

## CHAPTER 181 — S.F.No. 560

*An act relating to employment; prohibiting certain cities or counties from establishing residency requirements as a condition of employment; proposing new law coded in Minnesota Statutes, Chapter 415.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[415.16] EMPLOYMENT; RESIDENCE REQUIREMENT.**

Notwithstanding any contrary provision of other law, home rule charter, ordinance or resolution, no statutory or home rule charter city or county located in the area defined in section 473F.02, subdivision 2, shall require that a person be a resident of the city or county as a condition of employment by the city or county except for positions which by their duties require the employee to live on the premises of the person's place of employment.

Sec. 2. **APPLICATION.**

This act is effective in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Sec. 3. **EFFECTIVE DATE.**

This act is effective on the day following final enactment.

Approved May 13, 1981

## CHAPTER 182 — S.F.No. 641

*An act relating to financial institutions; providing for uniform administration of liquidity reserve requirements among deposit institutions; amending Minnesota Statutes 1980, Sections 46.04, Subdivision 1; 50.175; and 52.17; proposing new law coded in Minnesota Statutes, Chapters 48; and 51A; and repealing Minnesota Statutes 1980, Sections 48.22; and 51A.36.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1980, Section 46.04, Subdivision 1, is amended to read:

Subdivision 1. The commissioner of banks, referred to in Minnesota Statutes, Chapters 46 to 59, as the commissioner, is vested with all the powers, authority, and privileges which, prior to the enactment of Laws 1909, Chapter 201, were conferred by law upon the public examiner, and he shall take over all

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duties in relation to state banks, savings banks, trust companies, savings associations, and other financial institutions within the state which, prior to the enactment of chapter 201, were imposed upon the public examiner. The commissioner of banks shall exercise a constant supervision, either personally or through the examiners herein provided for, over the books and affairs of all state banks, savings banks, trust companies, savings associations, and other financial institutions doing business within this state; and shall, through examiners, examine at least once in every 18 month period the state banks and savings banks as are also subject to annual examinations by the federal deposit insurance corporation or the federal reserve bank. If any state bank or savings bank is not examined by one of these federal agencies annually, the commissioner shall examine the bank or savings bank, so that the bank or savings bank is examined at least once annually by either one of these federal agencies or the commissioner. Trust companies, savings associations, credit unions, industrial loan and thrift companies and other financial institutions shall be examined once a year. With the exception of industrial loan and thrift companies which do not have deposit liabilities and small loan companies, it shall be the principal purpose of these examinations to inspect and verify the assets and liabilities of each and so far investigate the character and value of the assets of each such institution as to determine with reasonable certainty that the values are correctly carried on its books. Assets and liabilities shall be verified in accordance with methods of procedure which the commissioner may determine to be adequate to carry out the intentions of this section. It shall be the further purpose of these examinations to assess the adequacy of capital protection and the capacity of the institution to meet usual and reasonably anticipated deposit withdrawals and other cash commitments without resorting to excessive borrowing or sale of assets at a significant loss, and to investigate each institution's compliance with applicable laws and regulations. Based on the examination findings, the commissioner shall make a determination as to whether the institution is being operated in a safe and sound manner. None of the above provisions limits the commissioner in making additional examinations as ~~he deems~~ deemed necessary or advisable. ~~He~~ The commissioner shall investigate the methods of operation and conduct of these institutions and their systems of accounting, to ascertain whether these methods and systems are in accordance with law and sound banking principles. ~~He~~ The commissioner may make such requirements as to records as ~~he deems~~ deemed necessary to facilitate the carrying out of his or her duties and to properly protect the public interest. ~~He~~ The commissioner may examine, or cause to be examined by these examiners, on oath, any officer, director, trustee, owner, agent, clerk, customer, or depositor of any ~~such~~ financial institution touching the affairs and business thereof, and may issue, or cause to be issued by the examiners, subpoenas, and administer, or cause to be administered by the examiners, oaths. In case of any refusal to obey any subpoena issued by ~~him~~ him or under his the commissioner's direction, the refusal may at once be reported to the district court of the district in which the bank or other financial institution is located, and this court

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shall enforce obedience to these subpoenas in the manner provided by law for enforcing obedience to subpoenas of the court. In all matters relating to ~~his~~ official duties, the commissioner of banks has the power possessed by courts of law to issue subpoenas and cause them to be served and enforced, and all officers, directors, trustees, and employees of state banks, savings banks, trust companies, savings associations, and other financial institutions within the state, and all persons having dealings with or knowledge of the affairs or methods of these institutions, shall afford reasonable facilities for these examinations, make returns and reports to the commissioner of banks as ~~he~~ the commissioner may require: attend and answer, under oath, ~~his~~ the commissioner's lawful inquiries; produce and exhibit any books, accounts, documents, and property as ~~he~~ the commissioner may desire to inspect, and in all things aid ~~him~~ the commissioner in the performance of his or her duties.

Sec. 2. **48.221** RESERVES.

A state bank or trust company shall maintain reserves in the form of liquid assets at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. Reserves shall be in cash, cash items in process of collection, short term obligations of or demand balances with other insured financial institutions in the United States and its territories, or short term, direct obligations of or guaranteed by the United States government. Obligations must mature within one year to be considered short term. The commissioner may prescribe the required amount of reserves in relation to liabilities for any individual state bank or trust company from time to time based upon examination findings or other reports relating to the bank or trust company that are available to the commissioner. The determination by the commissioner of a required amount of reserves for an institution shall not be considered a rule as defined by section 15.0411, subdivision 3. Reserves for an individual state bank or trust company as prescribed by the commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

Sec. 3. Minnesota Statutes 1980, Section 50.175, is amended to read:

**50.175 NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNT.**

Subdivision 1. AUTHORIZATION. Any savings bank organized and operating pursuant to this chapter, may establish negotiable order of withdrawal accounts on which it may or may not pay interest or dividends. Withdrawals from the accounts are subject to the right of the savings bank to require the depositor or account holder to give notice of an intended withdrawal not less than 30 days before the withdrawal is made, even though in practice the notice is not regularly required and the depositor or account holder is allowed to make withdrawals by negotiable or transferable instruments for the purpose of making payments to third persons or otherwise.

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A savings bank shall always keep a reserve of at least seven percent of its noninterest or nondividend bearing negotiable order of withdrawal accounts, which shall be in cash, cash items in process of collection, balances due on demand from solvent banks in the United States, and not more than 30 percent in direct obligations of the United States Treasury which mature within one year from the date the obligations are first considered as a part of the bank's reserve. If on any one day a savings bank shall fail to meet the reserve requirements of this section then that bank shall pay a fine of \$50 per day to the commissioner of banks on his making a request for payment. Whenever the commissioner of banks shall determine that the maintenance of sound banking practices or the prevention of injurious credit expansion or contraction makes action advisable, he may by directive change the requirements as to reserves against noninterest or nondividend bearing negotiable order of withdrawal accounts in savings banks. The reserve requirements established in any such directive shall not be less than seven percent, nor more than those required of member banks of the Federal Reserve System on the date that the directive is issued by the commissioner unless these reserve requirements are less than seven percent.

Subd. 2. **RESERVES.** A savings bank shall maintain reserves in the form of liquid assets at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. Reserves shall be in cash, cash items in process of collection, short term obligations of or demand balances with other insured financial institutions in the United States and its territories, or short term, direct obligations of or guaranteed by the United States government. Obligations must mature within one year to be considered short term. The commissioner may prescribe the required amount of reserves in relation to liabilities for any individual savings bank from time to time based upon examination findings or other reports relating to the savings bank that are available to the commissioner. The determination by the commissioner of a required amount of reserves for a savings bank shall not be considered a rule as defined by section 15.0411, subdivision 3. Reserves for an individual savings bank as prescribed by the commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

Sec. 4. **[51A.361] RESERVES.**

An association shall maintain reserves in the form of liquid assets, as defined in section 51A.02, subdivision 12, at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. The commissioner of banks may prescribe the required amount of reserves for any individual association from time to time based upon examination findings or other reports relating to the association that are available to the commissioner. The determination by the commissioner of a required amount of reserves for an association shall not be considered a rule as defined by section 15.0411, subdivision 3. Reserves for an individual association as prescribed by the

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commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

Sec. 5. Minnesota Statutes 1980, Section 52.17, is amended to read:

**52.17 RESERVE FUND.**

Subdivision 1. PROVISION FOR LOSSES. Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad loans and other losses, and shall not be used to pay expenses of the credit union or otherwise distributed, except in case of liquidation. At the end of each monthly accounting period the gross income shall be determined. From this amount, there shall be set aside, as a statutory reserve against losses on loans and against other losses as may be specified in rules prescribed by the commissioner of banks, sums in accordance with the following schedule:

(a) A credit union in operation for more than four years and having assets of \$500,000 or more shall set aside (1) ten percent of gross income until the statutory reserve shall equal four percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal six percent of the total of outstanding loans and risk assets;

(b) A credit union in operation less than four years or having assets of less than \$500,000 shall set aside (1) ten percent of gross income until the statutory reserve shall equal seven percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal ten percent of the total outstanding loans and risk assets.

Whenever the statutory reserve falls below the percent of the total of outstanding loans and risk assets required by clause (a) or (b), it shall be replenished in the manner provided by clause (a) or (b) by regular contributions to maintain the stated reserve goals. The commissioner may waive the requirements in paragraph (a), clause (2), and paragraph (b), clause (2), based on applications by credit unions demonstrating need and considering levels of total reserves and other factors bearing on the credit union's safety and soundness. The commissioner may also require special reserves to protect the interests of members either by rule or by an individual credit union in any special case.

The following shall not be included in computing outstanding loans and risk assets pursuant to clauses (a) and (b): loans to other credit unions; loans fully secured by a pledge of savings in the lending credit union equal to and maintained to at least the amount of the loan outstanding; loans which are purchased or acquired from liquidating or merging credit unions and guaranteed by an insurance corporation pursuant to section 52.24; loans insured or guaranteed by the United States or the state of Minnesota, any agency or instrumentality of the United States or the state of Minnesota, to the amount of the insurance or guarantee.

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Subd. 2. REQUIRED LIQUIDITY. ~~There~~ Every credit union shall also be established, and at all times maintained, maintain a reserve of not less than ten percent of the amount of the deposits, which in the form of liquid assets at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. Reserves shall be in cash and balances due from solvent banks or which may be, in whole or in part, in short term obligations guaranteed as to principal and interest by the U.S. government or in certificates of deposit of a federally insured bank or in a passbook or other account in a federally insured savings and loan association or in balances due from Minnesota central credit union or ICU services corporation or U.S. central credit union. The commissioner of banks may prescribe the required amount of reserves for any individual credit union from time to time based upon examination findings or other reports relating to the credit union that are available to the commissioner. The determination by the commissioner of a required amount of reserves for a credit union shall not be considered a rule as defined by section 15.0411, subdivision 3. Reserves for an individual credit union as prescribed by the commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

Sec. 6. **REPEALER.**

Minnesota Statutes 1980, Sections 48.22; and 51A.36 are repealed.

Sec. 7. **EFFECTIVE DATE.**

Sections 1 to 6 are effective the day following final enactment.

Approved May 13, 1981

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CHAPTER 183 — S.F.No. 771

*An act relating to Otter Tail county and the town of Oakport in Clay county; authorizing the Otter Tail county board to grant certain powers for a district created under Minnesota Statutes, Chapter 116A; authorizing the town of Oakport to exercise certain powers.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **DEFINITIONS.**

As used in this act the terms defined in this section have the following meanings:

(1) "On site waste water disposal system" means any of several works, facilities, devices or other mechanisms installed to collect, pump, treat, stabilize or dispose of waste water on, or immediately adjacent to, the property from which the waste water is disposed.

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