

*Commerce and  
Industry  
Judiciary*

1 IN THE SENATE

BY SENATORS RIVERS AND OWEN

2 SENATE BILL NO. 124

3 IN THE LEGISLATURE OF THE TERRITORY OF ALASKA

4 TWENTY-SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act to regulate the banking business,  
7 the safe deposit business, and the trust  
8 business; amending the following parts of  
9 Chapter 129, SLA, 1951: Title of Article II,  
10 Secs. 1.102, 1.103, 2.103 B, 2.104, 2.112,  
11 2.113, 3.117, and Part A of Title 1 of  
12 Article III, and Title 2 of Article III;  
13 and renumbering and amending the following  
14 parts of Chapter 129, SLA, 1951: Sec. 2.101,  
15 Part B of Title 1 of Article III, Title 4  
16 of Article III; and repealing and reenacting  
17 the following parts of Chapter 129, SLA,  
18 1951: Table of Contents, Secs. 2.106, 2.107,  
19 3.201, 3.202, 3.207, 3.209, 3.222, 3.223,  
20 3.224, 3.225, 3.502 through 3.507, 3.508;  
21 and renumbering, repealing and reenacting  
22 the following parts of Chapter 129, SLA,  
23 1951: Part B of Title 1 of Article III,  
24 Title III of Article III; and repealing the  
25 following parts of Chapter 129, SLA, 1951:  
26 Secs. 2.102, 2.103, 2.109, 2.110, 3.203,  
27 3.205, 3.206, 3.210, 3.211, 3.214, 3.218,  
28 Title 5 of Article III; and repealing Sub-  
29 section 34-3-5 (b) and Section 34-3-7, ACLA,

S.B. No. 124

1 1949; and renumbering, repealing and  
2 reenacting Part C of Title 1 of Article III  
3 as amended by Ch. 108, SLA, 1953; and  
4 setting an effective date."

5 BE IT ENACTED BY THE LEGISLATURE OF THE TERRITORY OF ALASKA:

6 Section 1. The Table of Contents as it appears in Chapter  
7 120, Session Laws of Alaska, 1951, is hereby repealed and  
8 reenacted to read as follows:

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1       Sec. 2. Section 1.102 of Chapter 129, Session Laws of  
2 Alaska, 1951, is hereby amended to read as follows;

3       SECTION 1.102. DEFINITION OF BANKS /"BANK" "TERRI-  
4 TORIAL BANK"/.

5       As used in this Act:

6       "Bank" means any person doing a banking business  
7 whether subject to the laws of this or any other juris-  
8 diction.

9       "Territorial Bank" means any bank chartered by this  
10 Territory.

11       "Commercial bank" means any territorial bank chartered  
12 to do a general commercial banking business.

13       "Savings bank" means any bank whose charter limits its  
14 power to accept deposits to accounts which may only be  
15 withdrawn after notice.

16       Sec. 3. Section 1.103 of Chapter 129, Session Laws of  
17 Alaska, 1951, is hereby amended by the addition of the follow-  
18 ing definitions:

19       "Commissioner" means the Commissioner of Banking of  
20 this Territory.

21       "Department" means the Department of Banking of this  
22 Territory.

23       Sec. 4. The title of Article II of Chapter 129, Session  
24 Laws of Alaska, 1951, is hereby amended to read as follows:

25       ARTICLE II. TERRITORIAL BANKING DEPARTMENT /BOARD/

26       Sec. 5. Section 2.101 of Chapter 129, Session Laws of  
27 Alaska, 1951 is hereby renumbered as Section 2.102 and in lieu  
28 thereof insert the following:

29       SECTION 2.101. ESTABLISHMENT: OFFICERS AND EMPLOYEES.

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A. There is hereby established a Banking Department which shall be a separate department of the Territorial Government charged with supervision of the activities in this Territory as provided in this Act and in other legislation conferring jurisdiction upon the Department.

B. The head of the Department shall be the Commissioner of Banking. He shall be appointed by the Governor, with the consent of two-thirds of the members of the Board, other than the Commissioner, subject to approval by a majority of all of the members of the Senate and House of Representatives of the Legislature in joint session assembled. His term of office shall be 6 years and until his successor qualifies, except that the first Commissioner so appointed under this Act shall be appointed to serve until April 1, 1861, or until his successor is appointed and qualified. The Commissioner may not be removed by the Governor except for cause and only upon recommendation by the Board, after notice and hearing before the Board. A successor to a Commissioner who dies, resigns or is removed shall be appointed to fill the unexpired term.

C. The Commissioner shall appoint a Deputy Commissioner who shall hold office at the will of the Commissioner, if the office of the Commissioner is vacant or if the Commissioner is absent or unable to act, the Deputy Commissioner shall be the Acting Commissioner.

D. The Commissioner and the Deputy Commissioner shall receive salaries as fixed by law, to be paid them in equal monthly installments, at the end of each month out of any moneys in the Treasury not otherwise appropriated.

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E. All officers, employees, examiners, attorneys and agents of the Department, other than the Commissioner and the Deputy Commissioner, shall be appointed by the Commissioner, subject to the approval of the Board, and shall hold their positions unless removed for cause by the Commissioner with the approval of the Board. Their compensation shall be fixed by the Board subject to the limitations provided in the legislative appropriation for the Department. Any person who served in another position in the Department for 3 years or more immediately prior to his service as Commissioner or Deputy Commissioner, or both, shall, upon vacating the office of either, be reinstated in such other position with full credit for his period of service as Commissioner or Deputy Commissioner, or both.

F. The Commissioner may delegate to any officer, employee, examiner, attorney or agent of the Department any of his powers and may designate any of them to perform any of his duties.

G. Such persons handling money or securities in the course of their duties, as the Board may determine, shall be bonded in such amounts as the Board may fix.

Sec. 6. Section 2.102 of Chapter 129, Session Laws of Alaska, 1951, is hereby repealed.

Sec. 7. The title of Section 2,102 of Chapter 129, Session Laws of Alaska, 1951 (being that Section 2,101 as renumbered by Section 5 of this Act) is hereby amended to read as follows:

SECTION 2.102. BANKING BOARD; MEMBERS; FILLING VACANCIES IN THE BOARD / ESTABLISHMENT; APPOINTMENT OF MEMBERS OF THE BOARD /.

1           Sec. 8. Section 2.102 of Chapter 129, Session Laws of  
2 Alaska, 1951 (being that Section 2.101 as renumbered by Section  
3 5 of this Act) is hereby amended by the addition of Subsections  
4 F and G as follows:

5           F. The Governor may, after notice and hearing, remove  
6 a member for cause.

7           G. Vacancies in the appointive members of the Banking  
8 Board shall be filled by the Governor immediately upon  
9 notice by the Board that a vacancy exists. Prior to so  
10 filling the vacancy, the Governor shall request, by means  
11 of a telegram addressed to the Secretary of the Alaska  
12 Bankers Association, at his last known address, a list of  
13 five nominees to be furnished in the manner provided above.  
14 If such list is delivered to the Governor's office in  
15 writing within fourteen days from the date of the sending  
16 of such telegram, the vacancy shall be filled from such  
17 nominees. If no such list is delivered to the Governor's  
18 office within such period of time, he shall nevertheless  
19 proceed promptly to appoint a member to fill such vacancy.

20           Sec. 9. Subsection 2.103 B. of Chapter 129, Session Laws  
21 of Alaska, 1951, is hereby amended to read as follows:

22           B. (1) A majority of the Board shall constitute a  
23 quorum and action by a majority of those present at any  
24 meeting at which a quorum is present, shall be the action  
25 of the Board. No member shall participate in a proceeding  
26 before the Board to which any corporation, partnership or  
27 unincorporated association of which he is, or was at any  
28 time in the preceding twelve months a director, officer,  
29 partner, employee, member or stockholder, is a party. A

1 member may disqualify himself from participating in a pro-  
2 ceeding for any other cause deemed to be sufficient.

3 (2) At any meeting at which a quorum is not pre-  
4 sent, whether by reason of the inability of a member to  
5 participate or his voluntary disqualification, or otherwise,  
6 the Governor may designate the heads of any departments of  
7 the Territorial Government as acting members of the Board  
8 for the purpose of constituting a quorum, but he shall not  
9 designate more acting members than shall be necessary to  
10 constitute a quorum.

11 Sec. 10. The title of Section 2.104 of Chapter 129, Session  
12 Laws of Alaska, 1951, is hereby amended to read as follows:

13 SECTION 2.104. POWERS OF BOARD AND COMMISSIONER.

14 Sec. 11. Subsection 2.104 A, of Chapter 129, Session Laws  
15 of Alaska, 1951, is hereby amended by adding new paragraphs  
16 numbered (6), (7), (8) and (9) as follows:

17 (6) Adopt and use a seal of office which shall be  
18 designed by the Board and shall contain the words, "Seal of  
19 the Banking Board of the Territory of Alaska," and shall  
20 be judicially noticed.

21 (7) Affirm, modify, reverse or stay the enforcement  
22 of any order, assessment or ruling of the Commissioner.

23 (8) Order the holder of shares in a bank to refrain  
24 from voting said shares on any matter if it finds that  
25 such order is necessary to protect the institution against  
26 fraud, incompetent or careless management, safeguard the  
27 funds of depositors, or prevent the wilful violation of  
28 this Act or of any lawful rule or order issued thereunder.  
29 In such a case the shares of such a holder shall not be

1 counted in determining the existence of a quorum or a  
2 percentage of the outstanding shares necessary to take any  
3 corporate action.

4 (9) The Board may remove a director, trustee, officer  
5 or employee of a Territorial bank who becomes ineligible  
6 to hold his position or who, after receipt of an order to  
7 cease under the preceding subsection, violates this Act or  
8 a lawful regulation or order issued thereunder, or who is  
9 disobedient or who is reckless or grossly incompetent in the  
10 conduct of banking business. It shall be a criminal of-  
11 fense against this Act for any such person, after receipt  
12 of a removal order, to perform any duty or exercise any  
13 power of any territorial bank for a period of 3 years. A  
14 removal order shall specify the grounds thereof and a copy  
15 of the order shall be sent to the bank concerned.

16 Sec. 12. Subsection 2,104 G of Chapter 129, Session Laws  
17 of Alaska, 1951, is hereby amended to read as follows:

18 G. Members of the Board shall have access to any  
19 record of the Department [BOARD].

20 Sec. 13. Section 2,104 of Chapter 129, Session Laws of  
21 Alaska, 1951, is amended by adding thereto a new Subsection I,  
22 as follows:

23 I. The Board may, on petition of any interested  
24 person and after hearing, issue a declaratory order with  
25 respect to the applicability to any person, property or  
26 state of facts of this Act or a rule issued by the Board.  
27 The order shall bind the Board and all parties to the pro-  
28 ceedings on the state of facts alleged unless it is modi-  
29 fied or reversed by a court. A declaratory order may be

1 reviewed and enforced in the same manner as other orders of  
2 the Board, but the refusal to issue a declaratory order  
3 shall not be reviewable.

4 Sec. 14. Section 2.106 of Chapter 129, Session Laws of  
5 Alaska, 1951, is hereby repealed and reenacted to read as  
6 follows:

7 **SECTION 2.106. EXAMINATION; REPORTS BY BANKS;**  
8 **PUBLICATION.**

9 **A.** The Commissioner shall examine the condition of  
10 each territorial bank at least once in each calendar year.

11 **B.** Whenever the Commissioner deems it necessary, he  
12 may examine any corporation the majority of the stock of  
13 which is owned by a territorial bank or which is found by  
14 the Board to be controlled by a territorial bank.

15 **C.** Only summary examinations and reports shall be  
16 required in respect to fiduciary activities which are sub-  
17 ject to court accountings. A copy of the report of exami-  
18 nation shall be sent to the organization examined.

19 **D.** Any bank which is a member of the Federal Reserve  
20 System or the deposits of which are insured by the United  
21 States or an agency thereof, may in the discretion of the  
22 Board be relieved of examinations by the Commissioner.

23 **E.** The Commissioner shall require each territorial  
24 bank to submit reports of its condition and operations as  
25 of such dates and in such form as he requires, at least  
26 twice in each calendar year.

27 **F.** The Commissioner shall require such reports to be  
28 published in such form, in such manner and upon such dates,  
29 not inconsistent with any applicable law, as he may direct.

1       Sec. 15. Section 2.107 of Chapter 129, Session Laws of  
2 Alaska, 1951, is hereby repealed and reenacted to read as  
3 follows:

4       SECTION 2.107 EXAMINATION EXPENSES,

5       A. Each territorial bank shall pay to the Department  
6 the cost of its own examination as determined by the Com-  
7 missioner.

8       B. Assessments for examinations shall be paid to the  
9 Department within 30 days from the date thereof.

10       C. Any bank thus assessed may appeal to the Board  
11 within 30 days from the date of assessment for a redeter-  
12 mination of the assessment. After due notice and hearing,  
13 the Board may confirm, revise or cancel any assessment  
14 levied by the Commissioner.

15       D. If any territorial bank fails to make payment with-  
16 in 30 days after notice from the Commissioner of an assess-  
17 ment, or from the Board of its determination of the assess-  
18 ment, the Commissioner may issue an execution against the  
19 property of the bank for an amount equal to 150 per cent  
20 of the delinquent assessment. Such execution shall be  
21 enforced as an execution of the court.

22       E. A payment made under this section which was un-  
23 lawfully required may be recovered in an action against  
24 the Board if the action is brought within 90 days after  
25 such payment is made.

26       Sec. 16. Sections 2.108, 2.109 and 2.110 of Chapter 129,  
27 Session Laws of Alaska, 1951, are hereby repealed.

28       Sec. 17. Section 2.112 of Chapter 129, Session Laws of  
29 Alaska, 1951, is hereby amended to read as follows:

1 SECTION 2.112 RECORDS OF THE DEPARTMENT BOARD

2 A. Except to members of the Board, information from  
3 the records of the Department BOARD shall be revealed  
4 only with the consent of the Commissioner BOARD AND SHALL  
5 NOT BE SUBJECT TO SUBPOENA.

6 B. Reports of examinations made by the Department  
7 BOARD shall be retained for ten FIVE years.

8 C. A copy of any document on file with the Department  
9 BOARD which is certified by the Commissioner ATTORNEY  
10 GENERAL as being a true copy may be introduced in evidence  
11 as if it were the original. The Commissioner BOARD shall  
12 establish a schedule of fees for copies of documents.

13 Sec. 18. Sec. 2.113 of Chapter 129, Session Laws of Alaska,  
14 1951, is hereby amended to read as follows;

15 Sec. 2.113. BANKING INTERESTS OF BOARD OFFICERS AND  
16 EMPLOYEES.

17 No employce of the Department BOARD shall be an  
18 officer, director, trustee, attorney, owner, shareholder or  
19 partner in any bank, or, except as hereinafter provided,  
20 receive, directly or indirectly, any payment or gratuity  
21 from any such organization, or be indebted to any bank, or  
22 engage in the negotiation of loans for others with any such  
23 bank. This provision shall not prohibit being a depositor  
24 on the same terms as are available to the public generally,  
25 or being indebted to a bank upon the same security and upon  
26 the same terms which it is customary for the bank to extend  
27 to the public generally. The Commissioner may require banks  
28 to make regular or special reports upon their transactions  
29 with employces of the Department. (1) A MORTGAGE LOAN

1 UPON THE MORTGAGOR'S OWN HOME.

2 (2) UPON INSTALLMENT DEBT TRANSFERRED TO A BANK IN  
3 THE REGULAR COURSE OF BUSINESS BY A SELLER OF HOUSEHOLD  
4 GOODS OR AUTOMOBILES PURCHASED BY THE EMPLOYEE.]

5 Sec. 19. Sec. 3.117 of Chapter 129, Session Laws of  
6 Alaska, 1951, is hereby amended by adding a new paragraph to  
7 read as follows:

8 For the purposes of this section, the word "person"  
9 means an individual, corporation, partnership, joint ven-  
10 ture, trust estate, unincorporated association or body  
11 politic, a municipality, the United States of America, the  
12 Territory of Alaska, or any federal government, territorial  
13 or municipal organization, agency, department, bureau, sub-  
14 division or agency of the United States, the Territory of  
15 Alaska, a municipality or either or any of them, or the  
16  duly appointed or elected officer or agent of either or  
17 any of them.

18 Sec. 20. Article III, Title I, Part A, of Chapter 129,  
19 Session Laws of Alaska, 1951, is hereby amended by adding thereto  
20 Sections 3.118, 3.119, 3.120 and 3.121 as follows:

21 SECTION 3.118. TRANSACTIONS OUTSIDE OF REGULAR BANKING  
22 HOURS OR ON HOLIDAYS.

23 Nothing in any law of this Territory shall in any  
24  manner whatsoever affect the validity of, or render void  
25  or voidable, the payment, certification, or acceptance of  
26  a check or other negotiable instrument or any other trans-  
27  action by a bank or trust company in this Territory, be-  
28  cause done or performed on a holiday or outside of regular  
29  banking hours; provided further, that nothing herein shall

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be construed to compel any bank or trust company in this Territory, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, or for the whole or any part of any legal holiday, to keep open for the transaction of business, or to perform any of the acts or transactions aforesaid, on any Saturday after such hour, or on any legal holiday, except at its own option.

SECTION 3,119. REGULATION OF INTEREST PAID ON ACCOUNTS.

A. A territorial bank may maintain deposit accounts and pay interest on balances therein at rates which need not be uniform.

B. The Board may by general regulations fix maximum rates of interest to be paid and may prohibit the payment of interest on demand accounts.

C. The Board, in the exercise of its powers under Section 7-1-6 (a) ACLA 1949, as amended by Chapter 50, Session Laws of Alaska, 1949, may, by general regulations, determine the conditions under which accounts may be carried and the rates of interest which banks shall pay upon deposits of funds of the Territory of Alaska, making such allowance as the Board deems proper for the services rendered by banks in the transaction of business for the Territory of Alaska.

SECTION 3,120. DEPOSIT OF MINOR; SCHOOL OR INSTITUTIONAL DEPOSITS.

A. A bank may operate a deposit account in the name of a minor or in the name of two or more persons, one or more of whom are minors, with the same effect upon its liability as if such minors were of full age.

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B. Subject to such regulations as the Board may prescribe for the protection of depositors, a bank may contract with the proper authorities of any elementary or secondary school, or of any institution caring for minors, for the participation by the bank in any school or institutional thrift or savings plan, and it may accept deposits at such a school or institution, either by its own collector or by any representative of the school or institution who becomes the agent of the bank for such purpose.

10 SECTION 3.121. RIGHTS ON IMPROPER PAYMENT OF ITEM  
11 BY BANK.

12 A. To prevent unjust enrichment, a bank which has  
13 paid an item which it may not charge to a depositor's  
14 account may in an action;

15 (1) against the drawer, maker or acceptor, re-  
16 cover any part of the payment which would have been  
17 due from him had payment been refused; and

18 (2) against a prior holder receiving the pay-  
19 ment, recover any part thereof due the drawer, maker  
20 or acceptor or any other prior party in respect of  
21 the transaction in which the item was issued or sold.

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B. The bank has no right to charge a depositor's ac-  
count in respect of such cause of action. The bank may  
maintain either or both such actions, but may have only  
one satisfaction, and any right to consequential or punitive  
damages remains with the depositor or holder,

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C. A bank may in any case waive a right to charge a  
depositor's account and proceed in accordance with this  
Section.

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D. A defense of change of position in reliance upon receipt of payment is not effective against the bank unless it would be effective in a suit between the original parties.

1 Sec. 21. Part B of Title 1 of Article III of Chapter 129,  
2 Session Laws of Alaska, 1951, is hereby renumbered Part C and in  
3 lieu thereof is inserted the following:

4 **PART B. SAFE DEPOSIT AND SAFEKEEPING.**

5 **SECTION 3.130. DEFINITIONS FOR PART B.**

6 As used in this Part:

7 "Lessee" means a person contracting with a lessor for  
8 the use of a safe deposit box,

9 "Lessor" means a bank, trust company, or subsidiary  
10 renting safe deposit facilities, and includes a safe deposit  
11 company organized and operating under the jurisdiction of the  
12 Department solely for the purpose of leasing safe deposit  
13 facilities.

14 "Safe deposit box" means a safe deposit box, vault, or  
15 other safe deposit receptacle maintained by a lessor and the  
16 rules relating thereto apply to property or documents kept in  
17 safekeeping in the bank's vault,

18 **SECTION 3.131. AUTHORITY TO ENGAGE IN LEASING SAFE DEPOSIT**  
19 **FACILITIES; SUBSIDIARY COMPANY.**

20 A. Subject to such regulations as the Board may pre-  
21 scribe, a territorial bank, trust company or safe deposit  
22 company may maintain and lease safe deposit boxes and may  
23 accept property or documents for safekeeping if, except in  
24 the case of night depositories, it issues a receipt therefor,

25 B. A territorial bank or trust company may own stock in  
26 safe deposit companies not exceeding in aggregate cost 15 per  
27 cent of its capital and surplus, but at least 90 per cent of  
28 the stock in each such safe deposit company must be owned by  
29 banks or trust companies.

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SECTION 3.132. ACCESS BY FIDUCIARIES.

Where a safe deposit box is made available by a lessor to one or more persons acting as fiduciaries, the lessor may, except as otherwise expressly provided in the lease or the writings pursuant to which such fiduciaries are acting, allow access thereto as follows:

(1) By any one or more of the persons acting as executors or administrators.

(2) By any one or more of the persons otherwise acting as fiduciaries when authorized in writing signed by all other persons so acting.

(3) By any agent authorized in writing signed by all of the persons acting as fiduciaries.

SECTION 3.133. EFFECT OF LESSEE'S DEATH OR INCOMPETENCE.

Where a lessor without knowledge of the death or of an adjudication of legal incompetence of the lessee, deals with his agent pursuant to a written power of attorney signed by such lessee, the transaction binds the lessee's estate and the lessee.

SECTION 3.134. LEASE TO MINOR.

A bank may lease a safe deposit box to and in connection therewith deal with a minor with the same effect as if leasing to and dealing with a person of full legal capacity.

SECTION 3.135. SEARCH PROCEDURE ON DEATH.

A lessor shall permit the person named in a court order for the purpose, or if no order has been served upon the lessor, the spouse, a parent, an adult descendant or a person named as an executor in a copy of a purported will produced by him, to open and examine the contents of a safe deposit

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box leased by a decedent, or any documents delivered by a decedent for safekeeping, in the presence of an officer of the lessor; and the lessor, if so requested by such person, must deliver:

(1) Any writing purporting to be a will of the decedent to the court having jurisdiction of the decedent's estate according to his residence declared in such writing; and

(2) Any writing purporting to be a deed to a burial plot or to give burial instructions to the person making the request for a search; and

(3) Any document purporting to be an insurance policy on the life of the decedent to the beneficiary named therein, but no other contents shall be removed, pursuant to this Section, until an executor or administrator qualifies and makes claim to the contents,

SECTION 3.135. ADVERSE CLAIMS TO CONTENTS OF SAFE DEPOSIT BOX.

A. An adverse claim to the contents of a safe deposit box, or to property held in safekeeping, is not sufficient to require the lessor to deny access to its lessee unless:

(1) The lessor is directed to do so by a court order issued in an action in which the lessee is served with process and named as a party by a name which identifies him with the name in which the safe deposit box is leased or the property held; or

(2) The safe deposit box is leased or the property is held in the name of a lessee with the addition of words indicating that the contents or property are held in a

*no longer valid Council*

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fiduciary capacity, and the adverse claim is supported by a written statement of facts, disclosing that it is made by or on behalf of a beneficiary and that there is reason to know that the fiduciary will misappropriate the trust property.

B. A claim is also an adverse claim where one of several lessees claims, contrary to the terms of the lease, an exclusive right of access, or where one or more persons claim a right of access as agents or officers of a lessee to the exclusion of others as agents or officers, or where it is claimed that a lessee is the same person as one using another name.

SECTION 3.137. SPECIAL REMEDIES FOR NONPAYMENT OF RENT.

A. If the rental due on a safe deposit box has not been paid for 1 year, the lessor may send a notice by registered mail to the last known address of the lessee stating that the safe deposit box will be opened and its contents stored at the expense of the lessee unless payment of the rental is made within 30 days. If the rental is not paid within 30 days from the mailing of the notice, the box may be opened in the presence of an officer of the lessor and of a notary public who is not a director, officer, employee or stockholder of the lessor. The contents shall be sealed in a package by the notary public who shall write on the outside the name of the lessee and the date of the opening. The notary public shall execute a certificate reciting the name of the lessee, the date of the opening of the box and a list of its contents. The certificate shall be included in the package and a copy of the certificate shall be sent by registered mail to the last known address of the lessee. The package shall then be placed in the general vaults of the lessor at a rental not

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exceeding the rental previously charged for the box,

B. Any documents or writings of a private nature, and having little or no apparent value need not be offered for sale, but shall be retained, unless claimed by the owner, for the period specified for unclaimed deposits, after which they may be destroyed.

C. If the contents of the safe deposit box have not been claimed within 2 years of the mailing of the certificate, the lessor may send a further notice to the last known address of the lessee stating that, unless the accumulated charges are paid within 30 days, the contents of the box will be sold at public auction at a specified time and place, or, in the case of securities listed on a stock exchange, will be sold upon the exchange on or after a specified date and that unsalable items will be destroyed. The time, place and manner of sale shall also be posted conspicuously on the premises of the lessor and advertised once in a newspaper of general circulation in the community. If the articles are not claimed, they may then be sold in accordance with the notice.

The balance of the proceeds, after deducting accumulated charges, including the expense of advertising and conducting the sale, shall be deposited to the credit of the lessee in any account maintained by him, or if none, shall be deemed a deposit account with the bank or trust company operating the safe deposit facility, or in the case of a subsidiary safe deposit company, a bank or trust company owning stock therein, and shall be identified on the books of the bank as arising from the sale of contents of a safe deposit box. When any such deposit is surrendered as unclaimed deposits, the lessor

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shall also send to the Commissioner a copy of the certificate and an itemized statement of the amount received and the deductions. Any items remaining unsold may be destroyed.

1           Sec. 22. Part C of Title 1 of Article III of Chapter 129,  
2           Section Laws of Alaska, 1951 (being that Part B renumbered by  
3           Section 21 of this Act) is hereby repealed and reenacted  
4           to read as follows:

5           **PART C. TRUST BUSINESS**  
6           **SECTION 3.140. QUALIFICATION AND FIDUCIARY POWERS;**  
7           **DEPOSITS OF SECURITIES.**

8           **A.** It shall be a criminal offense against this Act for  
9           a territorial bank to act as a fiduciary unless it is auth-  
10           orized by its charter to exercise trust powers and it has  
11           qualified by depositing with the Commissioner evidences of  
12           indebtedness acceptable to him which:

13           (1) Are payable to bearer or recorded in the  
14           Commissioner's name.

15           (2) Constitute readily marketable legal invest-  
16           ments for funds held by a bank as a fiduciary; and

17           (3) Have a value equal in amount to 10 per cent  
18           of the capital and surplus of the bank.

19           **B.** A territorial bank shall have the right to receive  
20           the income on evidences of the indebtedness deposited with  
21           the Commissioner as long as the bank conducts its business  
22           in the ordinary course.

23           **C.** A territorial bank which fails to maintain its de-  
24           posit in conformity with this section shall, upon order of  
25           the Commissioner, resign its fiduciary positions.

26           **D.** Upon liquidation, abandonment of trust powers or  
27           resignation from all fiduciary positions, the deposit shall  
28           be made available for the ratable satisfaction of claims  
29           involving fiduciary accounts. Any surplus remaining after

1 N the satisfaction of all such claims shall be returned to the  
2 E bank.  
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4 H E. The charters of all banks now authorized to do busi-  
5 N ness in this Territory shall be conclusively presumed to  
6 A authorize such banks to exercise trust powers, unless the  
7 T stockholders at a regular meeting or special meeting duly  
8 E called for that purpose relinquish such powers by majority  
9 R vote.

10 F. The provisions of this section shall not prohibit  
11 the exercise of trust powers by banks in connection with any  
12 transactions commenced prior to the effective date of this  
13 Act, which transactions may be completed in accordance with  
14 the requirements existing prior to the enactment of this  
15 section.

16 G. The provisions of this section shall not apply to  
17 transactions in which banks act as escrow agents or collect-  
18 ing agents.

19 SECTION 3.141. FIDUCIARY BOND OR OATH EXCUSED.

20 No oath or bond shall be required of a bank to qualify  
21 upon appointment as a fiduciary, unless the instrument creat-  
22 ing a fiduciary position expressly provides otherwise.

23 SECTION 3.142. SEGREGATION AND RECORDING OF FIDUCIARY ASSETS;

24 SECURING DEPOSITS OF FIDUCIARY CASH; NOMINEE

25 FOR INVESTMENT SECURITIES;

26 A. A territorial bank holding any asset as a fiduciary  
27 shall:

28 (1) Segregate all such assets from any other  
29 assets of the bank and from the assets of other trusts,  
30 except as may be expressly provided otherwise by law or by

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the writing creating the trust.

(2) Record such assets in a separate set of books maintained for fiduciary activities.

D. Cash held by a territorial bank as fiduciary may be deposited to the credit of the bank as such fiduciary either with a bank with deposit insurance or with itself, but if such funds are deposited with itself the bank shall pledge as security United States bonds or other securities, approved by the Commissioner for the purpose, in the amount of the deposit in excess of the amount covered by deposit insurance. Deposits may represent the assets of more than one fiduciary estate if a record is maintained of the proper allocation.

E. Any territorial bank, when acting in this Territory as a fiduciary or a co-fiduciary with others, or as an agent for other fiduciaries, may with the consent of its co-fiduciary or co-fiduciaries, if any (who are hereby authorized to give such consent), or the fiduciaries for whom it is acting, cause any investment held in any such capacity, to be registered and held in the name of a nominee or nominees of such bank. Such bank shall be liable for the acts of any such nominee with respect to any investment so registered. The records of such bank shall at all times show the trust for which any such investment is held and the securities shall be in the possession and control of such bank and be kept separate and apart from the assets of such bank.

SECTION 3.145. INVESTMENT POWERS SAME AS INDIVIDUAL FIDUCIARY.

A territorial bank acting as fiduciary shall have the same investment powers as an individual fiduciary under like circumstances.

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SECTION 3.144. ACT APPLICABLE TO TRUST COMPANIES DOING BANKING.

The provisions of this Act shall be applicable to all trust companies engaged in the business of banking in this Territory.

SECTION 3.145. SUPERVISION OF TRUST COMPANIES BY BOARD.

A. The Board shall have supervision of every trust company organized under the provisions of this Act and the provisions of Sections 34-3-1 through 34-3-6, and Sections 34-3-8 through 34-3-13, ACLA 1949, whether engaged in the business of banking or in the general trust company business, or both.

B. The Board may implement by regulation any provision of such sections and may define any term not defined in such sections.

SECTION 3.146. DISSOLUTION PROCEDURE FOR TRUST COMPANIES.

Any trust company may be dissolved in the same manner and under the same procedure as prescribed by this Act.

1       Sec. 23. Part G of Title 1 of Article III of Chapter 129,  
2 Session Laws of Alaska, 1951, as amended by Chapter 108, Session  
3 Laws of Alaska, 1953, is hereby renumbered Part D, and is repealed  
4 and reenacted to read as follows:

5       N                   PART D. RESERVES, LOANS, INVESTMENTS  
6       E                                   AND MISCELLANEOUS  
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8       A                   SECTION 3.160. RESERVES AGAINST DEPOSITS, REQUIRED.  
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15       A. A territorial bank shall maintain such reserves  
16 against deposits as may be required by the Board, or, if the  
17 Territorial bank is a member of the Federal Reserve System,  
18 by the Federal Reserve Act or by the Board of Governors of  
19 the Federal Reserve System.

20       B. The reserve fund shall consist of legal tender on  
21 hand on the premises of the territorial bank and money due  
22 on demand from a Federal Reserve Bank or other banks approved  
23 as reserve depositories by the Commissioner, in such amount,  
24 as the Board prescribes, but shall not be less than 7 per  
25 cent nor more than 25 per cent of deposits, payment of which  
26 is obligatory within 30 days of demand and not less than 3  
27 per cent nor more than 7 per cent of other deposits; Provi-  
28 ded: that no reserve shall be required of deposits secured  
29 by assets of the bank, pledged as required or permitted by  
30 laws of the United States or a state or territory or any  
31 body politic thereof; and provided, further, that in deter-  
32 mining the amount of reserves to be maintained, the Board  
33 may vary the requirements to recognize the amounts or ratios  
34 of investment securities owned by banks, of types eligible  
35 to secure deposits of the United States, having maturities  
36 of 5 years or less.

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C. A territorial bank shall not deposit funds in any other bank in excess of the sum of the capital and surplus of the bank in which the deposit is made,

D. It shall be a criminal offense against this Act for a territorial bank to continue an average deficiency in its reserve covering any 5 successive banking days, for more than 1 additional banking day without notifying the Commissioner.

SECTION 3,161 LOANS IN AMOUNTS NOT TO EXCEED \$3,500.00

In addition to the general corporate powers granted by this Act, and in addition to any powers specifically granted to a bank or a bank and trust company elsewhere in this Act, a bank or a bank and trust company shall have the power, subject to the limitations and restrictions imposed by this Act, to make loans authorized under Chapter 48, SLA 1951.

SECTION 3,162 LOANS UNDER TITLE I OF THE NATIONAL HOUSING ACT

Any person may lend under Title I of the National Housing Act. In so doing such person may charge at a rate not exceeding Five Dollars (\$5.00) per One Hundred Dollars (\$100.00) per annum upon the original face amount of the instrument or instruments evidencing the loan for the entire period of the loan, which such charge may be collected in advance.

SECTION 3,163 LENDING ON BANK SHARES PROHIBITED OR RESTRICTED

A bank shall not make any loan on the security of its own stock or of its obligations subordinate to deposits. A loan made on the security of the stock or obligations subordinate to deposits of another banking institution must be for a stipulated period not longer than 3 years and

1 N require full amortization by approximately equal or diminish-  
2 W ing payments, including both principal and interest, at regu-  
3 H lar intervals of not more than 3 months.

4 A SECTION 3.164 LIMIT OF LIABILITY OF ANY ONE BORROWER  
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7 A. A territorial bank shall not extend credit directly  
8 by means of discount of notes, issuance of letters of credit,  
9 acceptance of drafts or otherwise, or purchase any bond, note,  
10 bill of exchange or similar evidence of indebtedness, when by  
11 reason of such extension of credit or purchase the totals of  
12 such obligations of the same obligor so acquired which are  
13 held by the territorial bank will exceed 25 per cent of  
14 capital and surplus.

15 B. The limitation shall not apply to loans and invest-  
16 ments when the obligations are:

17 (1) Obligations of the United States, of a state  
18 or territory, or of a Federal Reserve Bank.

19 (2) Obligations arising out of the daily transac-  
20 tion of the business of any clearing house association.

21 (3) Obligations in the form of bills of exchange  
22 drawn in good faith against actually existing values.

23 (4) Obligations arising out of the discount of  
24 commercial or business paper actually owned by the person,  
25 copartnership, association, or corporation negotiating the  
26 same.

27 (5) Obligations drawn in good faith against actu-  
28 ally existing values and secured by goods or commodities in  
29 process of shipment, or upon gold, gold dust, or bullion.

(6) Obligations in the form of banker's accept-  
ances of other banks of the kind described in Section 13 of

1 N the Federal Reserve Act, 12 U. S. C. 372.

2 U (7) Obligations representing loans to any national  
3 B banking association or to any banking institution organized  
4 A under the laws of any state or territory, or to any receiver,  
5 T conservator, or superintendent of banks, or to any other  
6 E agent, in charge of the business and property of any such  
7 R association or banking institution, when such loans are  
8 approved by the Board.

9 (8) Obligations to the extent that such obligations  
10 are secured or covered by guaranties, or by commitments or  
11 agreements to take over or to purchase, made by any Federal  
12 Reserve bank or by the United States or any department,  
13 bureau, board, commission, or establishment of the United  
14 States, including any corporation wholly owned directly or  
15 indirectly by the United States: Provided, that such guaran-  
16 ties, agreements, or commitments are unconditional and must  
17 be performed by payment of cash or its equivalent within 60  
18 days after demand. The Board is hereby authorized to define  
19 the terms herein used if and when it may deem it necessary.

20 (9) Obligations of a local public agency (as  
21 defined) in Section 110 (h) of the Housing Act of 1949, 42  
22 U. S. C. 1460 (h), or of a public housing agency (as defined  
23 in the United States Housing Act of 1937, as amended) which  
24 have a maturity of not more than 18 months, shall not be  
25 subject under this section to any limitation, if such obliga-  
26 tions are secured by an agreement between the obligor agency  
27 and the Housing and Home Finance Administrator or the Public  
28 Housing Administration in which the agency agrees to borrow  
29 from the Administrator or Administration, and the Administra-

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tor or Administration agrees to lend to the agency, prior to the maturity of such obligations, monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity, which monies under the terms of said agreement are required to be used for that purpose.

C: The limitation to loans set forth in subsection A hereof shall be modified as follows:

(1) Obligations as indorser or guarantor of notes, other than commercial or business paper excepted under subsection B (4) hereof, having a maturity of not more than 6 months, and owned by the person, corporation, association, or copartnership indorsing and negotiating the same, shall be subject under this section to a limitation of 22½ per cent of capital and surplus in addition to such 25 per cent of capital and surplus;

SECTION 3.164 C

(2) Obligations of any person, copartnership, association or corporation, in the form of notes or drafts secured by shipping documents, warehouse receipts or other such documents transferring or securing title covering readily marketable non-perishable staples when such property is fully covered by insurance, if it is customary to insure such staples, shall be subject under this section to a limitation of capital and surplus of the following percentages of capital and surplus, when the market value of such staples securing such obligation is not at any time less than the following related percentages of the face amount

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of such obligation;

PER CENT, MARKET VALUE OF

STAPLES TO AMOUNT OF

PER CENT OF CAPITAL AND

OBLIGATION

SUPPLUS, LIMITATION

115 Per Cent

47½ Per cent

120 " "

55 " "

125 " "

62½ " "

130 " "

70 " "

135 " "

77½ " "

140 " "

85 " "

but this exception shall not apply to obligations of any one person, copartnership, association or corporation arising from the same transactions and/or secured upon the identical staples for more than 10 months.

(3) Obligations of any person, copartnership, association, or corporation in the form of notes or drafts secured by shipping documents or instruments transferring or securing title covering livestock or giving a lien on livestock when the market value of the livestock securing the obligation is not at any time less than 115 per cent of the face amount of the notes covered by such documents shall be subject under this section to a limitation of 22½ per cent of capital and surplus in addition to 25 per cent of such capital and surplus.

(4) Obligations of any person, copartnership, association, or corporation in the form of notes secured by not less than a like amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, Treasury bills of the

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United States, or obligations fully guaranteed both as to principal and interest by the United States, shall (except to the extent permitted by rules and regulations prescribed by the Board) be subject under this section to a limitation of 22½ per cent of capital and surplus in addition to such 25 per cent of capital and surplus.

(5) Obligations upon loans approved by the Board to a bank located within this Territory or to a receiver or conservator thereof or to the Commissioner when he has taken possession thereof, but the limitation on these obligations shall be 25 per cent of capital and surplus.

F. In calculating for the purposes of this section the obligations of a single obligor or the obligations of a specified class there shall be included:

(1) The direct liability of the maker or acceptor of paper discounted or purchased and the liability of the indorser, drawer or guarantor who obtains a loan or discounts or sells paper under his guaranty,

(2) In the case of obligations of a partnership or association, the obligations of each general partner and of each member of the association,

(3) In the case of obligations of a general partner or a member of an association, the obligations of the partnership or association.

(4) In the case of obligations of a corporation, the obligations of any subsidiaries in which it owns, directly or indirectly, a majority of the outstanding voting stock,

(5) In the case of obligations of a corporation, the amount of a loan made to any other person to the extent

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that the proceeds of such loan directly or indirectly are to be:

(a) loaned to the corporation;

(b) used for the acquisition from the corporation of any securities issued by the corporation, other than securities acquired by an underwriter for public offering; or

(c) transferred to the corporation without fair and adequate consideration.

The discharge of an equivalent amount of debt previously incurred in good faith for value shall be deemed fair and adequate consideration.

E. Transactions executed prior to the date hereof, if otherwise lawful, may be completed, the provisions of this section notwithstanding.

#### SECTION 3.165 INVESTMENTS AUTHORIZED

A. In addition to other investments expressly authorized by this Act, a territorial bank may purchase (or discount):

(1) Obligations which satisfy the requirements of this Act for loans and are acquired in full.

(2) Obligations of the United States, a state of the United States or the Dominion of Canada,

(3) Obligations of a territory of the United States, a province of the Dominion of Canada, a subdivision or instrumentality of a state or territory of the United States, an authority organized under state or territorial law, an interstate compact or by substantially identical legislation adopted by two or more states,

(4) Obligations of a corporation chartered by the

1 N<sup>o</sup> United States or a state or territory thereof, doing business  
2 U in the United States, or any territory or possession thereof,  
3 M (5) Investment securities under such limitations  
4 A and restrictions as the Commissioner may by regulation pre-  
5 T scribe. In no event shall the total amount of the invest-  
6 E ment securities of any one obligor or maker, held by a bank  
7 R for its own account, exceed at any time 10 per cent of its  
8 capital and surplus. As used in this section the term  
9 "investment securities" shall mean marketable obligations  
10 evidencing indebtedness of any person, copartnership,  
11 association, or corporation in the form of bonds, notes  
12 and/or debentures commonly known as investment securities  
13 under such further definition of the term "investment secu-  
14 rities" as may by regulation be prescribed by the Commis-  
15 sioner. Except as otherwise provided by this Act, nothing  
16 herein contained shall authorize the purchase by a bank for  
17 its own account of any shares of stock of any corporation.  
18 B. A territorial bank may invest an amount not exceed-  
19 ing 10 per cent of its capital and surplus in the stock of a  
20 corporation owned entirely by banks and exclusively engaged  
21 in a trust company business and maintaining its offices on  
22 the premises used by the bank, or another bank also owning  
23 part of its capital stock, or adjacent to the premises of  
24 any bank owning part of its stock, and an amount not exceed-  
25 ing 25 per cent of its capital and surplus in the stock and  
26 obligations of a corporation owning the premises occupied by  
27 the bank for the transaction of its business, in lieu of an  
28 investment in land and building, set forth in subsection  
29 3.163 A (1).

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C. A territorial bank's investment in the stock of a safe deposit company is governed by Section 3,131.

D. A territorial bank may purchase or sell without recourse any security upon the order of a customer and for his account.

E. This section shall apply to all investments purchased or discounted by banks in the Territory of Alaska after the effective date of this Act; but nothing herein contained shall be applicable to investments now held by banks in the Territory of Alaska, which investments, if otherwise lawful, may continue to be held, the provisions of this section to the contrary notwithstanding.

#### SECTION 3,166 ACCEPTANCES

A. A commercial bank may accept:

(1) A draft which has not more than 6 months sight to run, exclusive of days of grace, and is drawn to finance the purchase of goods with maturity in accordance with the original terms of purchase, or is secured by shipping documents transferring or securing title to goods or by receipt of a licensed or bonded warehouse or elevator transferring or securing title to readily marketable, non-perishable staples.

(2) A draft which has no more than 3 months sight to run, exclusive of days of grace, and is drawn by a bank outside the continental limits of the United States for the purpose of furnishing dollar exchange for trade.

B. A commercial bank may issue a letter of credit, but unless the authority conferred to draw upon the bank or its correspondents is limited to such drafts as a bank is

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authorized by this section to accept, the amount of the  
credit outstanding at any one time shall be deemed to be a  
loan to the person for whose account the credit was issued.  
SECTION 3.167 ACQUISITION OF PROPERTY TO SATISFY OR PROTECT  
PREVIOUS LOAN; DISPOSAL; CHARGE OFF

A territorial bank may take property of any kind,  
including shares of its own stock, to satisfy or protect a  
loan previously made in good faith and in the ordinary  
course of business. Property acquired in satisfaction of a  
loan shall be held subject to the following limitations:

(1) Stock shall be sold within 6 months or such  
additional period not exceeding 1 year as the Commissioner  
may allow.

(2) Real estate may be used in the banking busi-  
ness, subject to the conditions prescribed by this Act for  
property purchased for such use, or may be rented. Real  
estate may be improved to facilitate its sale. Unless used  
in the banking business, it shall be sold within 5 years or  
such longer period as the Commissioner may allow.

(3) Other property, the acquisition of which is  
not otherwise authorized by this Act, shall be sold within  
24 months or such longer period as the Commissioner may  
allow.

(4) The property shall be entered on the books at  
cost or fair market value, whichever is less, and property  
which the bank is not otherwise authorized to acquire shall  
be charged off at a rate of not less than 10 per cent per  
annum for real estate and 20 per cent per annum for other  
property or at such lower rate, not less than 5 per cent and

1 10 per cent annually, respectively, as the Commissioner may  
2 allow.

3 SECTION 3.169 ACQUISITION OF BANKING PREMISES AND EQUIPMENT  
4 LIMITATION OF INVESTMENT

5 A. A territorial bank may acquire real estate and  
6 equipment and improve real estate to be used in the transac-  
7 tions of its business and may rent any space so acquired in  
8 a building in excess of actual need. Unless a larger invest-  
9 ment is authorized by the Commissioner, no bank shall invest  
10 more than the following:

11 (1) In land and building, 60 per cent of capital  
12 and surplus.

13 (2) In leasehold improvements, in lieu of land and  
14 building, 25 per cent of capital and surplus.

15 (3) In safe deposit equipment, 10 per cent of  
16 capital and surplus, in addition to the above.

17 (4) In equipment alone, other than safe deposit  
18 equipment, such amount as may be needed for the ordinary and  
19 necessary equipment, furniture and fixtures of the bank.

20 B. The rates of depreciation and amortization of pro-  
21 perty so acquired may be prescribed by the Commissioner.

22 SECTION 3.169 SALE OF ASSETS IN ORDINARY COURSE

23 A bank may sell any asset in the ordinary course of  
24 business, or, with the approval of the Board, in any other  
25 circumstance, but the sale of all or substantially all of the  
26 assets of a bank or of a department thereof is governed by  
27 Section 3.309.

28 SECTION 3.170 BORROWING BY BANK, LIMITED

29 A territorial bank may borrow money and issue evidence

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of indebtedness for a loan for temporary purposes in an amount not exceeding its capital and surplus or in such larger amount or for such other purposes as the Commissioner approves. Debentures issued by a bank may not be retired without the approval of the Commissioner and they shall so provide in express terms.

8 SECTION 3.171 PLEDGE OF BANK ASSETS

9 A bank may pledge its assets to:

- 10 (1) Enable it to act as agent for the sale of obligations of the United States.
- 11 (2) Secure borrowed funds.
- 12 (3) Secure deposits when the depositor is re-
- 13 quired or permitted to obtain such security by the laws of
- 14 the United States, the terms of any interstate compact or by
- 15 the laws of any state or territory.
- 16 (4) Secure the funds of any municipal corporation
- 17 or other public corporation, municipal utility or municipal
- 18 utility board, political subdivision, or district of the
- 19 Territory of Alaska.

20 SECTION 3.172 INDORSEMENT AND SIGNATURE GUARANTY BY BANK

21 A. A territorial bank may assume secondary liability

22 as an indorser of a negotiable or non-negotiable instrument

23 which it owns or has received for collection or that of the

24 guarantor of the genuineness of a signature.

25 B. A guaranty of the signature means only that (1) the

26 signature is not forged; (2) the signer is the holder or has

27 the authority to sign in the name of the holder; and (3) the

28 signer has legal capacity to sign. A guaranty of the sig-

29 nature does not otherwise guaranty his rightfulness of the

1 N particular transfer. A bank may disclaim all or any part of  
2 U the foregoing obligation in its guaranty,

3 U SECTION 3.173 BANK PURCHASE OF ITS OWN SHARES PROHIBITED

4 A A bank shall not purchase its own stock or any of its  
5 T obligations subordinate to deposits, without the prior con-  
6 E sent of the Commissioner.

7 R SECTION 3.174 CORPORATE OWNERSHIP OF SHARES IN BANK PRO-  
8 HIBITED

9 It shall be unlawful for any corporation, foreign or  
10 domestic, to purchase or own in any manner whatsoever the  
11 capital stock, or any of it, of any corporation which is  
12 subject to the regulation of the Board, provided, that when  
13 it shall become a bona fide necessity to avoid loss, for a  
14 creditor corporation to accept shares of stock in any such  
15 regulated corporation in payment of indebtedness owing to  
16 such creditor corporation, such shares of stock may be so  
17 accepted, but in all such cases the shares of the regulated  
18 corporation shall be disposed of in accordance with regu-  
19 lations of the Board.

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1       Sec. 24. Part D of Title 1 of Article III of Chapter 129,  
2 Session Laws of Alaska, 1951, is hereby renumbered Part E, and  
3 all references to "Part D" in Sections 3.178, 3.179, and 3.180  
4 in said Chapter 129, are hereby amended to read "Part E."

5       Sec. 25. Part E of Title 1 of Article III of Chapter 129,  
6 Session Laws of Alaska, 1951, (being that Part renumbered by  
7 Section 24 of this Act) is hereby amended by adding Sections  
8 3.181, 3.182, 3.183, 3.184, 3.185, 3.186, 3.187, 3.188, 3.189,  
9 3.190 and 3.191 as follows:

10 D       SECTION 3.181. DEFINITIONS FOR PART E.  
11 E  
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For the purposes of this Part:

13 M       "Bank" shall include any person, firm or corporation en-  
14 A       gaged in the business of receiving and paying deposits of  
15 T       money within this Territory. A branch or office of any such  
16 E       bank shall be deemed a bank for the purpose of this Act.  
17 E

18       "Item" means any check, note or other instrument pro-  
19 viding for the payment of money.

20       SECTION 3.182. LEGAL EFFECT OF INDORSEMENTS.

21       An indorsement of an item by the payee or other deposi-  
22 ter "for deposit" shall be deemed a restrictive indorsement  
23 and indicate that the indorsee bank is an agent for collec-  
24 tion and not owner of the item.

25       An indorsement "pay any bank or banker" or having equiv-  
26 alent words shall be deemed a restrictive indorsement and  
27 shall indicate the creation of an agency relation in any sub-  
28 sequent bank to whom the paper is forwarded unless coupled  
29 with words indicating the creation of a trustee relationship;  
and such indorsement or other restrictive indorsement whether  
creating an agency or trustee relationship shall constitute

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a guaranty by the indorser to all subsequent holders and to the drawee or payor of the genuineness of and the authority to make prior indorsements and also to save the drawee or payor harmless in the event any prior indorsement appearing thereon is defective or irregular in any respect unless such indorsement is coupled with appropriate words disclaiming such liability as guarantor.

Where a deposited item is payable to bearer or indorsed by the depositor in blank or by special indorsement, the fact that such item is so payable or indorsed shall not change the relation of agent of the bank of deposit to the depositor, but subsequent holders shall have the right to rely on the presumption that the bank of deposit is the owner of the item. The indorsement of an item by the bank of deposit or by any subsequent holder in blank or by special indorsement or its delivery when payable to bearer, shall carry the presumption that the indorsee or transferee is owner, provided there is nothing upon the face of the paper or in any prior indorsement to indicate an agency or trustee relation of any prior party. But where an item is deposited or is received for collection indorsed specially or in blank, the bank may convert such an indorsement into a restrictive indorsement by writing over the signature of the indorser the words "for deposit" or "for collection", or other restrictive words to negative the presumption that such bank of deposit or indorsee bank is owner; and in the case of an item deposited or received for collection payable to bearer, may negative such presumption by indorsing thereon the words "received for deposit" or "received for collection" or words of like import.

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SECTION 3.183. DUTY AND RESPONSIBILITY OF BANK COLLECTING AGENTS.

It shall be the duty of the initial or any subsequent agent collecting bank to exercise ordinary care in the collection of an item and when such duty is performed such agent bank shall not be responsible if for any cause payment is not received in money or an unconditional credit given on the books of another bank, which such agent bank has requested or accepted. An initial or subsequent agent collecting bank shall be liable for its own lack of exercise of ordinary care but shall not be liable for the neglect, misconduct, mistake or defaults of any other agent bank or of the drawee or payer bank.

SECTION 3.184. RULES OF ORDINARY CARE IN FORWARDING AND PRESENTMENT.

A. Where an item is received on deposit or by a subsequent agent bank for collection, payable in another town or city, it shall be deemed the exercise of ordinary care to forward such item by mail, not later than the business day next following its receipt, either:

(1) Direct to the drawee or payor in the event such drawee or payor is a bank.

(2) To another bank collecting agent according to the usual banking custom, either located in the town or city where the item is payable or in another town or city.

B. Where an item is received on deposit or by a subsequent agent bank for collection, payable by or at another bank in the same town or city in which such agent is located, it shall be deemed the exercise of ordinary care to present

1 N the item for payment at any time not later than the next  
2 E business day following the day on which the item is received,  
3 W either:

4 M (1) At the counter of the drawee or payor by agent  
5 A or messenger.  
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9 (2) Through the local clearing house under the  
10 regular established procedure, or according to the usual  
11 banking custom where the collecting or payor bank is located  
12 in an outlying district.

13 C. The designation of the above methods shall not ex-  
14 clude any other method of forwarding or presentment which  
15 under existing rules of law would constitute ordinary care.

16 SECTION 3.185. ITEMS RECEIVED THROUGH THE MAIL; WHEN PAID.

17 Where the item is received by mail by a solvent drawee  
18 or payor bank, it shall be deemed paid when the amount is  
19 finally charged to the account of the maker or drawer.

20 SECTION 3.186. MEDIUM OF PAYMENT; UNCONDITIONAL CREDIT  
21 DETERMINES RESPONSIBILITY.

22 Where ordinary care is exercised, any agent collecting  
23 bank may receive in payment of an item without becoming  
24 responsible as debtor therefor, whether presented by mail,  
25 through the clearing house or over the counter of the drawee  
26 or payor, in lieu of money, either:

27 (1) The check or draft of the drawee or payor upon  
28 another bank.

29 (2) The check or draft of any other bank upon any  
30 bank other than the drawee or payor of the item.

31 (3) Such method of settlement as may be customary  
32 in a local clearing house or between clearing banks or

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otherwise; provided, that whenever such agent collecting bank shall request or accept in payment an unconditional credit which has been given to it on the books of the drawee or payer or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

SECTION 3.187. MEDIUM OF REMITTANCE; UNCONDITIONAL CREDIT DETERMINES RESPONSIBILITY.

Where ordinary care is exercised, any agent collecting bank may receive from any subsequent bank in the chain of collection in remittance for an item which has been paid, in lieu of money, the check or draft of the remitting bank upon any bank other than itself or the drawee or payer of the item or such other method of settlement as may be customary; provided, that whenever such agent collecting bank shall request or accept an unconditional credit which has been given to it on the books of the remitting bank or on the books of any other bank, such agent collecting bank shall become debtor for such item and shall be responsible therefor as if the proceeds were actually received by it in money.

SECTION 3.188. ELECTION TO TREAT AS DISHONORED, ITEMS PRESENTED BY MAIL.

Where an item is duly presented by mail to the drawee or payer, whether or not the same has been charged to the account of the maker or drawer thereof or returned to such maker or drawer, the agent collecting bank so presenting may, at its election, exercised with reasonable diligence, treat such item as dishonored by nonpayment and recourse may be had upon prior

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parties thereto in any of the following cases:

(1) Where the check or draft of the drawee or payer bank upon another bank received in payment therefor shall not be paid in due course,

(2) Where the drawee or payer bank shall without request or authority tender as payment its own check or draft upon itself or other instrument upon which it is primarily liable.

(3) Where the drawee or payer bank shall give an unrequested or unauthorized credit therefor on its books or the books of another bank.

(4) Where the drawee or payer shall retain such item without remitting therefor on the day of receipt, or on the day of maturity if payable otherwise than on demand, and received by it prior to or on such day of maturity.

Provided, however, that in any case where the drawee or payer bank shall return any such item unpaid not later than the day of receipt or of maturity as aforesaid in the exercise of its right to make payment only at its own counter, such items cannot be treated as dishonored by nonpayment and the delay caused thereby shall not relieve prior parties from liability.

Provided, further, that no agent collecting bank shall be liable to the owner of an item where, in the exercise of ordinary care in the interest of such owner, it make or does not make the election above provided or take such steps as it may deem necessary in cases (2), (3) and (4) above.

SECTION 3.189. NOTICE OF DISHONOR OF ITEMS PRESENTED BY MAIL.

In case of the dishonor of an item duly presented by

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mail as provided for in Section 3,184, notice of dishonor of such item to prior parties shall be sufficient if given with reasonable diligence after such dishonor; and further, in the event of failure to obtain the return of any such item, notice of dishonor may be given upon a copy or written particulars thereof, and delay in giving notice of dishonor caused by an attempt with reasonable diligence to obtain return of such item shall be excused.

SECTION 3.190.   INSOLVENCY AND PREFERENCES AFFECTING COLLEC-  
TION ITEMS.

A. When the drawee or payor, or any other agent collecting bank shall fail or be closed for business by law or by action of the board of directors or by other proper legal action, after an item shall be mailed or otherwise entrusted to it for collection or payment but before the actual collection or payment thereof, it shall be the duty of the receiver or other official in charge of its assets to return such item, if same is in his possession, to the forwarding or presenting bank with reasonable diligence.

B. Except in cases where an item or items is treated as dishonored by nonpayment as provided in Section 3.184, where a drawee or payor bank has presented to it for payment an item or items drawn upon or payable by or at such bank and at the time had on deposit to the credit of the maker or drawer an amount equal to such item or items and such drawee or payor shall fail or close for business as above, after having charged such item or items to the account of the maker or drawer thereof or otherwise discharged his liability thereon but without such item or items having been paid or settled

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for by the drawee or payor either in money or by an uncondi-  
tional credit given on its books or on the books of any other  
bank, which has been requested or accepted so as to consti-  
tute such drawee or payor or other bank debtor therefor, the  
assets of such drawee or payor shall be impressed with a  
trust in favor of the owner or owners of such item or items  
for the amount thereof, or for the balance payable upon a  
number of items which has been exchanged, and such owner or  
owners shall be entitled to a preferred claim upon such  
assets, irrespective of whether the fund representing such  
item or items can be traced and identified as part of such  
assets or has been intermingled with or converted into other  
assets of such failed bank.

5. Where an agent collecting bank other than the drawee  
or payor shall fail or be closed for business as above, after  
having received in any form the proceeds of an item or items  
entrusted to it for collection, but without such item or  
items having been paid or remitted for by it either in money  
or by an unconditional credit given on its books or on the  
books of any other bank which has been requested or accepted  
so as to constitute such failed collecting or other bank  
debtor therefor, the assets of such agent collecting bank  
which has failed or been closed for business as above shall  
be impressed with a trust in favor of the owner or owners of  
such item or items for the amount of such proceeds and such  
owner or owners shall be entitled to a preferred claim upon  
such assets, irrespective of whether the fund representing  
such item or items can be traced and identified as part of  
such assets or has been intermingled with or converted into

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other assets of such failed bank.

SECTION 3.191. COMPETENCY OF BANK AND CORPORATION NOTARIES.

A. It shall be lawful for any notary public or any other officer authorized to administer an oath or take an acknowledgment or proof of an instrument or make protest who is a stockholder, director, officer or employee of a bank or other corporation to take the acknowledgment of any party to any written instrument executed to or by such corporation or to take proof of the execution of such instrument, or to administer an oath to any other stockholder, director, officer, employee or agent of such corporation, or to protest for nonacceptance or nonpayment bills of exchange, drafts, checks, notes and other negotiable instruments which may be owned or held for collection by such corporation: Provided, it shall be unlawful for any notary public to take the acknowledgment of an instrument executed by or to a bank or other corporation of which he is a stockholder, director, officer, or employee, where such notary is a party to such instrument, either individually or as a representative of such corporation, or to protest any negotiable instrument owned or held for collection by such corporation, where such notary is individually a party to such instrument.

B. Any written instrument heretofore acknowledged, any oath heretofore administered, and any protests for the non-acceptance or nonpayment of bills of exchange, drafts, checks, notes and other negotiable instruments which may be owned or held for collection by a bank or other corporation heretofore executed, shall be regarded as valid if executed in accordance with the provisions of this section.

1           Sec. 35. Section 3.201 of Title 2 of Article III of  
2 Chapter 189, Session Laws of Alaska, 1951, is hereby repealed  
3 and reenacted to read as follows:

4       N           SECTION 3.201. GENERAL CORPORATE POWERS; AUTHORIZED  
5       E  
6       W           TRUST POWERS

7       N           A. A territorial bank may be organized to exercise  
8       A           the powers provided in this Act, and such general corporate  
9       T           powers as are appropriate to its purpose.  
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1       B. A territorial bank shall, without specific mention  
2 thereof in its charter, have all the powers conferred by  
3 this Act and the following additional general corporate  
4 powers:

5           (1) To continue perpetually as a corporation,  
6 subject to the power of the Legislature under the  
7 Organic Act of this Territory.

8           (2) To sue and be sued, complain and defend,  
9 in its corporate name.

10          (3) To have a corporate seal, which may be  
11 altered at pleasure, and to use the same by causing  
12 it or a facsimile thereof to be impressed or affixed,  
13 or in any manner reproduced.

14          (4) To make, alter, amend, and repeal by-laws,  
15 not inconsistent with its charter or with law, for  
16 the administration and regulation of the affairs of  
17 the corporation.

18          (5) To elect or appoint and remove officers and  
19 agents of the bank, and to define their duties and fix  
20 their compensation.

21          (6) To adopt and operate reasonable bonus and

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pension plans for officers and employees.

(7) To make contributions to or for the use or benefit of:

(a) The United States, any state, territory, or political subdivision thereof, or the District of Columbia or any possession of the United States for exclusively public purposes, or

(b) A corporation, trust or community chest fund, or foundation created or organized in the United States or of any state or territory, or of the District of Columbia, or of any possession of the United States and organized and operated exclusively for religious, charitable, scientific, veteran rehabilitation service, literary or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation, to the extent authorized, approved or ratified by action of the board of directors of the corporation, except as otherwise specifically provided or limited by its articles of incorporation, or its by-laws or by resolution duly adopted by its stockholders.

8. In addition to its other powers, a territorial bank which is authorized by its charter to exercise trust powers shall, upon proper qualification under this Act have the power to act as a fiduciary in any capacity, including but without limitation as registrar or transfer agent, as

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1 fiscal agent or attorney in fact and the power to receive,  
2 manage and apply sinking funds.

3 Sec. 27. Section 3.202 of Title 2 of Article III of  
4 Chapter 129, Session Laws of Alaska, 1951, is hereby repealed  
5 and reenacted to read as follows:

6 SECTION 3.202. CAPITAL STRUCTURE: MINIMUM CAPITAL  
7 ASSESSMENT PROCEDURE.

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A. A territorial bank shall have such capital struc-  
ture as the Board shall deem adequate but not less than  
the following:

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(1) Capital consisting of common stock as  
follows:

LOCATED IN A	MINIMUM CAPITAL FOR	MINIMUM CAPITAL FOR
COMMUNITY HAVING	BANK NOT HAVING	BANK HAVING TRUST
<u>POPULATION OF</u>	<u>TRUST POWERS</u>	<u>POWERS</u>
Less than 10,000	\$50,000.00	\$55,000.00
10,000 or more	100,000.00	110,000.00

(2) Paid-in surplus amounting to not less than  
20 per cent of its capital.

B. Provided, however, that any bank which was engaged  
in business prior to March 26, 1951 shall not be deemed in  
violation of this Act provided that it shall have acquired  
a paid-in capital of not less than \$50,000.00 on or before  
March 26, 1956.

C. The issuance of preferred stock shall be authorized  
by the Board only when it appears that necessary capital  
cannot be obtained by the issuance of common stock. Pre-  
ferred stock shall have such preferences, powers and rights  
as the Board may approve. It shall not be retired without

1 the approval of the Board and the requirements of such  
2 approval shall be stated in the stock certificates, but the  
3 Board may give advance approval to sinking funds payable  
4 exclusively out of earnings available for dividends.

5 D. The Commissioner may direct a territorial bank to  
6 levy an assessment in a designated amount upon the holders  
7 of record, of common stock, to remedy an impairment of  
8 capital. Upon receipt of an order to levy an assessment,  
9 the directors shall cause to be sent to all holders of  
10 common stock a notice of the amount of the assessment and  
11 a copy of this subsection. If an assessment is not paid  
12 within 30 days after the notice is received by said direc-  
13 ters, the territorial bank shall offer the shares of the  
14 defaulting stockholders for sale at public auction at a  
15 price which shall not be less than the amount of the assess-  
16 ment and the cost of the sale. Any excess shall be paid  
17 to the prior owners. The method of collection provided  
18 herein shall be the sole method of collecting assessments.

19 Sec. 28. Section 3.207 of Title 2 of Article III of  
20 Chapter 129, Session Laws of Alaska, 1951, is hereby repealed  
21 and reenacted to read as follows:

22 SECTION 3.207. INCORPORATORS.

23 A Territorial bank may be organized by 5 or more  
24 individual incorporators. A majority of the incorporators  
25 shall be residents of the Territory. Each incorporator  
26 shall subscribe and pay in full in cash for stock having  
27 a par value not less than 1 per cent of the minimum capital  
28 and paid-in surplus requirements.

29 Sec. 29. Section 3.209 of Title 2 of Article III of

1 Chapter 129, Session Laws of Alaska, 1951, is hereby repealed  
2 and reenacted to read as follows:

3 N SECTION 3.209. ORGANIZATION EXPENSES,  
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6 H A. Each subscriber at the time he subscribes to the  
7 A stock of a proposed territorial bank shall pay in cash a  
8 T sum at least equal to 5 per cent of the par value of such  
9 E stock into a fund to be used to defray the expenses of  
10 organization. No organization expense shall be paid out  
11 of any other funds of the bank. Upon the grant of a charter  
12 any unexpended balance shall be transferred to surplus. If  
13 no application for a charter has been made within 6 months  
14 of the filing of a notice of intention, or any additional  
15 period allowed by the Commissioner, or if the application  
16 has been finally denied, any unexpended balance shall be  
17 distributed among the contributors in proportion to their  
18 respective payments. The Commissioner may require an ac-  
19 count of disbursements from the fund and may order the in-  
20 corporators to restore any sum which has been expended for  
21 other than proper organization expenses.

22 B. No payment shall be made from the organization  
23 expense fund for securing subscriptions to stock.

24 Sec. 29. Section 3.222 of Title 2 of Article III of  
25 Chapter 129, Session Laws of Alaska, 1951, is hereby repealed  
26 and reenacted to read as follows:

27 N SECTION 3.222. AMENDMENT OF CHARTER: CHANGE OF LOCATION.  
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30 H A. A territorial bank may apply to the Commissioner  
31 A to amend its charter or to change its location.

32 B. An application for an amendment of the charter  
33 changing the authorized capital or the number and par value

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of the shares or to acquire or abandon trust powers or to change its location must be authorized by the vote of two-thirds of the outstanding voting stock voted at a meeting of the stockholders. Any other application may be authorized by the vote of a majority of the outstanding voting stock voted at a meeting of the stockholders.

7 C. Notice of the application shall be sent to such persons and organizations as the Commissioner may require.

8 D. The Commissioner shall approve an application:

9 (1) To change the name of the corporation if  
10 the proposed name is not deceptive or misleading.

11 (2) To change the number and par value of the  
12 shares without altering the total capital, unless such  
13 change will inequitably affect the interest of any  
14 stockholders and the bank does not have sufficient  
15 surplus and undivided profits to pay dissenting share-  
16 holders the fair value of their shares determined in  
17 accordance with Section 3.310 and have remaining the  
18 required minimum paid-in surplus.

19 (3) To increase the total capital by increasing  
20 the amount of common stock, but an amendment increas-  
21 ing the total capital shall not become effective until  
22 the Commissioner finds that the new capital has been  
23 fully paid in, in cash. In other cases, the Commis-  
24 sioner shall present the application to the Board.

25 E. In making its determination the Board shall con-  
26 sider whether the public convenience and advantage will be  
27 served by granting the application and shall be guided by  
28 the standards prescribed for the approval of an application  
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1 for a charter, insofar as they are reasonably applicable,  
2 Sec. 50. Section 3.223 of Title 2 of Article III of  
3 Chapter 123, Session Laws of Alaska, 1951, is hereby repealed  
4 and reenacted to read as follows:

5 SECTION 3.223. MEETING OF STOCKHOLDERS; VOTING;  
6 PROXIES; VOTING TRUSTS; PREEMPTIVE RIGHT; TRANSFER OF STOCK.

7 A. Regular meetings of stockholders shall be held  
8 annually and at such additional times as the by-laws direct,  
9 at such place as may be designated by the by-laws. A special  
10 meeting may be called at any time by the Commissioner, one-  
11 third of the directors, or the holder or holders of 5 per  
12 cent of the outstanding voting shares. Notice shall be  
13 mailed at least 10 days before a meeting to every person who  
14 was a stockholder of record 20 days before the date of the  
15 meeting or at such longer period as may be provided in the  
16 by-laws. No business shall be transacted at a special meet-  
17 ing which is not specified in the notice thereof or necessary  
18 or proper in connection with or incidental to the business  
19 specified. The holders of a majority of the outstanding  
20 voting shares or their authorized representatives shall con-  
21 stitute a quorum. In the absence of a quorum a meeting may  
22 be adjourned from time to time without notice to the stock-  
23 holders.

24 B. Except on the election of directors each share of  
25 common stock shall have 1 vote which may be cast by the  
26 owner of record on the record date, or by his authorized  
27 representative, whether or not the owner of record has the  
28 beneficial interest therein. The bank may not vote shares  
29 which it holds in any capacity other than as fiduciary.

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C. A stockholder authorized to vote may by his proxy executed in writing appoint a representative to cast his vote. The Board may promulgate rules governing proxies and the solicitation thereof;

D. No shares deposited under a voting trust agreement shall be voted by the trustee unless the agreement has been approved by the Board. Approval shall be withheld, or, if previously granted, revoked whenever it appears that the existence of the trust would tend to reduce competition among lending institutions or to affect adversely the character or competence of the management or the bank's policies or operating procedures.

E. Unless otherwise provided in the charter, whenever additional stock of a class is offered for sale, stockholders of record of the same class on the date of the offer shall have the right to subscribe to such proportion of the shares as the stock held by them bears to the total of the outstanding stock. This right shall be transferable but shall terminate if not exercised within 30 days of the offer. If the right is not exercised, the stock shall not be offered for sale to others at a lower price without the stockholders again being accorded a preemptive right to subscribe.

F. Shares of stock shall be transferable in accordance with the by-laws but no transfer shall be effective with respect to the bank until it has been entered upon the transfer books. The stock book shall be available for examination by a stockholder of the corporation at the principal place of business during hours.

Sec. 31. Section 3.224 of Title 2 of Article III of

1 Charter 129, Session Laws of Alaska, 1951, is hereby repealed and  
2 reenacted to read as follows:

3 D SECTION 3.224. DIRECTORS AND OFFICERS.  
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A. The affairs of a territorial bank shall be managed  
by a board of directors which shall exercise its powers and  
be responsible for the discharge of its duties. The number  
of directors, not less than 5 nor more than 25, shall be  
fixed by the by-laws and the number so fixed shall be the  
board, regardless of vacancies; Provided: that any bank now  
authorized to do business in the Territory shall not be re-  
quired to increase the number of its directors, if otherwise  
lawful. At least three-fourths of the directors shall be  
citizens of the United States and two-thirds shall be resi-  
dents of this Territory. Each director shall have full  
record and beneficial ownership free of lien, encumbrance or  
repurchase agreement of common stock of the bank of the par-  
value of at least \$1,000.00. Any director who becomes dis-  
qualified shall forthwith resign his office but upon removal  
of such disqualification he shall be eligible for election.  
A director who is disqualified may be removed by the board  
of directors or by the Commissioner. No action taken by a  
director prior to resignation or removal shall be subject to  
attack on the ground of his disqualification.

24 B. Directors shall receive such reasonable compensation  
25 as the by-laws may prescribe and shall serve until their  
26 successors are elected and qualify.

27 C. Directors shall be elected by the stockholders at  
28 the first meeting and thereafter at the annual meeting or at  
29 a special meeting called for the purpose. If the charter

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provided for cumulative voting the votes of each share may be cast for 1 person or divided among 2 or more, as the stockholder may choose. The person or persons (to the number of directors to be elected) having the largest number of votes shall be elected.

D. The term of office of directors shall be 1 year or, if the by-laws so provide, 3 years, in which case one-third of the directors, or as nearly one-third as possible shall be elected for each year following the first election of directors. Vacancies at any one time to the number of one-third of the board may be filled by vote of the board of directors until the next meeting of the stockholders. The Commissioner may designate a director to fill a vacancy which has continued for longer than 3 months and a director so designated shall serve until a successor is elected and has qualified.

E. A director may be removed by the stockholders at a meeting. Where cumulative voting for directors is provided in the charter no director shall be removed unless the votes cast against a motion for his removal are less than the total number of shares outstanding divided by the number of authorized directors, but all of the directors shall be removed if a majority of the outstanding shares approves a motion for the removal of all.

F. The officers designated by the by-laws shall be elected by the board of directors. A member of the board of directors shall be elected president. No officer shall be elected or a contract executed for his employment for a period longer than 1 year. An officer may be removed by the

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board of directors at any time but removal shall not prejudice any rights that he may have to damages for breach of contract of employment.

G. A bank shall report promptly to the Commissioner any changes among executive officers and directors, including in its report a statement of the business and professional affiliations of new executive officers and directors.

Sec. 32. Section 3.226 of Title 2 of Article III of Chapter 139, Session Laws of Alaska, 1961, is hereby repealed and reenacted to read as follows:

SECTION 3.226. DIRECTORS; MEETINGS AND DUTIES.

A. The board of directors shall meet at least once every second month. The Commissioner, a director or an executive officer may call a special meeting. A majority of the board of directors shall constitute a quorum. The board shall keep minutes of each meeting, including a record of attendance and of all votes cast by each director.

B. The board of directors or an executive committee of not less than one-third of the board shall review at least monthly the following transactions occurring since the last review:

(1) Each loan, advance, discount, overdraft and purchase or sale of a security which exceeds in amount one-tenth of 1 per cent of the capital and surplus of the corporation, or \$5,000.00, whichever is larger.

(2) Every increase in loans, advances, discounts and overdrafts which exceed this amount, or with the increase will exceed it, and every purchase or sale of a security which, together with other such transactions in the securi-

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ties during the preceding 2 months, involves such amount,  
C. A territorial bank authorized to exercise trust  
powers shall not accept or voluntarily relinquish a fidu-  
ciary account without the approval or ratification of the  
board of directors or of a committee of officers or directors  
designated by the board to perform this function, but the  
board of directors or the committee may prescribe general  
rules governing acceptance or relinquishment of fiduciary  
accounts, and action taken by an officer in accordance with  
these rules is sufficient approval. Any committee so desig-  
nated shall keep minutes of its meetings and report at each  
monthly meeting of the board of directors all action taken  
since the previous meeting of the board. The board of dir-  
ectors shall designate 1 or more committees of not less than  
3 qualified officers or directors to supervise the investment  
of fiduciary funds. No such investment shall be made, re-  
tained or disposed of without the approval of a committee.  
At least once in every calendar year at intervals of not more  
than 18 months the committee shall review all the assets of  
each fiduciary account and shall determine their current  
value, safety and suitability and whether the investments  
should be modified or retained. The committee shall keep  
minutes of its meetings and shall report at each meeting of  
the board of directors its conclusions on all questions con-  
sidered and all actions taken since the previous meeting of  
the board.

Sec. 33. Title 2 of Article III of Chapter 129, Session Laws  
of Alaska, 1951, is hereby amended by adding new Sections 3.228,  
3.229, 3.230, 3.231, 3.232 as follows:

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SECTION 3.228. FIDELITY BONDS AND OTHER INSURANCE,  
REQUIRED.

A. The directors of a territorial bank shall direct and require good and sufficient fidelity bonds on all active officers and employees, whether or not they draw salary or compensation, which bonds shall provide for indemnity to such bank on account of any losses sustained by it as the result of any dishonest, fraudulent or criminal act or omission committed or omitted by them acting independently or in collusion or combination with any person or persons. Such bonds may be individual, schedule or blanket form, and the premiums therefor may be paid by the bank.

B. The said directors shall also direct and require suitable insurance protection to the bank against burglary, robbery, theft and other similar insurable hazards to which the bank may be exposed in the operations of its business on the premises or elsewhere.

C. The directors shall be responsible for prescribing at least once in each year the amount or penal sum of such bonds or policies and the sureties or underwriters thereon, after giving due and careful consideration to all known elements and factors constituting such risk or hazard. Such action shall be recorded in the minutes of the board of directors and thereafter be reported to the Commissioner and be subject to his approval.

SECTION 3.229. AUTHORITY TO DECLARE DIVIDENDS, CONDITIONAL.

The board of directors of a territorial bank may declare dividends from undivided profits if:

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(1) The undivided profits account has been maintained in accordance with the provisions of this Act.

(2) The reserve against deposits required by this Act is met and will not thereby be impaired,

SECTION 3.230. ACCOUNTING REQUIREMENTS; UNDIVIDED PROFITS ACCOUNT; ADDITION TO SURPLUS FUND REQUIRED.

A. No credit shall be entered in the undivided profits account founded upon an unrealized appreciation in the value of any type of asset. Before any net profits are credited to the undivided profits account, proper deduction shall be made for all expenditures, accrued expenses, accrued taxes, losses, bad debts and any write-offs or other deductions required by the Board.

B. At any accounting period a debit balance in the undivided profits account shall be closed out to the surplus account but no other transfer shall be made from the surplus account to any but the capital account if the surplus after the transfer would be smaller than the capital. Prior to determining that undivided profits are available for the declaration of dividends the following transfers shall be made:

(1) A debit balance in the net profit account shall be closed out to the undivided profits account.

(2) There shall be transferred from the undivided profits account to the surplus account (a) the amount required to raise the surplus to 20 per cent of the capital; and (b) the amount, not exceeding 25 per cent of undivided profits, required to raise the surplus to 100 per cent of the capital.

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G. A book shall be provided by every bank in which shall be entered the name and residence of the stockholders thereof, the number of shares held by each, the time when such persons became stockholders, and, also, all transfers of stock, stating the time when made, the number of shares, and by whom transferred. In all actions, suits and proceedings, said book shall be prima facie evidence of the facts therein stated. A list of the stockholders shall be kept posted in the bank office of each bank, the deposits of which are not insured, showing the number of shares held by each stockholder of record.

12 SECTION 3.231. DEPOSIT INSURANCE AND MEMBERSHIPS IN  
13 FEDERAL RESERVE SYSTEM AND FEDERAL NATIONAL MORTGAGE  
14 ASSOCIATION AUTHORIZED.

15 A territorial bank is authorized to do any act necessary  
16 to obtain insurance of its deposits by the United States or  
17 any agency thereof; to acquire and hold memberships in the  
18 Federal Reserve System and/or Federal National Mortgage  
19 Association, and to purchase shares of stock for the purpose  
20 of acquiring such memberships.

21 SECTION 3.232. WAIVERS; CORPORATE ACTION BY UNANI-  
22 MOUSLY SIGNED WRITING.

23 When a notice is required to be given to stockholders  
24 or directors under this Act, or the charter or by-laws of  
25 any territorial bank, a waiver thereof in writing, signed by  
26 the person or persons entitled to said notice, whether before  
27 or after the time stated therein, shall be deemed equivalent  
28 thereto. Whenever the vote of stockholders or directors at  
29 a meeting thereof is required or permitted to be taken in

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connection with any corporate action, by any section of this Act, the meeting and vote of stockholders or directors may be dispensed with, if all of the stockholders or directors who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken. In the event that the action which is consented to is such as would have required the filing of a certificate under any of the other sections of this Act, if such action had been voted upon by the stockholders or directors at a meeting thereof, the certificate filed under such other section shall state that written consent has been given hereunder, in lieu of stating that the stockholders have voted upon the corporate action in question, if such last mentioned statement is required thereby.

Sec. 31. Sections 3.203, 3.205, 3.206, 3.210, 3.211, 3.214, and 3.318 of Title 2 of Article III of Chapter 129, Session Laws of Alaska, 1951, are hereby repealed.

1 Sec. 35. Title 3 of Article III of Chapter 129, Session Laws  
2 of Alaska, 1951, is hereby renumbered Title 4 and a new Title 3 is  
3 hereby enacted to read as follows:

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82 As used in this title, unless the context otherwise re-  
83 quires:

84 (1) "Converting bank" means a bank converting from  
85 a territorial to a national bank, or the reverse.

86 (2) "Merger" includes consolidation.

87 (3) "Merging bank" means a party to a merger.

88 (4) "Resulting bank" means the bank resulting from  
89 a merger or conversion.

90 (5) "Dissenting stockholder" means a stockholder  
91 dissenting and voting his dissent as provided in this title.

92 (6) "Receiving bank" means the territorial or nat-  
93 ional bank into which one or more territorial banks or one or  
94 more national banks, merge.

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123 A. Nothing in the law of this Territory shall restrict  
124 the right of a territorial bank to merge with or convert into  
125 a resulting national bank. The action to be taken by such  
126 merging or converting territorial bank and its rights and  
127 liabilities and those of its stockholders shall be the same  
128 as those prescribed for national banks at the time of the  
129 action by the law of the United States and not by the law of  
130 this Territory, except that a vote of the holders of two-thirds  
131 of each class of voting stock of a territorial bank, at a

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meeting called in conformity with the provisions of Section 3.305, shall be required for the merger or conversion, and that on conversion by a territorial into a national bank the rights of dissenting stockholders shall be those specified in Section 3.310.

B. Upon the completion of the merger or conversion, the franchise of any merging or converting territorial bank shall automatically terminate.

SECTION 3.303. RESULTING TERRITORIAL BANK.

Upon approval by the Board, banks may be merged to result in a territorial bank, or a national bank may convert into a territorial bank as hereafter prescribed, except that the action by a national bank shall be taken in the manner prescribed by and shall be subject to limitations and requirements imposed by the law of the United States which shall also govern the rights of its dissenting stockholders.

SECTION 3.304. MERGER PROCEDURE; RESULTING TERRITORIAL BANK.

A. The board of directors of each merging territorial bank shall, by a majority of the entire board, approve a merger agreement which shall contain:

(1) A statement or recital that the agreement is subject to approval by the Board and the Commissioner and by the stockholders of each merging bank.

(2) The name of each merging bank and location of each office.

(3) With respect to the resulting bank:

(a) The name and location of the principal and the other offices.

(b) The name and residence of each director

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to serve until the next annual meeting of the stockholders.

(c) The name and residence of each officer.

(d) The amount of capital, the number of shares and the par value of each share.

(e) The amount, terms, and preferences, if preferred stock is to be issued.

(f) The amendments to its charter and by-laws.

(4) Provisions governing:

(a) The manner of converting the shares of the merging banks into shares of the resulting territorial bank.

(b) The manner of disposing of the shares of the resulting territorial bank not taken by the dissenting stockholders of each merging bank.

(5) Such other provisions as the Commissioner may require to enable the Board to discharge its duties with respect to the merger.

B. After approval by the board of directors of each merging territorial bank, the merger agreement shall be submitted to the Department for approval, together with certified copies of the authorizing resolutions of each board of directors showing approval by a majority of the entire board of each merging territorial bank and evidence of proper action by the board of directors of any merging national bank.

C. After receipt by the Department of the papers specified in subsection A, the Board and the Commissioner shall approve or disapprove the merger agreement. The Board and the Commissioner shall approve the agreement if they find that:

(1) The resulting territorial bank meets the requirements as to the formation of a new territorial bank.

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(2) The agreement provides an adequate capital structure, including surplus in relation to the deposit liability and/or the risks related to the assets to be owned of the resulting territorial bank and its other activities which are to continue or are to be undertaken.

(3) The agreement is fair.

(4) The merger is not contrary to the public interest.

D. If the Board and the Commissioner disapprove an agreement, the objections shall be stated in writing and the merging banks shall be given an opportunity to amend the merger agreement to obviate such objections.

SECTION 3.309. MERGER; APPROVAL BY STOCKHOLDERS OF TERRITORIAL BANKS.

A. To be effective, a merger which is to result in a territorial bank must be approved by the stockholders of each merging territorial bank by a vote of two-thirds of the outstanding voting stock of each class at a meeting called to consider such action, which vote shall constitute the adoption of the charter and by-laws of the resulting territorial bank, including the amendments in the merger agreement.

B. Notice of the meeting of stockholders of each territorial bank shall be given by publication in a newspaper of general circulation in the place where its principal office is located at least once a week for 4 successive weeks, and by mail at least 20 days before the date of the meeting, to each stockholder of record of each merging bank at his address on the books of his bank; no notice by publication need be given if written waivers are received from the holders of two-

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thirds of the outstanding shares of each class of stock. The notice shall be accompanied by a copy of Section 3.310 and shall state that the section sets forth exclusive rights and remedies of dissenting stockholders.

SECTION 3.306. EFFECTIVE DATE OF MERGER; FILING OF APPROVED AGREEMENT; CERTIFICATE OF MERGER AS EVIDENCE.

A. A merger or sale which is to result in a territorial bank shall, unless a later date is specified in the agreement, become effective upon the filing with the Commissioner of the executed agreement together with copies of the resolutions of the stockholders of each merging purchasing and selling bank approving it and a list of the owners of the shares voted against the merger or purchase, certified by the bank's president or a vice-president and a secretary or cashier. The charters of the merging banks, other than the resulting bank, shall thereupon automatically terminate.

B. The Commissioner shall promptly issue to the resulting bank a certificate of merger specifying the name of each merging bank and the name of the resulting territorial bank. Such certificate shall be conclusive evidence of the merger and of the correctness of all proceedings therefor in all courts and places, and may be recorded in any office for the recording of deeds to evidence the new name in which the property or any interest therein of the merging banks is held.

SECTION 3.307. CONVERSION OF NATIONAL INTO TERRITORIAL BANK.

A. A national bank located in this Territory which follows the procedure prescribed by the laws of the United States to convert into a state bank, shall be granted a charter by the Commissioner unless he finds that the bank

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does not meet the standards as to location of offices, capital structure, and business experience and character of officers and directors for the incorporation of a territorial bank.

B. The national bank may apply for such charter by filing with the Department a certificate signed by its president and cashier and by a majority of the entire board of directors, setting forth the corporate action taken in compliance with the provisions of the laws of the United States governing the conversion of the national to a territorial bank, and the articles of incorporation, approved by the stockholders, for the government of the bank as a territorial bank.

SECTION 3.302. CONTINUATION OF CORPORATE ENTITY; USE OF OLD NAME.

A. A resulting territorial or national bank shall be the same business and corporate entity as each merging bank or as the converting bank with all the property, rights, powers, and duties of each merging bank or the converting bank, except as affected by the law of this Territory in the case of a resulting territorial bank or the laws of the United States in the case of a resulting national bank, and by the charter and by-laws of the resulting bank.

B. A resulting bank shall have the right to use the name of any merging bank or of the converting bank whenever it can do any act under such name more conveniently.

C. Any reference to a merging or converting bank in any writing, whether executed or taking effect before or after the merger or conversion, shall be deemed a reference to the resulting bank if not inconsistent with the other provisions of

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such writing, except when the resulting bank is not authorized to or has not qualified to exercise the powers conferred or required by the writing.

SECTION 3.303. SALE OF ALL ASSETS OF BANK OR DEPARTMENT.

A. Any territorial bank or trust company may sell to any other bank or trust company:

(1) All or substantially all of the selling bank assets and business; or

(2) All or substantially all of the assets and business of any department of the selling bank.

B. Any territorial bank or trust company may, upon assuming the liabilities relating thereto, purchase:

(1) All or substantially all of the assets and business of another bank or trust company; or

(2) All or substantially all of the assets and business of any department of another bank or trust company.

C. The agreement of purchase and sale shall be authorized, approved by the Board, approved by the vote of a majority of the stockholders of the purchasing and selling banks at meetings called for the purpose in like manner as meetings to approve mergers are called, and filed with the Commissioner accompanied by evidence of such stockholders' approval in like manner as agreements of merger are filed. After such approval is given by the stockholders a notice of such sale shall be published once a week for 3 successive weeks in a newspaper of large general circulation in the community in which the selling bank has its principal office, and proof of such publication shall be filed with the Commissioner.

F. Notwithstanding any term of the agreement, or of his

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contract of deposit, any depositor whose business is thus sold has the right to withdraw his deposit in full on demand after such sale unless by dealing with the purchasing bank with knowledge of the purchase he ratifies the transfer.

E. The agreement of sale may provide for the transfer to the purchasing bank of all fiduciary positions held by the selling bank subject to the right of the court, on petition of any interested party, to appoint another or succeeding fiduciary to the positions so transferred. Until the court appoints another or succeeding fiduciary the purchasing bank shall, if qualified to do so, exercise any fiduciary function vested in the selling bank.

F. No right against or obligation of the selling bank in respect of the assets or business sold shall be released or impaired by the sale until 1 year from the last date of publication of the notice pursuant to subsection C of this section, but after the expiration of such year, no action can be brought against the selling bank on account of any deposit, obligation, trust, or asset transferred to, or liability assumed by, the purchasing bank.

SECTION 3.310. DISSENTING STOCKHOLDERS.

A. A dissenting stockholder of a territorial bank to be merged shall be entitled to receive the value in cash of only those shares which were voted against a merger to result in a territorial bank, against the conversion of a territorial bank into a national bank or against a sale of all or substantially all of the territorial bank's assets, and only if written demand thereupon is made to the resulting receiving territorial or national bank at any time within 30 days after

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the effective date of the merger or conversion, accompanied by the surrender of the stock certificates. The value of such shares shall be determined, as of the date of the stockholders' meeting approving the merger or conversion, by 3 appraisers, 1 to be selected by the vote of the owners of two-thirds of the dissenting shares of the bank to be merged, at a meeting called by the Commissioner on 10 days notice, 1 by the board of directors of the resulting receiving territorial or national bank, and the third by the 2 so chosen. The valuation agreed upon by any 2 appraisers shall govern. If any necessary appraiser is not appointed within 60 days after the effective date of the merger or conversion, the Commissioner shall make the necessary appointment, or if the appraisal is not completed within 90 days after the merger or conversion becomes effective, the Commissioner shall cause an appraisal to be made.

B. The merger agreement may fix an amount which the merging banks consider to be the fair market value of the shares of a merging or the converting bank at the time of the stockholders meeting approving the merger or conversion, which the resulting receiving bank will pay dissenting stockholders of the bank to be merged, entitled to payment in cash. The amount due under such accepted offer or under the appraisal shall constitute a debt of the resulting receiving territorial or national bank.

C. The expense of appraisal shall be paid by the resulting receiving territorial bank except where the value fixed by the appraisers does not exceed the value fixed by the merger agreement, in which case one-half of the expenses shall be

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paid by the resulting receiving bank and one-half by the dis-  
senting stockholders of the territorial bank to be merged, who  
requested the appraisal, in proportion to their respective  
holdings.

SECTION 3.311. NON-CONFORMING ASSETS OR BUSINESS.

If a merging, converting or selling bank has assets which  
do not conform to the requirements of territorial law for the  
resulting or purchasing territorial bank, or carries on busi-  
ness activities which are not authorized or permitted for the  
resulting or purchasing territorial bank, the Department may  
permit a reasonable time to conform with the law of this Ter-  
ritory, and in the case of a resulting or purchasing territor-  
ial bank that is not to exercise trust powers, shall require  
that prompt application be made to a court of competent juris-  
diction for the appointment of successor trustees.

SECTION 3.312. BOOK VALUE OF ASSETS; WRITE UP PROHIBITED.

Without approval by the Department no asset shall be car-  
ried on the books of the resulting or purchasing territorial  
bank at a valuation higher than that on the books of the merg-  
ing or converting bank at the time of its last examination by  
a territorial bank examiner, or national bank examiner, or  
Federal Reserve Bank examiner or an examiner of the United  
States or any agency thereof which insures bank deposits.



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the books to be the claim of the depositor or creditor. The notice shall demand that property held by the bank as bailee or in a safe deposit box be withdrawn by the person entitled thereto and that claims of depositors and creditors, if the amount claimed differs from that stated in the notice to be due, be filed with the bank before a specified date not earlier than 60 days thereafter, in accordance with the procedure prescribed in the notice.

(3) As soon after approval as may be practicable the territorial bank shall resign all fiduciary positions and take such action as may be necessary to settle its fiduciary accounts.

(4) Safe deposit boxes, the contents of which have not been removed within 30 days after demand, shall be opened and the contents dealt with in the manner provided for boxes upon which the payment of rental is in default and the sealed packages containing the contents and the certificates together with any other unclaimed property held by the bank as bailee and certified inventories thereof shall be transferred to the Commissioner, who shall retain them for 1 year unless sooner claimed by the persons entitled thereto. After 1 year the Commissioner shall sell or otherwise appropriately dispose of the property. The proceeds of any sale shall be transferred to the Territorial Treasurer as abandoned funds.

(5) The approval of an application for liquidation shall not impair any right of a depositor or creditor to payment in full and all lawful claims of creditors and depositors shall promptly be paid. The unearned portion of the rental of a safe deposit box shall be returned to the lessee.

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(6) Any assets remaining after the discharge of all obligations shall be distributed to the stockholders in accordance with their respective interests. No such distribution shall be made before:

(a) All claims of depositors and creditors have been paid or, in the case of any disputed claim, the bank has transmitted to the Commissioner a sum adequate to meet any liability that may be judicially determined; and

(b) Any funds payable to a depositor or creditor and unclaimed have been transmitted to the Commissioner.

Any unclaimed distribution to a stockholder or depositor shall be held until 90 days after the final distribution and then held by the Commissioner for 5 years and, unless sooner claimed by the person entitled thereto, shall be transferred to the Territorial Treasurer as abandoned funds.

C. If the Commissioner finds that the assets will be insufficient for the full discharge of all obligations or that completion of the liquidation has been delayed unduly, he may take possession and complete the liquidation in the manner provided in this Act for involuntary liquidations.

D. The Commissioner may require reports of the progress of liquidation and whenever he is satisfied that the liquidation has been properly completed he shall cancel the charter and enter an order of dissolution.

SECTION 3.402. COMMISSIONER IN POSSESSION OF BANK.

A. The Commissioner, with the advice and approval of a majority of the Territorial Banking Board, may take possession of a territorial bank if, after a hearing, he shall find:

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(1) Its capital is impaired or it is otherwise in an unsound condition,

(2) Its business is being conducted in an unlawful or unsound manner,

(3) It is unable to continue normal operations,

(4) Its examination has been obstructed or impeded.

B. (1) The Commissioner shall take possession by posting upon the premises a notice reciting that he is assuming possession pursuant to this Act and the time, not earlier than the posting of the notice, when its possession shall be deemed to commence. A copy of the notice shall be filed in the United States District Court of the judicial division in which the institution is located. The Commissioner shall notify the Federal Reserve Bank of the district of taking possession of any territorial bank which is a member of the Federal Reserve System.

(2) When the Commissioner has taken possession of a territorial bank he shall be vested with the full and exclusive power of management and control, including the power to continue or to discontinue the business, to stop or to limit the payment of its obligations, to employ any necessary assistants, to execute any instrument in the name of the bank, to commence, defend and conduct in its name any action or proceeding in which it may be a party, to terminate his possession by restoring the bank to its board of directors and to reorganize or liquidate the bank in accordance with this Act. As soon as practicable after taking possession the Commissioner shall make an inventory of the assets and file a copy thereof with the court in which the notice of possession

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was filed.

(3) When the Commissioner has taken possession, there shall be a postponement until 6 months after the commencement of such possession, of the date upon which any period of limitation fixed by statute or agreement would otherwise expire on a claim or right of action of the bank, or upon which an appeal must be taken or a pleading or other document must be filed by the bank in any pending action or proceeding.

C. (1) If the Commissioner shall determine to liquidate a territorial bank, he shall give such notice of his determination to the directors, stockholders, depositors and creditors as the Board may prescribe. Any objection to the liquidation shall be filed with the Board within 10 days after such notice. Unless within 10 days thereafter the Board issues an order staying the liquidation, the Commissioner shall proceed to liquidate the institution.

(2) If the Commissioner determines to reorganize the territorial bank, or the Board, after staying its liquidation, orders such reorganization, the Commissioner, after recording a hearing to all interested parties, shall enter an order proposing a reorganization plan. A copy of the plan shall be sent to each depositor and creditor who will not receive payment of his claim in full under the plan, together with notice that unless within 15 days the plan is disapproved in writing by persons holding one-third or more of the aggregate amount of such claims, the Commissioner will proceed to effect the reorganization. A department, agency or political subdivision of this Territory holding a claim which will

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not be paid in full is authorized to participate as any other creditor.

D. No judgment, lien or attachment shall be executed upon any asset of the territorial bank while it is in the possession of the Commissioner. Upon the election of the Commissioner in connection with a liquidation or reorganization:

(1) Any lien or attachment, other than an attorney's or mechanic's lien, obtained upon any asset of the territorial bank during the Commissioner's possession or within 4 months prior to commencement thereof shall be voided except liens created by the Commissioner while in possession.

(2) Any transfer of an asset of the territorial bank made after or in contemplation of its insolvency with intent to effect a preference shall be voided.

E. With the approval of the Board, the Commissioner may borrow money in the name of the territorial bank and may pledge its assets as security for the loan.

F. All necessary and reasonable expenses of the Commissioner's possession of a territorial bank and of its reorganization or liquidation shall be defrayed from the assets thereof.

SECTION 3.403. REQUIREMENTS OF REORGANIZATION PLAN.

A. A plan of reorganization shall not be prescribed under this Act unless:

(1) The plan is feasible and fair to all classes of depositors, creditors and stockholders.

(2) The face amount of the interest accorded to

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any class of depositors, creditors or stockholders under the plan does not exceed the value of the assets upon liquidation less the full amount of the claims of all prior classes, subject, however to any fair adjustment for new capital that any class will pay in under the plan.

(3) The plan provides for the issuance of common stock in an amount that will provide an adequate ratio to deposits.

(4) Any exchange of new common stock for obligations or stock of the bank will be effected in inverse order to the priorities in liquidation of the classes that will retain an interest in the bank and upon terms that fairly adjust any change in the relative interests of the respective classes that will be produced by the exchange.

(5) The plan assures the removal of any director, officer or employee responsible for any unsound or unlawful action or the existence of an unsound condition.

(6) Any merger or consolidation provided by the plan conforms to the requirements of this Act.

B. Whenever in the course of reorganization, supervening conditions render the plan unfair or its execution impractical, the Commissioner may modify the plan or liquidate the institution. Any such action shall be taken by order upon appropriate notice.

#### SECTION 3.404. LIQUIDATION BY COMMISSIONER.

A. In liquidating a territorial bank the Commissioner may exercise any power thereof but he shall not, without the approval of the court in which notice of possession has been filed:



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10 dation to each known depositor, creditor and lessee of a safe  
11 deposit box or bailor of property held by the bank at the  
12 address shown on the books of the institution: The notice  
13 shall also be published in a newspaper of general circulation  
14 in the community once a week for 3 successive weeks; The  
15 Commissioner shall send with the notice a statement of the  
16 amount shown on the books of the institution to be the claim  
17 of the depositor or creditor. The notice shall demand that  
18 property held by the bank as bailee or in a safe deposit box  
19 be withdrawn by the person entitled thereto and that claims  
20 of depositors and creditors, if the amount claimed differs  
21 from that stated in the notice to be due, be filed with the  
22 Commissioner before a specified date not earlier than 60 days  
23 thereafter in accordance with the procedure prescribed in the  
24 notice.

25 F. Safe deposit boxes the contents of which have not  
26 been removed before the date specified shall be opened by  
27 the Commissioner in the manner provided for boxes upon which  
28 the payment of rental is in default and the sealed packages  
29 containing the contents and the certificates together with  
30 any unclaimed property held by the bank as bailee and  
31 certified inventories thereof shall be held by the Commission-  
32 er for 1 year unless sooner claimed by the person entitled  
33 thereto. After 1 year the Commissioner may sell or otherwise  
34 appropriately dispose of the property. The proceeds of a  
35 sale shall be transferred to the Territorial Treasurer as  
36 abandoned funds.

37 G. Within 6 months after the last day specified in the  
38 notice for the filing of claims, or such longer period as

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may be allowed by the court in which notice of possession has been filed, the Commissioner shall:

(1) Reject any claim if he doubts the validity thereof.

(2) Determine the amount, if any, owing to each known creditor or depositor and the priority class of his claim under this Act.

(3) Prepare a schedule of his determinations for filing in the court in which notice of possession was filed.

(4) Notify each person whose claim has not been allowed in full and publish once a week for 3 successive weeks a notice of the time when and the place where the schedule of determinations will be available for inspection and the date, not sooner than 30 days thereafter, when the Commissioner will file his schedule in court.

H. Within 20 days after the filing of the Commissioner's schedule, any creditor, depositor or stockholder may file an objection to any determination made. Any objections so filed shall be heard and determined by the court, upon such notice to the Commissioner and interested claimants as the court may prescribe. If the objection is sustained the court shall direct an appropriate modification of the schedule. After filing his schedule the Commissioner may, from time to time, make partial distribution to the holders of claims which are undisputed or have been allowed by the court, if a proper reserve is established for the payment of disputed claims. As soon as is practicable after the determination of all objections the Commissioner shall make final distribution.

I. (1) The following claims shall have priority:

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(a) Obligations incurred by the Commissioner, exclusive of his salary.

(b) Wages and salaries of officers and employees earned during the 3-month period preceding the Commissioner's possession in an amount not exceeding \$2,250.00 for any one person.

(c) Fees and assessments due to the Board.

(d) Deposits to the extent of \$25.00 for each depositor.

(2) After the payment of all other claims with interest at the maximum rate permitted by the Board on time deposits, the Commissioner shall pay claims otherwise proper which were not filed within the time prescribed.

If the sum available for any class is insufficient to provide payment in full, such sum shall be distributed to the claimants in the class pro rata.

J. Any assets remaining after all claims have been paid shall be distributed to the stockholders in accordance with their respective interests.

K. Unclaimed funds remaining after completion of the liquidation shall also be retained for 5 years by the Commissioner unless sooner claimed by the owner. At the expiration of such period the remaining sums shall be transferred to the Territorial Treasurer as abandoned funds.

L. When the assets have been distributed in accordance with this Act, the Commissioner shall file an account with the court. Upon approval thereof, the Commissioner shall be relieved of liability in connection with the liquidation and the charter shall be cancelled.

1 Sec. 37. Title 4 of Article III of Chapter 129, Session  
2 Laws of Alaska, 1951, is hereby renumbered Title 5 and Sections  
3 3.502 through 3.507 and Section 3.509 are hereby repealed and  
4 reenacted to read as follows:

5 N SECTION 3.502. UNAUTHORIZED ASSUMPTION OF LIABILITY.  
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8 Except as expressly permitted in this Act, a territorial  
9 bank shall not assume liability as an insurer or as a  
10 guarantor or indorser of any security instrument or obliga-  
11 tion in which or with respect to which it has not property  
12 interest except as authorized in Section 3.220.

13 SECTION 3.503. RECEIPT OF DEPOSITS WHILE INSOLVENT,  
14 PROHIBITED.

15 It shall be unlawful for a bank to receive any deposit  
16 while insolvent or for an officer, director or employee who  
17 known or, in the proper performance of his duty, should know  
18 of such insolvency to receive or authorize the receipt of  
19 such deposit.

20 SECTION 3.504. UNLAWFUL SERVICE AS OFFICER OR DIRECTOR.

21 It shall be unlawful for any person to serve as an  
22 officer or director of a bank who:

23 (1) Has been convicted of an offense constituting  
24 in the jurisdiction in which the judgment was rendered  
25 a violation of the banking laws, a felony or a breach  
26 of trust.

27 (2) Is indebted to the bank for more than 30 days  
28 upon a judgment that has become final.

29 (3) Has any interest adverse to the bank unless  
such interest is disclosed promptly and fully in writing  
to its board of directors.

1 N SECTION 3.505. UNLAWFUL GRATUITY OR COMPENSATION: TRANS-  
2 U ACTIONS OF PERSONS CONNECTED WITH TERRITORIAL BANK,

3 A. It shall be unlawful for an affiliate of a bank or  
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5 T of a bank,  
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7 (1) To solicit, accept or agree to accept,  
8 directly or indirectly, from any person other than the  
9 institution any gratuity, compensation or other personal  
10 benefit for any action taken by the institution or for  
11 endeavoring to procure any such action,

12 (2) To have any interest, directly or indirectly,  
13 in the proceeds of a loan or of a purchase or sale made  
14 by the bank, unless such loan, purchase or sale is  
15 expressly authorized by this Act or by rule of the  
16 Board and is approved in advance by vote of two-thirds  
17 of all the directors of the bank, any interested direc-  
18 tor or trustee taking no part in such vote.

19 (3) To have any interest, direct or indirect, in  
20 the purchase at less than its face value of any evidence  
21 of indebtedness issued by the institution,

22 (4) To discount or make any loan, directly or  
23 indirectly, upon any note or other evidence of indebted-  
24 ness known to have been offered to the institution for  
25 discount or as security for a loan and to have been  
26 refused by it.

27 B. In this and Section 3.511 the term "affiliate"  
28 shall include:

29 (1) Any person who holds a majority of the stock  
of a bank or has been determined by the Board to hold

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a controlling interest therein, any other corporation in which such person owns a majority of the stock and any partnership in which he has an interest.

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(2) Any corporation in which the institution or an officer, director or employee thereof holds a majority of the stock and any partnership in which such person has an interest.

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(3) Any corporation of which a majority of the directors are officers, directors or employees of the institution or of which officers, directors, trustees or employees constitute a majority of the directors of the institution.

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SECTION 3.506. UNLAWFUL CONCEALMENT OF TRANSACTIONS.

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It shall be unlawful for an officer, director, employee, attorney or agent of a bank to conceal or endeavor to conceal any transaction of the bank from any officer, director or employee of the bank or any official or employee of the Board or Commissioner to whom it should properly be disclosed.

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SECTION 3.507. UNLAWFUL FAILURE TO MAKE OR PUBLISH REPORTS REQUIRED BY BOARD.

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Every bank which fails to make, transmit or publish any report required under Sections 2.109 and 2.110 shall be subject to penalty of \$25.00 per day for each day's delay in publication after the date of publication directed by the Commissioner.

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SECTION 3.509. IMPROPER MAINTENANCE OF ACCOUNTS; FALSE OR DECEPTIVE ENTRIES AND STATEMENTS; OBSTRUCTION OF EXAMINATION.

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It shall be unlawful for an officer, director, employee

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or agent of a bank:

A. To maintain or authorize the maintenance of any account of the bank in a manner which, to his knowledge, does not conform to the requirements prescribed by this Act or by the Commissioner or the Board.

B. With intent to deceive, to make any false or misleading statement or entry or omit any statement or entry that should be made in any book, account, report, or statement of the institution.

C. To obstruct or endeavor to obstruct a lawful examination of the institution by an officer or employee of the Department.

Sec. 38. Title 4 of Article III of Chapter 129, Session Laws of Alaska, 1951 (being that section renumbered Title 5 by Sec. 37 of this Act) is hereby amended by adding thereto the following sections to read as follows:

SECTION 3.511. UNAUTHORIZED DEALING IN SECURITIES.

It shall be unlawful for a bank or an officer, director, employee or affiliate of a bank to engage in the business of issuing, floating, underwriting, distributing, or promoting the sale of stocks, bonds or other securities, except securities issued or guaranteed as to principal and interest by the United States or any agency thereof or by a state or territory of the United States, or a subdivision of instrumentality, or public authority organized under the laws of, such state or territory, or pursuant to an interstate compact between two or more states, or to be an officer, trustee, director, employee, stockholder or partner of any person engaged principally in any such business.

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SECTION 3.512. UNLAWFUL PAYMENT OF PENALTIES AND JUDG-  
MENTS AGAINST OTHERS; INCLUDING DIRECTORS AND OFFICERS.

It shall be unlawful for a territorial bank to pay a  
fine or penalty imposed by law upon any other person or any  
judgment against such person or to reimburse directly or  
indirectly any person by whom such fine, penalty or judgment  
has been paid, except in settlement of its own liability or  
in connection with the acquisition of property against which  
such judgment is a lien, or as provided in Section 3.212,

SECTION 3.513. UNLAWFUL USE OF WORDS "SAFE DEPOSIT".

It is a criminal offense against this Act <sup>for</sup> were any per-  
son to use the words "safe deposit", "safety deposit" or  
other words deceptively similar thereto, in connection with  
the rental of storage space, or in the title or name under  
which business was done, except:

(1) A person subject to the jurisdiction of the  
Banking Department of this Territory; or

(2) A manufacturer or dealer in safe deposit  
facilities or equipment; or

(3) An association, the membership of which is  
composed of officers or institutions subject to the juris-  
diction of the Board or the Banking Department of any state  
or territory.

SECTION 3.514. DIRECTOR'S LIABILITY FOR EXCESSIVE LOANS.

Any loan made in violation of the provisions of Part  
D of Title 1, Article III of this Act, shall make the  
officers and directors of such bank authorizing or permitting  
the same, to be jointly and severally liable to the bank  
for such loan, which liability shall be in addition to other

1 N liabilities to the bank created by this Act.

2 U SECTION 3.515. UNAUTHORIZED LOANS TO OFFICERS AND  
3 EMPLOYEES.

4 A It shall be unlawful for any director, officer or  
5 E employee of any territorial bank to make loans to himself  
6 R out of the funds of such bank by note, overdraft or otherwise,  
7 without first having obtained permission from the board of  
8 directors of such bank.

9 SECTION 3.516. CRIMINAL SANCTIONS: VIOLATIONS OF RULES  
10 AND ORDERS.

11 A. Any person responsible for an act or omission ex-  
12 pressly declared to be a criminal offense by this Act shall  
13 be guilty:

14 (1) Of a misdemeanor punishable by imprisonment  
15 for a term not exceeding 1 year or a fine not exceeding  
16 \$10,000.00 or both.

17 (2) If the act or omission was intended to de-  
18 fraud, of a felony punishable by imprisonment not  
19 exceeding 5 years or a fine not exceeding \$20,000.00,  
20 or both.

21 B. An officer, director, employee, agent or attorney  
22 of a bank shall be responsible for an act or omission of the  
23 institution declared to be a criminal offense against this  
24 Act whenever, knowing that such act or omission is unlawful,  
25 he participates in authorizing, executing, ratifying or  
26 concealing such act, or in authorizing or ratifying such  
27 omission or, having a duty to take the required action,  
28 omits to do so.

29 A director shall be deemed to participate in any action

1 of which he has knowledge taken or omitted to be taken by  
2 the board of which he is a member unless he dissents there-  
3 from in writing and promptly notifies the Commissioner of  
4 his dissent.

5 C. It shall be a criminal offense against this Act to  
6 violate any lawful order of the Board or Commission, served  
7 upon it, or to knowingly violate any lawful rule, regulation  
8 or order of the Board.

9 D. Unless otherwise provided in this Act, it shall be  
10 no defense to a criminal prosecution hereunder that the  
11 defendant did not know the facts establishing the criminal  
12 character of the act or omission charged, if he could and  
13 should have known such facts in the proper performance of  
14 his duty.

15 Sec. 39. Title 5 of Article III of Chapter 129, Session  
16 Laws of Alaska, 1951, is hereby repealed.

17 Sec. 40. SAVINGS CLAUSE. Rules and Regulations, standards  
18 and orders promulgated by the Board under the terms of Chapter  
19 129, Session Laws of Alaska, 1951, and by the predecessor Board  
20 under the terms of Title 34, AGLA 1949, shall remain in effect  
21 except as herein modified or as hereafter modified or amended by  
22 the Board or the Commissioner, under the terms of this Act.

23 Sec. 41. Subsection 34-3-5 (b) and Section 34-3-7:AGLA,  
24 1949, are hereby repealed.

25 Sec. 42. This Act shall become effective June 1, 1955.

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