

17: 9A-115

LEGISLATIVE HISTORY CHECKLIST

(Bank fidelity bond coverage -
Commissioner may waive require-
ment temporarily)

HJSA 17:9A-115

LAWS OF 1979

CHAPTER 138

Bill No. A1631

Sponsor(s) Jackman

Date Introduced Sept. 25, 1978

Committee: Assembly Banking and Insurance

Senate Labor, Industry and Professions

Amended during passage ~~Yes~~ No

Date of Passage: Assembly Oct. 16, 1978

Senate May 21, 1979

Date of approval July 6, 1979

Following statements are attached if available:

Sponsor statement	Yes	x
Committee Statement: Assembly	Yes	x
Senate	Yes	x
Fiscal Note	x	No
Veto message	x	No
Message on signing	Yes	x

Following were printed:

Reports	x	No
Hearings	x	No

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LEGISLATIVE COUNCIL

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9/1/78

ASSEMBLY, No. 1631

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 25, 1978

By Assemblyman JACKMAN

Referred to Committee on Banking and Insurance

AN ACT to amend "An act concerning banking and banking institutions (Revision of 1948)," approved April 29, 1948 (P. L. 1948, c. 67).

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

1 1. Section 115 of P. L. 1948, c. 67 (C. 17:9A-115) is amended
2 to read as follows:

3 115. a. Every bank shall, at its own expense, cause to be bonded
4 for the honest performance and discharge of his duties (1) each
5 director who handles or has charge or custody of money, securities
6 or other valuable property of the bank or of its customers and (2)
7 all officers and employees of the bank, in such amount and with
8 such surety as shall be approved by the board of directors. The
9 bonds may be individual bonds or may be one or more blanket
10 bonds issued by a surety company or companies or one or more
11 underwriters. The board of directors shall annually examine all
12 such bonds, shall pass upon their sufficiency and may require a
13 new bond or bonds or increases in the amounts thereof. The
14 commissioner may from time to time order an increase in the
15 amount of any such bonds. No bond shall be deemed to comply
16 with the requirements of this section unless such bond contains
17 a provision that it shall not be cancellable for any cause unless
18 notice of intention to cancel is filed in the department at least
19 5 days before the day upon which cancellation shall take effect.

20 *b. In the event a bank is unable to obtain the bond or bonds*
21 *required by subsection a., the commissioner may, at his discretion,*
22 *wave the requirements of subsection a. for a period not to exceed*
23 *1 year, upon such terms as he deems appropriate, if he is satisfied*
24 *that such bank is adequately capitalized and that such a waiver will*
25 *not otherwise endanger the financial condition of such bank.*

1 2. This act shall take effect immediately.

STATEMENT

This bill gives the Commissioner of Banking authority to waive the requirement of bank fidelity bond coverage, in the event a bank is unable to obtain such coverage. The waiver may be for a period to be set by the commissioner, not to exceed 1 year and upon such terms as the commissioner shall require, such as the establishment of a reserve for fidelity losses. The waiver may be granted only if the commissioner is satisfied that the bank is adequately capitalized and the waiver will not endanger the financial condition of the bank. This legislation is needed because of the difficulty occasionally experienced by banks in obtaining fidelity bond coverage. Under present law, when a bank has no fidelity bond coverage, the commissioner must issue a cease and desist order, which would lead to a fine of \$1,000.00 a day and possible State takeover of the bank. This bill would allow the commissioner to exercise discretion in taking such action. This bill would allow the commissioner to exercise the type of discretion exercised by the United States Comptroller of the Currency with respect to Federally chartered banks' fidelity bonds.

A1631 (1979)

ASSEMBLY BANKING AND INSURANCE COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1631

—•—
STATE OF NEW JERSEY
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DATED: OCTOBER 5, 1978

This legislation amends Section 115 of P. L. 1948, c. 67 (C. 17:9A-115) to permit the Commissioner of Banking to waive the surety bonding requirements established by that section for a period not to exceed one year, if he determines that the bank is adequately capitalized and that the waiver will not endanger the financial condition of the bank.

The Assembly Banking and Insurance Committee has reported the legislation favorably, as it is aware that surety bonds are increasingly difficult to obtain. The committee believes that this legislation is an appropriate interim approach until the problems of the surety bonding market can be addressed effectively.

SENATE LABOR, INDUSTRY AND
PROFESSIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1631

STATE OF NEW JERSEY

DATED: APRIL 26, 1979

This bill amends Section 115 of P. L. 1948, c. 67 (C. 117:9A-115) to allow the Commissioner of Banking to waive the surety bonding requirement established by that section for a period not to exceed 1 year, if he determines that the bank is adequately capitalized and that the waiver will not endanger the financial condition of the bank.

Section 115 of P. L. 1948, c. 67 (C. 17:9A-115) now requires that directors, officers and employees of banks be bonded at the bank's expense. Occasionally, however, banks experience difficulty in obtaining surety bond coverage. Under present law, when a bank has no surety bond coverage, the commissioner must issue a cease and desist order, which would lead to a fine of \$1,000.00 per day and possible State takeover of the bank. This bill would allow the commissioner to exercise discretion in taking such action.

FROM THE OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

FOR FURTHER INFORMATION

JULY 9, 1979

KATHRYN FORSYTH

Governor Brendan Byrne has signed the following bills into law:

A-299, sponsored by Assemblymen Ernest E. Schuck and Walter Rand (both D-Camden), which provides that all counties of the second class may, either by resolution or ordinance of the governing body of the county, make adjustments in the amounts of pension benefits payable to retired county detectives to reflect increases or decreases in living costs and maintain the purchasing power of their pension benefits.

The bill applies to Middlesex, Union, Passaic, Camden, Burlington and Mercer Counties. Morris County already has the authority under prior provisions of the law.

A-1631, sponsored by Assembly Speaker Christopher J. Jackman (D-Hudson) which permits the Commissioner of Banking to waive for up to one year the statutory requirement that banks have blanket fidelity bonds.

In order to grant such a waiver, the Commissioner must be satisfied that the bank is adequately capitalized and that a waiver will not otherwise endanger the financial condition of the bank. He may also require the bank to take other protective measures he deems necessary.

Banks occasionally experience difficulty in obtaining fidelity bond coverage, and under prior law the Department of Banking had to begin disciplinary actions, leading up to eventual takeover, if a bank did not have a bond. This bill gives the Commissioner of Banking the needed flexibility to waive the requirement while the bank seeks coverage.

A-1815, sponsored by Assemblyman Richard Van Wagner (D-Monmouth) which provides that when a tax sale certificate is held by a municipality or any other purchaser, the land will be assessed in the name of the property owner.

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