

SENATE BILL No. 731

March 2, 1988, Introduced by Senators FESSLER, KELLY, WELBORN, DI NELLO, MACK, VAUGHN, GEO. HART, CHERRY, FAUST, CARL, FREDRICKS, O'BRIEN, FAXON, J. HART, CONROY, HOLMES, SCHWARZ, BARCIA, IRWIN, CROUSEY, MILLER and POLLACK and referred to the Committee on Government Operations.

A bill to amend section 231 of Act No. 319 of the Public Acts of 1969, entitled as amended

"Banking code of 1969,"

as amended by Act No. 177 of the Public Acts of 1985, being section 487.531 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 231 of Act No. 319 of the Public Acts of
2 1969, as amended by Act No. 177 of the Public Acts of 1985, being
3 section 487.531 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 231. (1) Except as otherwise provided in this section,
6 a bank or bank officer shall not give preference to a depositor
7 or creditor by pledging the assets of the bank as collateral
8 security or otherwise.

1 (2) A bank, with the written consent of the commissioner,
2 may pledge its assets in an amount not in excess of 10% of its
3 total deposits for the purpose of securing the following:

4 (a) Funds belonging to the United States or belonging to or
5 being administered by an officer, instrumentality, or agent of
6 the United States, funds of estates being administered by a fed-
7 eral court under a federal bankruptcy law, and other funds when
8 required or permitted to do so under the laws of the United
9 States or an order of a federal court.

10 (b) Surplus funds of the state held by the state treasurer.

11 (c) Funds of the G. MENNEN WILLIAMS Mackinac bridge authori-
12 ty, which is declared to be a political subdivision of this
13 state, under Act No. 21 of the Public Acts of the Extra Session
14 of 1950, being sections 254.301 to 254.304 of the Michigan
15 Compiled Laws.

16 (d) Funds of the international bridge authority, which is
17 declared to be a political subdivision of this state, under Act
18 No. 99 of the Public Acts of 1954, as amended, being sections
19 254.221 to 254.240 of the Michigan Compiled Laws.

20 (e) Funds on deposit under Act No. 205 of the Public Acts of
21 1941, as amended, being sections 252.51 to 252.64 of the Michigan
22 Compiled Laws, providing for limited access highways.

23 (f) Funds on deposit to the credit of the Michigan employ-
24 ment security commission.

25 (g) Funds of the Michigan state housing development author-
26 ity constituting proceeds of the sale of the authority's notes
27 and bonds and repayments of those notes and bonds, under the

1 state housing development authority act of 1966, Act No. 346 of
2 the Public Acts of 1966, as amended, being sections 125.1401 to
3 125.1498f of the Michigan Compiled Laws.

4 (3) A bank shall not pledge its assets for the purpose of
5 securing funds belonging to any other political subdivision of
6 this state.

7 (4) The requirements, restrictions, and limitations imposed
8 by this section shall not apply to the pledging of an obligation
9 of the United States, direct or fully guaranteed, or both, for
10 the purpose of securing a deposit of the United States when the
11 deposit is established coincidentally with the purchase of an
12 obligation of the United States by or through an institution.

13 (5) A bank may pledge its assets to secure liabilities of
14 the following types:

15 (a) In the case of member banks, liabilities incurred under
16 the federal reserve act, chapter 6, 38 Stat. 251. In the case of
17 nonmember banks, liabilities incurred through borrowing under the
18 same conditions as are imposed upon members of the federal
19 reserve system by the federal reserve act, chapter 6, 38
20 Stat. 251.

21 (b) Liabilities incurred under former section 202 of title
22 II of the federal farm loan act, 12 U.S.C. 1031 to 1033.

23 (c) Liabilities incurred on account of a loan made with the
24 express approval of the commissioner under section 197(c).

25 (d) Liabilities incurred on account of borrowings from 1
26 business day to the next from a bank or national banking
27 association of excess reserve balances from time to time

1 maintained by the bank or national banking association under
2 ~~section 207, or~~ section 19 of the federal reserve act, 12
3 U.S.C. 461 to 466.

4 (e) Liabilities incurred on account of securities sold under
5 a repurchase agreement.