

17:9A-187

LEGISLATIVE HISTORY CHECKLIST

(Savings Banks--reserve levels--allow Commissioner of Banking to examine levels set by Federal Reserve Board)

NJSA 17:9A-187

LAWS 1981

CHAPTER 372

Bill No. A3469

Sponsor(s) T. Gallo and others

Date Introduced June 8, 1981

Committee: Assembly _____

Senate Labor, Industry and Professions

Amended during passage Yes

XXX Amendments during passage denoted by asterisks. Substituted for S 286 (not attached since identical to A3469)

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 ~~XX~~ Also attached, Senate amendments adopted 6-29-81 (with statement)

Committee Statement: Assembly ~~Yes~~ No

Senate Yes ~~XX~~ 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
12 CFR Parts 7, 29, 201, 204, 217, 225, 523, 526, 534, 541,
545, 550, 561, 563, 570, 571, 578, 590, 701, 742, 1204

6/22/81

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ASSEMBLY, No. 3469**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).1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*1 1. Section 187 of P. L. 1948, c. 67 (C. 17:9A-187) is amended
2 to read as follows:3 187. **[Cash]** *Reserve* balances.4 A. Every savings bank shall maintain **[cash]** *reserve* balances
5 *on deposits and on such other liabilities of the savings bank in*
6 *amounts *as prescribed by the Federal Reserve Board pursuant*
7 *to the "Depository Institutions Deregulation and Monetary Control*
8 *Act of 1980," P. L. 96-221, and in such additional amounts* as the*
9 *Commissioner of Banking may prescribe from time to time by*
10 *regulation *if he deems those additional amounts necessary for*
11 *the safety and soundness of the institution*. **[of not less than 3%***
12 *of its aggregate deposits other than capital deposits.] The **[cash]***
13 *reserve* balances may consist of (1) lawful currency of the United
14 States, (2) demand deposits made (a) in a reserve depository as
15 defined in section 49, or (b) in a federal home loan bank of which
16 the savings bank is a member, or (c) subject to the approval of the
17 commissioner, in any bank**, *savings bank*** or trust company
18 incorporated under the laws of any state of the United States or
19 the District of Columbia, whether or not such bank**, *savings*
20 *bank*** or trust company is a member of the Federal Reserve Sys-
21 tem **[or]**, (3) immediately available funds which are transferred
22 or sold by such savings bank to a member or nonmember bank of**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill
is not enacted and is intended to be omitted in the law.**

23 the Federal Reserve System for a period not to exceed the opening
 24 of business on the next succeeding banking day for such savings
 24A bank or (4) such other assets as the Commissioner of Banking may
 24B from time to time prescribe by regulation. ***[In establishing such**
 24C **amounts, the commissioner shall be guided by the reserve require-**
 24D **ments established by the Federal Reserve Board for member banks**
 24E **and other depository institutions.**

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

28 *He shall also consider the reserve requirements established by*
 29 *the Federal Reserve Board for savings banks. If the commissioner*
 30 *deems the reserve requirements established by the Federal Reserve*
 31 *Board for such savings banks as being adequate, he need not impose*
 32 *any additional reserve requirement for savings banks pursuant to*
 33 *the provisions of this section. Said **[required cash] reserve bal-***
 34 *ances, to the extent of not more than **[1½%] 50%** of the total*
 35 *required reserve balances]* *Any additional reserve amounts pre-*
 36 *scribed by the commissioner pursuant to this subsection shall not*
 37 *exceed the amounts established for like institutions by the Federal*
 38 *Reserve Board****[, whether member banks or nonmember***
 39 *banks]**. ****[Not more than 50% of the additional reserve bal-***
 40 *ances required by the commissioner under this subsection* **[aggre-***
 41 *gate deposits other than capital deposits] may be made up of
 42 obligations of the United States or of instrumentalities of the
 43 United States maturing within 1 year.】***

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

1 2. This act shall take effect immediately.

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

28 *He shall also consider the reserve requirements established by*
 29 *the Federal Reserve Board for savings banks. If the commissioner*
 30 *deems the reserve requirements established by the Federal Reserve*
 31 *Board for such savings banks as being adequate, he need not impose*
 32 *any additional reserve requirement for savings banks pursuant to*
 33 *the provisions of this section. Said [required cash] reserve bal-*
 34 *ances, to the extent of not more than [1½%] 50% of the total*
 35 *required reserve balances [aggregate deposits other than capital*
 36 *deposits] may be made up of obligations of the United States or*
 37 *of instrumentalities of the United States maturing within 1 year.*

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

1 2. 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 various financial institutions, including savings banks, must maintain reserves against deposit and other liability accounts as prescribed by the Federal Reserve 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 savings banks, the phase in period is to be over an 8 year period).

To assure that our State chartered savings banks may continue to operate on a parity with other financial institutions, it is necessary to amend our existing law dealing with reserve (cash) balances. Adoption of this bill will give the Commissioner of Banking the ability to effect an orderly phase in of the mandated Federal program on reserves.

This bill permits the Commissioner of Banking to examine the level of reserves established by the Federal Reserve Board for savings banks, and to determine whether those levels are adequate.

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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 by 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 savings banks, impose a maximum of 4% upon such savings banks.

SENATE AMENDMENTS TO
ASSEMBLY, No. 3469

[SENATE REPRINT]

STATE OF NEW JERSEY

ADOPTED JUNE 29, 1981

Amend page 1, section 1, line 17, after "bank", insert ", savings bank".

Amend page 1, section 1, line 19, after "bank", insert ", savings bank".

Amend page 2, section 1, line 38, after "banks.", omit "Not".

Amend page 2, section 1, lines 39-43, omit in entirety.

STATEMENT

This amendment permits reserve balances to include lawful currency in other savings banks. It also deletes the requirement that not more than 50% of any additional reserve balances may be made up of obligations of the United States or of instrumentalities of the United States maturing within 1 year.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 3469

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 savings banks, 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.

This bill would allow the Commissioner of Banking, by regulation, to prescribe additional reserve requirements which could not exceed the amounts established for savings banks by the Federal Reserve Board. At present, savings banks only have State reserve requirements of not less than 3% of an institution's aggregate deposits other than capital deposits. The "Depository Institutions Deregulation and Monetary Control Act of 1980" created Federally-chartered mutual savings banks and brought State-chartered savings banks under the reserve authority of the Federal Reserve Board.

This bill would delete the statutory minimum for State-established reserves of 3% in favor of reserve requirements to be established by the commissioner in amounts which he deems necessary for the safety and soundness of State-chartered savings 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 savings banks.

The committee further 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 savings banks.

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SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3469

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 savings banks, 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.