HOUSE BILL NO. 550

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE BY REQUEST

Introduced: 4/10/96
Referred: Labor and Commerce

A BILL

FOR AN ACT ENTITLED

"An Act relating to investments by fiduciaries; and providing for an effective date."

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

* Section 1. AS 06.05.180(10) is amended to read:

(10) whenever the instrument or power governing the fiduciary relationship directs, requires, authorizes, or permits investment in obligations of the United States government, or its agencies or instrumentalities, invest in those obligations either directly or, FOR SHORT-TERM CASH MANAGEMENT PURPOSES, in the form of securities of, or other interests in, a MONEY MARKET MUTUAL FUND OPERATING AS an open-end or closed-end management type investment company or investment trust registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940) if

(A) the portfolio of the investment company or investment trust is limited to
(i) obligations of the United States government, or its agencies or instrumentalities;

(ii) [AND] repurchase agreements fully collateralized by the obligations identified in (i) of this subparagraph; and

(iii) securities of, or other interests in, other open-end or closed-end management type investment companies or investment trusts registered under 15 U.S.C. 80a-1 - 80a-64 whose portfolios are limited to the obligations and repurchase agreements identified in (i) and (ii) of this subparagraph; and

(B) the investment company or investment trust takes delivery of the collateral for any repurchase agreement directly or through an authorized custodian.

* Sec. 2. AS 13.90.010, as added by sec. 4, ch. 10, SLA 1996, is amended to read:

Sec. 13.90.010. INVESTMENTS BY FIDUCIARIES. (a) Notwithstanding other provisions of law, except for AS 13.36.300 and the standards of judgment and care established by law, and subject to any express provision or limitation contained in a particular instrument creating the fiduciary relationship, fiduciaries are authorized to acquire and hold securities of an [OPEN-END OR CLOSED-END MANAGEMENT TYPE] investment company [OR INVESTMENT TRUST IF THE COMPANY OR TRUST IS REGISTERED UNDER 15 U.S.C. 80a-1 - 80a-64 (INVESTMENT COMPANY ACT OF 1940), AS THAT ACT EXISTS NOW OR IS AMENDED IN THE FUTURE].

(b) Whenever [UNDER (a) OF THIS SECTION, WHENEVER] an instrument or power governing [CREATING] a fiduciary relationship directs, requires, authorizes, or permits investment in obligations of the United States government, or its agencies or instrumentalities, the fiduciary may invest in those [AND HOLD THE] obligations either directly or in the form of securities of, or other interests [AS ANOTHER INTEREST] in, an investment company if

(1) the portfolio of the company is limited to

(A) obligations of the United States government, or its agencies or instrumentalities:
(B) [AND TO] repurchase agreements fully collateralized by the
obligations identified in (A) of this paragraph; and

(C) securities of, or other interests in, other investment
companies whose portfolios are limited to the obligations and repurchase
agreements identified in (A) and (B) of this paragraph; and

(2) [IF A REPURCHASE AGREEMENT IS INVOLVED,] the
investment company takes delivery of the collateral for any repurchase agreement
either directly or through an authorized custodian.

(c) Under (a) and (b) of this section, if a bank or trust company is the
fiduciary, the bank or trust company may invest or reinvest in the securities of an
investment company even if the fiduciary or an affiliated bank or trust company
provides services to the investment company and the fiduciary or affiliate receives
reasonable compensation for the services. Upon request of the person, the fiduciary
shall furnish a copy of the prospectus relating to the securities acquired under this
subsection to a person to whom a regular periodic accounting is ordinarily rendered
under an instrument creating a fiduciary relationship.

(d) In this section,

(1) "affiliated" means two or more banks or trust companies in which
(A) 25 percent or more of the voting shares, excluding shares
owned by the United States or by a corporation or another entity wholly owned
by the United States, is directly or indirectly owned or controlled by a holding
company; or

(B) the election of a majority of the directors is controlled in
any manner by a holding company;

(2) "bank" means an organization that is authorized by the United
States Comptroller of the Currency, or by the director of banking or the equivalent
position in the state of its organization, to accept deposits and to make commercial
loans, and whose deposits are insured by the Federal Deposit Insurance Corporation;

(3) "fiduciary" includes guardians and conservators under AS 13.26,
persons performing the trustee activities described under AS 06.05.180 whether or not
the persons are covered by AS 06.05.180, and other persons acting in a fiduciary
capacity;

(4) "investment company" means an open-end or closed-end management type investment company or investment trust registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of 1940), as that act exists now or as amended in the future;

(5) "services" includes acting as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, [OR] manager, and services related to acting as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, or manager;

(6) "trust company" means a financial institution, corporation, or other legal entity, authorized to exercise general trust powers, but does not include a natural person.

* Sec. 3. If the effective date of SB 131 am H, passed by the Nineteenth Alaska State Legislature, is before sec. 2 of this Act takes effect, sec. 2 of this Act is retroactive to the effective date of SB 131 am H.

* Sec. 4. Section 2 of this Act takes effect on the effective date of SB 131 am H, passed by the Nineteenth Alaska State Legislature.