

By Mr. Fitzgerald of Boston, petition of Kevin W. Fitzgerald and Michael F. Flaherty relative to borrowing by officers of trust companies. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Eighty-Six.

AN ACT RELATIVE TO BORROWING BY OFFICERS OF TRUST COMPANIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 18 of Chapter 172 of the General Laws, as
2 appearing in Chapter 273 of the Acts of 1983, is hereby amended by
3 striking out the first paragraph and inserting in place thereof the
4 following paragraph:

5 No executive officer of a trust company shall, except as hereinaf-
6 ter provided, borrow from or otherwise become indebted to a trust
7 company of which he is an officer, and no trust company shall,
8 except as hereinafter provided, make any loan or extend credit in
9 any other manner to any of its own executive officers; provided
10 however, that with the prior approval of a majority of the entire
11 board of directors, a trust company may loan or extend credit to
12 any such executive officer and such executive officer may become
13 indebted to such trust company in any amount not exceeding
14 twenty-five thousand dollars or two and one-half percent of capital
15 and surplus not to exceed one hundred thousand dollars, which-
16 ever is greater, on a loan or extension of credit, secured or unse-
17 cured, and to any amount on a loan or extension of credit secured
18 for educational purposes or a loan secured by a mortgage on real
19 estate improved with a single family dwelling which is occupied or
20 which is to be occupied by such executive officer; and provided
21 further, that such trust company shall not give a preferential rate of
22 interest, or other preferential terms, on any loan to such executive
23 officer.

SECTION 2. For the purpose of this section, "executive officer" shall mean a person who participates or has authority to participate (other than a capacity as a director) in major policy making functions of the company whether or not: (1) the officer has an official title, (2) the title designates the officer an assistant, or (3) the officer is serving without salary or other compensation. The chairman of the board, the president, every vice president, the cashier, the secretary, and the treasurer of the trust company are considered executive officers, unless (1) the officer is excluded by resolution of the board of directors or by the by-laws of the trust company, from participation (other than in the capacity of a director) in major policymaking functions of the trust company, and (2) the officer does not actually participate therein.