OF NEW JERSEY

DATED: JUNE 18, 1981

On March 31, 1980, President Carter signed into law the "Depository Institutions Deregulation and Monetary Control Act of 1980." Among its provisions is a requirement that various financial institutions, including banks which are not members of the Federal Reserve System, must maintain reserves against deposit and other liability accounts as prescribed by the Federal Reserve Board.

This bill would allow the Commissioner of Banking, by regulation, to prescribe additional reserve requirements in amounts which he deems necessary for the safety and soundness of the institutions.

Additional reserve amounts prescribed by the commissioner could not exceed the amounts established for like institutions by the Federal Reserve Board, whether member banks or non-member banks. Not more than 50% of the additional reserve balances required by the Commissioner could be made up of obligations of the United States or of instrumentalities of the United States maturing within 1 year.