

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
SENATE  
110TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 197, L.D. 565, Bill, "AN ACT  
Relating to Cash Reserve Requirements."

Amend the bill by striking out everything after the enacting  
clause and inserting in its place the following:

'Sec. 1. 9-B MRSA §422, sub-§§2 and 3, as enacted by PL  
1975, c. 500, §1, are repealed.

Sec. 2. 9-B MRSA §422-A is enacted to read:

§422-A. Cash reserves on deposits and accounts

1. Requirement. A financial institution organized under  
the laws of this State and a credit union organized under the laws  
of this State shall maintain reserves on deposits or accounts as  
required from time to time by the Federal Reserve Act, Section 19 (b),  
as amended, and any regulations promulgated under it; except that  
the amount of reserves shall be 100% of the requirements, notwith-  
standing the Federal Reserve Act, Section 19(b) (8) of that Act.

2. Transition period. Reserves held by a financial institution  
or credit union to meet the requirements of this section shall be in  
the form prescribed by the Federal Reserve Act, Section 19(c), as  
amended, and any regulations promulgated under it; except that until  
September 1, 1987, such reserves may also be in the form of:

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- A. Deposits held in commercial banks, savings banks and savings and loan associations;
- B. Federal funds sold to banks pursuant to section 438;
- C. The book value of investments in obligations of the United States; and
- D. The book value of investments in obligations, notes and debentures issued by any agency or instrumentality of the United States.

The superintendent shall establish a maximum maturity period for investments in paragraphs C and D between 0 and 5 years as he deems necessary and conditions warrant.

3. Assessment for deficiency. Any deficiency in the cash reserve established pursuant to this section may be subject to an assessment for such period of time as the deficiency may exceed 2% of the required reserves. Any such penalty may be assessed at a rate not to exceed 10% per year.

4. Failure to make up deficiency. If any financial institution or credit union fails to make up a reserve deficiency with a corresponding excess reserve in the reserve computation period immediately following the period in which the deficiency occurred, the superintendent may declare that no loans or investments be made except those loans secured by deposit accounts or investments made in bonds or other obligations issued by the United States or any of its instrumentalities, or issued or guaranteed by this State or issued by

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any of its instrumentalities, agencies or political subdivisions which is not in default on any of its outstanding funded obligations.

5. Reports. The superintendent may require any financial institution or credit union to furnish such reports as he deems appropriate to properly supervise compliance with the requirements of this section.

Sec. 3. 9-B MRSA §423, sub-§3, as enacted by PL 1975, c. 500, §1, is repealed.

Sec. 4. 9-B MRSA §424, sub-§2, as enacted by PL 1975, c. 500, §1, is repealed.

Sec. 5. 9-B MRSA §514, as amended by PL 1979, c. 663, §43, is repealed.

Sec. 6. 9-B MRSA §613, as amended by PL 1979, c. 663, §49, is repealed.

Sec. 7. 9-B MRSA §714, as amended by PL 1979, c. 663, §51, is repealed.'

Statement of Fact

The purposes of this amendment are:

1. To delete transitional provisions which are no longer necessary;
2. To require state-chartered financial institutions and credit unions to meet the reserve requirements of the Federal Reserve System;
3. To provide a transition period in which state-chartered financial institutions and credit unions may convert the form of their cash reserves to meet federal requirements; and

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4. To eliminate inconsistent reserve requirements from existing law.

Reported by the Committee on Business Legislation  
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