

Original sponsor: Fink

Offered: 4/18/74
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1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 CS FOR 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, 25 [10] per cent or more of the
13 capital stock of a corporation subject to this chapter. Nothing in
14 this section prohibits a corporation from qualifying as a domestic bank
15 holding company as provided in (b) of this section. However, when it
16 becomes a bona fide necessity to avoid loss for a creditor corporation
17 to accept shares of stock in the regulated corporation in payment of
18 indebtedness owing to the creditor corporation, shares of stock may
19 be so accepted, but in this case the shares of the regulated corpora-
20 tion shall be disposed of in accordance with regulations of the commis-
21 sioner of commerce.

22 * Sec. 2. AS 06.05.540(9) is repealed and re-enacted to read:

23 (9) "domestic bank holding company" means a domestic corpora-
24 tion business trust, partnership, association or other similar organiza-
25 tion which directly owns, controls, or holds with power to vote 25 per
26 cent or more of the voting shares of one or more banks, or of a company
27 that is or becomes a bank holding company by virtue of this chapter or
28 that controls in any manner the election of a majority of the directors
29 of one or more banks; no bank and no company owning or controlling

1 voting shares of a bank is a bank holding company by virtue of its
2 ownership or control of shares in a fiduciary capacity and no company
3 is a bank holding company by virtue of its ownership or control of
4 shares acquired by it in connection with its underwriting of securities
5 if those shares are held only as long as necessary to permit their sale
6 on reasonable basis; and no company formed for the sole purpose of
7 participating in a proxy solicitation is a bank holding company by
8 virtue of its control of voting rights of shares acquired in the course
9 of that solicitation;

10 * Sec. 3. AS 06.15.270 is amended to read:

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

17 (1) No mutual bank may invest in any corporate obligation,
18 other than under sec. 280 of this chapter, that will mature by its
19 terms within one year from the date of its issuance, or if issued or
20 made in series or repayable in installments, has an average maturity
21 of less than one year.

22 (2) No mutual bank may

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

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

29 (C) invest in the common and preferred stocks of one

1 issuer an amount greater than one per cent of its assets; or

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

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

9 (b) The limitations of (a) of this section do not apply to

10 (1) a mutual bank's investment in a wholly owned subsidiary
11 corporation which owns or leases real or personal property for the
12 purpose of providing a building and facilities to be used primarily
13 for the conduct of the authorized banking activities of the mutual
14 bank;

15 (2) a mutual bank's investment in all of the outstanding
16 shares (other than shares owned by directors as may be necessary for
17 their qualification as directors) of a banking corporation or trust
18 company formed or acquired by the mutual bank as a subsidiary, so long
19 as (A) the subsidiary banking corporation conforms to the requirements
20 and restrictions imposed in sec. 285 of this chapter and (B) the
21 principal purpose and business of the mutual bank remains the operation
22 of a mutual bank consistent with the objectives of sec. 10 of this
23 chapter.

24 * Sec. 4. AS 06.15 is amended by adding a new section to read:

25 AS 06.15.285. AUTHORIZATION AND OPERATION OF WHOLLY OWNED SUBSI-
26 DIARIES OF MUTUAL BANKS. (a) A banking corporation or trust company
27 formed or acquired by a mutual bank as a wholly owned subsidiary shall be
28 authorized to commence business by the commissioner as provided under
29 AS 06.05 or ch. 5 or ch. 25 of this title upon (1) the qualification

1 of the subsidiary as an insured bank under the Federal Deposit Insurance
2 Corporation and (2) the subsidiary's compliance with relevant laws
3 and regulations.

4 (b) The business of the subsidiary shall be conducted upon the
5 premises of the mutual bank or its branches.

6 (c) The subsidiary or its directors may not lend to or borrow
7 from the mutual bank.

8 (d) The subsidiary may not be the survivor institution in a
9 merger with the mutual bank, or be sold or transferred except in the
10 case of liquidation under the order of the state banking director.

11 (e) The department may promulgate regulations to govern trans-
12 actions between the subsidiary and the mutual bank.

13 * Sec. 5. AS 06.30.610 is amended by adding a new paragraph to read:

14 (10) all of the outstanding shares (other than those which
15 are owned by directors as may be necessary for their qualification as
16 directors) of a banking corporation or trust company formed or acquired
17 by the association as a subsidiary so long as

18 (A) the business of the subsidiary banking corporation
19 or trust company is conducted upon the premises of the association
20 or its branches; and

21 (B) the commencement of business of the subsidiary
22 banking corporation or trust company is authorized by the commis-
23 sioner of commerce as provided in ch. 5 or ch. 25 of this title.
24 The commissioner of commerce shall authorize the commencement of
25 business upon the qualification of the subsidiary banking corpora-
26 tion or trust company as an insured bank under the Federal
27 Deposit Insurance Act and upon its compliance with the provisions
28 of ch. 5 or ch. 25 of this title and the regulations promulgated
29 under them which are not inconsistent with this chapter. The

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subsidiary banking corporation or trust company may not be the survivor institution in a merger with the association, or be sold or transferred except in the case of liquidation under the order of the state banking director. Subject to the approval of the commissioner of commerce, the subsidiary may qualify as a depository for the association, notwithstanding any other provision.