

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE BY REQUEST

2 SENATE BILL NO. 533

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 06.15.270 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,

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

22 (1) a mutual bank's investment in a wholly owned subsidiary
23 corporation which owns or leases real or personal property for the
24 purpose of providing a building and facilities to be used primarily
25 for the conduct of the authorized banking activities of the mutual
26 bank;

27 (2) a mutual bank's investment in all of the outstanding
28 shares (other than shares owned by directors as may be necessary for
29 their qualification as directors) of a banking corporation or trust

1 company formed or acquired by the mutual bank as a subsidiary, so long
2 as (A) the subsidiary banking corporation conforms to the requirements
3 and restrictions imposed in sec. 285 of this chapter and (B) the
4 principal purpose and business of the mutual bank remains the operation
5 of a mutual bank consistent with the objectives of sec. 10 of this
6 chapter.

7 * Sec. 3. AS 06.15 is amended by adding a new section to read:

8 AS 06.15.285. AUTHORIZATION AND OPERATION OF WHOLLY OWNED SUBSI-
9 DIARIES OF MUTUAL BANKS. (a) A banking corporation or trust company
10 formed or acquired by a mutual bank as a wholly owned subsidiary shall be
11 authorized to commence business by the commissioner as provided under
12 ch. 5 or ch. 25 of this title upon (1) the qualification of the sub-
13 subsidiary as an insured bank under the Federal Deposit Insurance
14 Corporation and (2) the subsidiary's compliance with relevant laws
15 and regulations.

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

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

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

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

25 * Sec. 4. AS 06.30.610 is amended by adding a new paragraph to read:

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

1 (A) the business of the subsidiary banking corporation
2 or trust company is conducted upon the premises of the association
3 or its branches; and

4 (B) the commencement of business of the subsidiary
5 banking corporation or trust company is authorized by the commis-
6 sioner of commerce as provided in ch. 5 or ch. 25 of this title.
7 The commissioner of commerce shall authorize the commencement of
8 business upon the qualification of the subsidiary banking corpora-
9 tion or trust company as an insured bank under the Federal Deposit
10 Insurance Act and upon its compliance with the provisions of
11 ch. 5 or ch. 25 of this title and the regulations promulgated
12 under them which are not inconsistent with this chapter. The
13 subsidiary banking corporation or trust company may not be the
14 survivor institution in a merger with the association, or be sold
15 or transferred except in the case of liquidation under the order
16 of the state banking director. Subject to the approval of the
17 commissioner of commerce, the subsidiary may qualify as a deposi-
18 tory for the association, notwithstanding any other provision.
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