

# MAINE STATE LEGISLATURE

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# ONE HUNDRED AND FOURTH LEGISLATURE

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**Legislative Document**

**No. 721**

H. P. 542

House of Representatives, February 11, 1969

Referred to Committee on Business Legislation. Sent up for concurrence and ordered printed.

BERTHA W. JOHNSON, Clerk

Presented by Mr. Scott of Wilton.

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## STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SIXTY-NINE

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### AN ACT Relating to Bank Reporting, Reserves and Loan Limits.

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Be it enacted by the People of the State of Maine, as follows:

**Sec. 1. R. S., T. 9, § 1042, amended.** The last sentence of section 1042 of Title 9 of the Revised Statutes, as amended by section 18 of chapter 323 of the public laws of 1965, is repealed.

**Sec. 2. R. S., T. 9, § 1044, repealed and replaced.** Section 1044 of Title 9 of the Revised Statutes is repealed and the following enacted in place thereof:

**§ 1044. Cash reserve**

**1. Definitions.**

**A. Total reserves, for the purposes of this section, means the aggregate of the following: Vault cash and balances payable on demand due from any trust company created under the laws of this State, or from any trust company which is a member of the Federal Deposit Insurance Corporation located in any of the other New England states or in the State of New York, or from any trust company located in any of the states of the United States which is a member of the federal reserve system or from any national bank, and approved by the commissioner in writing;**

**B. Time deposits, for the purposes of this section, means all deposits the payment of which cannot be legally required within 30 days.**

**C. Demand deposits, for the purposes of this section, means deposits the payment of which can legally be required within 30 days.**

2. Reserve requirements. Subject to such additional requirements as the commissioner may impose, each trust company shall maintain its reserves either on the basis of each business week or daily, as it shall choose, in either event at the following levels:

- A. 3% of its savings deposits and its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; plus
- B. 3% of its other time deposits up to \$5,000,000, plus 6% of such deposits in excess of \$5,000,000; plus
- C. 12% of its net demand deposits up to \$5,000,000, plus 12½% of such deposits in excess of \$5,000,000.

A trust company may adopt either basis upon notification to the commissioner, but shall not change to the alternate basis without the written approval of the commissioner. The commissioner is authorized and empowered to raise or lower said cash reserve requirements on demand deposits and to establish reserves which shall be maintained on time deposits as in his judgment banking conditions may justify, provided such power to raise and establish reserves shall be limited to a percentage of such deposits not in excess of reserve requirements which may be from time to time established by the Federal Reserve Board. No banking organization not a member of the federal reserve system shall be required to maintain reserves against treasury tax and loan accounts which are not required by federal reserve member banks.

If any trust company shall fail to maintain its total reserves in the manner prescribed and authorized by this section, it shall pay any assessment or assessments levied by the commissioner pursuant to the following.

3. Assessments for deficiency in reserves. If any trust company shall not maintain the total reserves prescribed by or pursuant to this section, the commissioner may levy an assessment upon it for such period of time as the deficiency may exceed 1% of its deposits against which reserves are required. Such deficiency assessments may be levied at rates not to exceed the following:

- A. 6% per year upon any such deficiency not exceeding 2% of such deposits;
- B. 8% per year upon any additional deficiency in excess of 2 and not exceeding 3% of such deposits;
- C. 10% per year upon any additional deficiency in excess of 3 and not exceeding 4% of such deposits;
- D. 12% per year upon any additional deficiency therein.

4. Legality of loans in period of continuing reserve deficiency. If any trust company fails to make up a reserve deficiency with a corresponding

excess reserve in the calendar week immediately following, the commissioner may declare loans made by it during the period of continuing deficiency to be illegal and the obligation for payment of such loans and the responsibility of the directors, officers, agents and employees of such trust company shall be as set forth in section 1133.

5. Federal reserve banks. Any trust company may become a stockholder in a federal reserve bank within the federal reserve district where said trust company is situated, and while such trust company continues as a member bank under the United States "Federal Reserve Act", approved December 23, 1913, or any Acts in amendment thereof, shall be subject to said "Federal Reserve Act" and any amendments thereof relative to bank reserves in substitution for the requirements of this section. Every such trust company may have and exercise any and all of the corporate powers and privileges which may be exercised by member banks under the "Federal Reserve Act" or any Acts in amendment thereof or in addition thereto. All provisions of charters in conflict with this section are void.

Sec. 3. R. S., T. 9, § 1131, amended. Section 1131 of Title 9 of the Revised Statutes is amended to read as follows:

§ 1131. Individual borrower loan limits

No trust company shall loan to any person, firm, business syndicate or corporation, an amount or amounts, at any time outstanding in excess of 10% of its total capital, unimpaired surplus, **reserves, excluding reserves allocated for a specific existing asset and accrual reserves**, and net undivided profits, except on the approval of a majority of its entire board of directors or executive committee, unless secured by collateral which shall be of value equal to the excess of said loans above said 10%, and the total amount of loans to any person, firm, business syndicate or corporation shall at no time exceed 20% of said total capital, unimpaired surplus, **and qualifying reserves** and net undivided profits. In determining said amount, every person, firm, syndicate or corporation appearing on any loan as indorser, guarantor or surety shall be regarded as an original promisor. The discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, and the renewal or renewals in whole or in part of such commercial or business paper so discounted for periods not exceeding in all 3 years for any such paper, shall not be considered as money borrowed. Loans to municipal corporations located within the State upon their bonds or notes shall not be affected by the provisions hereof; nor shall the limitations and restrictions of this section apply to any loan or loans to the extent that they are secured or covered by guaranties or by commitments or agreements to take over to purchase the same, made by any federal reserve bank or by the United States or State of Maine or any department, bureau, board, commission, **agency, authority, instrumentality** or establishment of the United States or State of Maine, including any corporation wholly owned directly or indirectly by the United States or State of Maine; to obligations as endorser, with or without recourse, or an guarantor, conditional, or unconditional, of dealer originated obligations; federal funds; interbank deposits; clearings; and loans to the

**extent secured by savings passbooks and life insurance cash value.** In all cases where loans in excess of said 10% are granted, without collateral, the records of the company shall show who voted in favor thereof, and said records and those required by section 1132 shall constitute prima facie evidence of the truth of all facts stated therein in prosecutions and civil actions to enforce the several provisions and penalties enumerated in section 1133.