

Introduced: 2/11/82  
Referred: Labor & Commerce

1 IN THE SENATE

BY THE SPECIAL COMMITTEE ON BANKING  
BY REQUEST

2 SENATE BILL NO. 751

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to money market mutual fund accounts;  
7 and providing for an effective date."

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

9 \* Section 1. FINDINGS AND PURPOSE. The legislature finds that current  
10 rates of interest paid for monetary deposits in financial institutions in the  
11 state are significantly less than rates paid for other types of monetary  
12 investments. The purpose of this Act is to permit depository financial  
13 institutions to compete for funds now being transferred out of state to money  
14 market mutual funds.

15 \* Sec. 2. AS 06.01 is amended by adding a new section to read:

16 Sec.06.01.045. MONEY MARKET MUTUAL FUND ACCOUNTS. (a) A deposi-  
17 tory financial institution chartered or converted under this title may  
18 classify depositors in separate classifications according to the  
19 character, amount, regularity or duration of their dealings with the  
20 depository financial institution or in other reasonable classes as the  
21 depository financial institution may determine and may pay interest so  
22 that each depositor will receive the same ratable portion of interest as  
23 all others of that class.

24 (b) A depository financial institution may calculate and pay  
25 interest for a class of depositors by

26 (1) calculating the income on a part of its assets, which the  
27 depository financial institution shall designate from time to time as  
28 the basis for that calculation and for the purposes of calculations  
29 under (d) and (e) of this section;

1 (2) making reasonable deductions from the computation of  
2 income under (1) of this subsection for costs incurred in handling the  
3 deposits authorized by this section and adding an adequate amount to the  
4 institution's reserves and surplus; and

5 (3) paying the difference between the amounts calculated in  
6 (1) and (2) of this subsection ratably to all depositors in the class  
7 based on the dollar amount of each depositor's account.

8 (c) The computations and payment of interest as specified in (b)  
9 of this section shall be made at reasonable intervals as determined by  
10 the depository financial institution and shall at least be made annually.  
11 A depository financial institution shall pay interest on funds withdrawn  
12 before the end of an interest period at a rate or rates determined by  
13 the institution.

14 (d) In the event of a loss or if the depository financial insti-  
15 tution anticipates a loss on the portion of assets designated under (b)  
16 of this section, that loss or a provision for anticipated loss may be  
17 deducted from the income in computing the interest to be paid under (b)  
18 of this section.

19 (e) If a loss sustained or anticipated on the portion of assets  
20 designated under (b) of this section exceeds the income after deduction  
21 of costs provided in (b)(2) of this section, upon written notice to the  
22 department the depository financial institution may issue an order  
23 reducing its liability to each depositor classified under this section  
24 including, its liability for interest accrued on the class of deposits,  
25 and may divide the loss ratably among all the depositors of a class. If  
26 a depository financial institution realizes from the assets designated  
27 under (b)(1) of this section a greater amount than was fixed in an order  
28 of reduction, the excess shall be divided among the depositors whose  
29 accounts were reduced, but only to the extent of that reduction.

1 (f) Before a depository financial institution may classify deposi-  
2 tors under this section, it shall prepare a brochure describing the  
3 classification of accounts to be offered, the terms under which the  
4 accounts will be held, and the method of calculating interest to be paid  
5 on the accounts. The brochure, together with a written explanation of  
6 how the class or classes of accounts will be made available to the  
7 public, shall be submitted to the department for approval. Upon receipt  
8 of written approval from the department, the depository financial insti-  
9 tution may offer to the public in the manner and under the terms de-  
10 scribed in the brochure the deposit accounts authorized under this  
11 section.

12 (g) All deposits in a class subject to the provisions of this  
13 section are subject to additional reasonable conditions that the depart-  
14 ment may from time to time impose to effect the purposes of this section  
15 and to protect the depositors and the safety and soundness of the de-  
16 pository financial institution.

17 (h) A deposit authorized under this section is a general unsecured  
18 obligation of the depository financial institution.

19 (i) A depository financial institution shall, in a manner approved  
20 by the department, advise a depositor in an account subject to this  
21 section

22 (1) that the interest received by the depositor may vary;

23 (2) that the bank reserves the right to repay less than the  
24 full amount deposited under the circumstances set out in (e) of this  
25 section;

26 (3) that the deposit is not insured by the Federal Deposit  
27 Insurance Corporation, the Federal Savings and Loan Insurance Corpora-  
28 tion, or the National Credit Administration or that the amount insured  
29 by the Federal Deposit Insurance Corporation, the Federal Savings and

1 Loan Insurance Corporation, or the National Credit Administration is the  
2 amount of the deposit less any reduction provided in (e) of this section  
3 and

4 (4) that the deposit is

5 (A) a general obligation of the depository financial  
6 institution subject to reduction only as provided in (e) of this  
7 section;

8 (B) is unsecured;

9 (C) has no prior claim on the assets of the depository  
10 financial institution; and

11 (D) is not subordinated to claims of other depositors or  
12 general creditors.

13 \* Sec. 3. AS 06.01.050 is amended by adding a new paragraph to read:

14 (4) "depository financial institution" means a state-char-  
15 tered or converted bank, mutual savings bank, savings association or  
16 credit union as defined in AS 06.05.540.

17 \* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.-  
18 070(c).