

Introduced: 2/5/74  
Referred: Commerce and Judiciary

1 IN THE HOUSE

BY FINK

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2 HOUSE BILL NO. 560

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wholly owned subsidiaries of  
7 financial institutions."

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

9 \* Section 1. AS 06.05.235(a) is amended to read:

10 (a) Except as provided in AS 06.15.270(b) and AS 06.30.610(10),  
11 it [IT] is unlawful for a corporation, foreign or domestic, to own,  
12 control or hold with power to vote, 10 per cent or more of the capital  
13 stock of a corporation subject to this chapter. Nothing in this  
14 section prohibits a corporation from qualifying as a domestic bank  
15 holding company as provided in (b) of this section. However, when  
16 it becomes a bona fide necessity to avoid loss for a creditor corpora-  
17 tion to accept shares of stock in the regulated corporation in payment  
18 of indebtedness owing to the creditor corporation, shares of stock  
19 may be so accepted, but in this case the shares of the regulated cor-  
20 poration shall be disposed of in accordance with regulations of the  
21 commissioner of commerce.

22 \* Sec. 2. AS 06.15.270 is amended to read:

23 Sec. 06.15.270. INVESTMENT IN CORPORATE SECURITIES. (a) Subject  
24 to the provisions of this chapter and any regulation under this chap-  
25 ter a mutual bank may invest in corporate securities, subject to the  
26 exercise of the same degree of care and prudence that persons prompted  
27 by self-interest generally exercise in their own affairs, and subject  
28 to the following limitations.

29 (1) No mutual bank may invest in any corporate obligation,

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1 other than under sec. 280 of this chapter, that will mature by its  
2 terms within one year from the date of its issuance, or if issued or  
3 made in series or repayable in installments, has an average maturity  
4 of less than one year.

5 (2) No mutual bank may

6 (A) invest in stocks an amount greater than 10 per  
7 cent of its assets or 100 per cent of its surplus and undivided  
8 profits, whichever is less;

9 (B) invest in common stock an amount greater than six  
10 per cent of its assets or 60 per cent of its surplus and undivided  
11 profits, whichever is less;

12 (C) invest in the common and preferred stocks of one  
13 issuer an amount greater than one per cent of its assets; or

14 (D) invest in more than two per cent of the total  
15 issued and outstanding shares of stock of any one issuer.

16 [(3) THE LIMITATIONS OF THIS SECTION DO NOT APPLY TO A  
17 MUTUAL BANK'S INVESTMENTS IN A WHOLLY OWNED SUBSIDIARY CORPORATION  
18 WHICH OWNS OR LEASES REAL OR PERSONAL PROPERTY FOR THE PURPOSE OF  
19 PROVIDING A BUILDING AND FACILITIES TO BE USED PRIMARILY FOR THE  
20 CONDUCT OF THE AUTHORIZED BANKING ACTIVITIES OF THE MUTUAL BANK.]

21 (b) Notwithstanding the limitations of (a) of this section, a  
22 mutual bank may own all of the outstanding shares of a banking corpora-  
23 tion or trust company formed or acquired by the mutual bank as a  
24 wholly owned subsidiary, so long as the business of the subsidiary  
25 (1) is conducted upon the premises of the mutual bank or its  
26 branches, or (2) is the ownership or rental of real or personal property  
27 for the purpose of providing a building and facilities to be used  
28 primarily for the conduct of the authorized banking activities of the  
29 mutual bank; and (3) is authorized by the commissioner of commerce and

1 the department, as provided under AS 06.05 and AS 06.25, upon the  
2 qualification of the subsidiary as an insured bank under the Federal  
3 Deposit Insurance Act and upon its compliance with relevant statutory  
4 sections and regulations. The wholly owned subsidiary may not be the  
5 survivor institution in a merger with the mutual bank, or be sold or  
6 transferred except in the case of liquidation under the order of the  
7 state banking director.

8 \* Sec. 3. AS 06.30.610 is amended by adding a new paragraph to read:

9 (10) shares of a banking corporation or trust company formed  
10 or acquired by the association as a wholly owned subsidiary so long as  
11 the business of the subsidiary is conducted upon the premises of the  
12 association, or its branches; the commissioner of commerce and the  
13 department shall, as provided under AS 06.05 or AS 06.25, authorize  
14 the commencement of business of the wholly owned subsidiary upon the  
15 qualification of the subsidiary as an insured bank under the Federal  
16 Deposit Insurance Act and upon its compliance with relevant statutory  
17 sections and regulations; however, the wholly owned subsidiary may not  
18 be the survivor institution in a merger with the association, or be  
19 sold or transferred except in the case of liquidation under the order  
20 of the state banking director.