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The Case for Bank Holding Companies

The arguments in support of bank holding companies may be classified into four broad categories: (1) improved operating results of individual banks; (2) strengthened capital structure of banks, thereby adding to depositor safety and reducing supervisory problems; (3) additional banking services to the communities

served by subsidiaries of these companies; and (4) better allocation of bank credit. In the terminology of the Bank Holding Company Act of 1956 the first two arguments relate to the "banking factors," while the last two relate to the "convenience and needs" of the community. Each argument is considered below.

IMPROVED OPERATING RESULTS

In virtually all applications from bank holding companies for additional acquisitions, it is argued that the operating efficiency of the acquired bank will improve as a result of affiliation. Bank holding company groups, by their very nature, have more possibilities for organizing the production of banking services than independent banks. The latter must produce banking services themselves or "buy" them from correspondents. Banks in a holding company group, however, may produce their own services or may buy them from nonaffiliated correspondents, from the lead bank¹² of the holding company group, from the holding company, or from a nonbanking subsidiary of the holding company. This greater flexibility may enable bank holding companies to use more efficient operating techniques.

For example, it may be more efficient to have the lead bank of a holding company or a nonbanking subsidiary provide computer services to all banks in a bank group than to have the same number of independent banks purchase such services from correspondents or produce the services for themselves.¹³ In other words, to the extent that economies of vertical integration exist in banking, a holding company can take advantage of them. Economies of scale are not the relevant consideration here, for if economies of scale exist in the production of banking services, they will exist for the large correspondent bank as well as for the lead bank

¹² The services that a bank might purchase from its holding company or another affiliate—or which a nonaffiliated bank might buy from its correspondent—include check clearing and collection services, investment advice, foreign banking services, purchases of equipment and supplies, employees benefit programs, and many others. For a comprehensive list of services offered by correspondent banks, see U.S. Congress, House, Banking and Currency Committee, 89th Cong., 2d sess., *Correspondent Relations: A Survey of Banker Opinion* (Oct. 21, 1964), pp. 25-26.

¹³ Refers to the dominant bank in the group.

of a holding company or a nonbanking subsidiary.

Another potential source of differences in operating efficiency, which is closely related to basic organizational structure, is in the quality of management. One of the major arguments in support of the holding company arrangement is that the holding company can acquire and train, for its affiliates, managers who are superior to the managers of comparable independent banks. This argument may be valid even though large city banks offer training programs to the managements of their small correspondents, because, it is argued, bank holding company systems are able to attract more talented individuals to the banking industry. They are able to do this because such a system can presumably offer greater challenges and opportunities for advancement to capable young men than can the typical independent bank.

Bank holding companies may also contribute to greater labor mobility within the banking industry and thus foster a more efficient allocation of labor resources, particularly management resources. The holding company can allocate its labor resources in a way that maximizes its profits, although not necessarily the profits of a particular subsidiary bank. Thus, while an independent bank is unlikely to suggest the transfer of one of its capable officers

to one of its correspondent banks in order to overcome a management problem at the latter, a holding company would effect such a transfer between subsidiaries if the holding company would benefit. Further, common pension plans within a holding company system can assist in overcoming some of the institutional barriers to labor mobility that currently exist in this country.

The above arguments support a position that subsidiary banks are able to operate more efficiently than comparable independent banks. However, improved operating results may also come from larger revenues. There are strong arguments to support a position that holding company subsidiaries are able to earn a greater return on assets. One is that the superior management capabilities of holding companies enable the subsidiary banks to earn a greater return on their investments through better investment management. Another is that subsidiary banks are able to commit a greater proportion of their assets to a high-yielding asset—loans. (This argument is examined in the discussion of bank credit, beginning on page 8.) Thus, the higher loans/assets ratio and the greater return on investments that subsidiaries can presumably achieve enable them to earn a larger return on assets than can comparable independent banks.

STRENGTHENED CAPITAL STRUCTURE

The second category of arguments in favor of bank holding companies is that they strengthen a bank's capital structure. A bank's capital may be increased by the sale of stock and/or the retention of earnings. Banking tradition and the pressures of bank examiners cause banks to maintain relatively conservative capital/deposits, capital/assets, and other capital ratios. Consequently, if a bank is to con-

tinue to meet the expanding credit and service demands of its community, it must continually increase its capital. The problem of maintaining capital ratios is particularly acute for banks located in rapidly growing areas.

For additions to capital, the independent bank must rely upon the sale of its own stock and/or upon its own retained earnings. Because no active market exists for the stock of

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small banks, these banks may have difficulty in securing sufficient capital from stock sales; and as a result, banking services in the community may suffer. Most independent banks are not able to import equity capital from other regions of the nation because, for all but the largest ones, the market for a bank's stock is largely confined to the bank's service area.

Economists who have analyzed bank holding companies have consistently concluded that the subsidiaries of bank holding companies have significant advantages over independent banks in acquiring new capital.¹⁴ The reason is that the stocks of most bank holding companies are traded in active national or regional markets. Thus, if the subsidiary banks are in need of additional capital, the holding company can acquire it by selling its own stock in these markets. It can also be said that holding companies are able to achieve a better alloca-

tion of equity capital than independent banks. Through stock sales the holding company is better able to acquire capital from capital-surplus areas and transfer this capital to banks that are located in areas characterized by a shortage of capital.

In addition, holding companies are capable of achieving a more satisfactory distribution of the retained earnings of banks. Under independent banking one might find some banks, especially those in slow-growth areas, building their capital ratios to levels in excess of that which is considered necessary, while other banks in rapidly growing areas may find their capital positions impaired because retained earnings are currently inadequate. The holding company, however, has the ability to allocate the aggregate retained earnings of the bank group in accordance with the needs of the individual banks.¹⁵

ADDITIONAL BANKING SERVICES TO THE COMMUNITY

The quantity and quality of banking services are somewhat related to the operating results of banks. A more efficient banking organization can offer banking services at a lower price or can offer additional or better services at the same price. However, holding companies also assert that they can provide some services to a community through their subsidiaries that a comparable independent bank cannot provide—services such as specialized business loans, special checking accounts, trust services, consumer credit, and so forth, that require highly specialized knowledge. A holding company subsidiary has the advantage of being able to draw upon specialized managerial talents from any of the banks in its bank group. While cor-

respondent banks can assist in the provision of specialized services, it is argued that the holding company arrangement results in closer cooperation among affiliated banks than would be the case with independent correspondent banks. Moreover, the ability to supply specialized banking services still depends to a large extent upon the capabilities of management at the individual bank; and holding companies declare that they are able, for reasons cited above, to supply their banks with better management.

¹⁴ The extent to which a bank holding company can achieve a more rational allocation of equity capital is dependent upon the degree of autonomy possessed by the directors and managements of the subsidiary banks. In order to achieve the optimum distribution of equity capital (or of bank credit), the managements of the subsidiary banks must desire to maximize the profits of the holding company, not necessarily their own bank's profits. The "carrot approach" to instilling this desire is to grant options on the stock of the holding company to the managements of the subsidiary banks.

¹⁵ See for example, W. Ralph Lamb, *Group Banking* (1961), pp. 148-51.

BETTER ALLOCATION OF BANK CREDIT

The potential supply of bank credit available to a given community depends in large part upon the income and the wealth of economic units in the community. The availability of bank loans to economic units in the community, however, is largely determined by the types of assets bankers choose to hold. If a bank has relatively large amounts of U.S. Government securities and "due from" balances in its asset structure, it is clear that large amounts of potential bank credit are being transferred away from this community. If there is little loan demand, this is desirable in terms of the optimum allocation of bank credit; but if potential bank credit is being transferred out of the community because the bank's management lacks the ability to make some specialized types of loans or because of restrictions imposed by the bank's lending limit, then the best allocation of bank credit is not being achieved. Holding companies assert that because they can provide management with the requisite skills and can overcome at least some of the limitations imposed by lending limits at individual banks, their banks can more adequately meet the credit needs of the community.

Benefits to the Community

The basic nature of the holding company form of banking organization permits component banks to commit a greater proportion of potential bank credit to the communities in which the subsidiary banks are located. Bank holding companies are generally comprised of banks located in different communities or in different sections of large metropolitan areas. Consequently, the combined portfolios of all of the subsidiaries of the holding company are more diversified than the portfolio of a single bank and, therefore, less risk would be associated with the holding company portfolio. Moreover, each individual subsidiary bank can assume that, should difficulties arise, assistance

would be available from its affiliates. For these reasons, the risk associated with a given level of loans would be less for a subsidiary bank than it would for a comparable independent bank; hence, with risk preference being equal, a subsidiary bank would have a higher loans/assets ratio than a comparable independent bank.

Correspondent banking operations in the United States supplement to some extent the capacity of unit banks or limited-branch banks to adequately meet the credit needs of their communities. Traditional banking practices call for the maintenance of deposit balances by small outlying banks (country banks) in large banks located in metropolitan areas (city banks). Part of the balance is maintained in order to facilitate the performance of the check-clearing service that the city bank renders to the country bank. The remaining or excess balance is maintained to compensate the city bank for other services that it renders to the country bank. Hence, the "cost" of these correspondent services to the country bank is the return that would have been earned on the excess balance if these funds had been used to purchase earning assets. This excess balance may be reasonably assumed to be required by the city bank and, therefore, should not be considered excess reserves. Were these excess balances not required, a high percentage of such funds would likely be channeled into local loans and into the purchase of local municipal bonds. Consequently, the "cost" to the outlying community of this correspondent banking arrangement is the loss of potential local bank credit.¹⁰

¹⁰ If country banks paid fees for correspondent services, the outlying community would gain. The country bank's profit would be unaffected, because the fee paid for the correspondent services is presumably equal to the income that the bank could derive by shifting its excess correspondent balances into earning assets. But the community served by the country bank would have additional credit resources available to it. For a discussion of the fee system and banker reaction to it, see: U.S. Congress, House, Banking and Currency Committee, 83rd Cong., 2d sess., *Correspondent Relations: A Survey of Banker Opinion* (Oct. 21, 1964), especially p. 61.

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How would bank credit be allocated under the holding company form of banking organization? One of the long-standing arguments against bank holding companies is that they drain money capital from rural and suburban areas, the beneficiary being the big city.¹⁷ In rebuttal, the supporters of bank holding companies stress the independence of the directors of the subsidiary banks.¹⁸ Presumably these directors are local leaders who strive to and are able to protect their community's interests. A good case can be developed to support both arguments. However, if the holding company acts to maximize its profits, the loanable funds would be channeled into those areas where the highest net return (after allowance for risk) is available. Such an allocation of bank loans means that potential bank credit would be transferred from communities with relatively little loan demand to communities with high loan demand.

Greater Credit Mobility

Credit mobility is required to meet the credit needs of many communities because (1) some communities will be capital-surplus areas while others will be capital-deficit areas; and (2) some borrowers in a given community will have credit needs that exceed the lending limits of the local banks. Two important arrangements that the banking system in the United States has used to achieve mobility are participation loans and the sale of loan paper from one bank to another and from banks to other financial intermediaries. These arrangements have not been fully available to the subsidiaries of a bank holding company because of certain provisions in the original 1956 Act. Under the original Act the sale of loan paper and the granting of a loan by one bank's subsidiary

to another bank in the same holding company were prohibited. Because of these restrictions, loan participations between banks in the same group had to be arranged at the time the loan was made. Such restrictions did not, however, apply to transactions between an independent country bank and its city correspondent. Critics of the original Act argued that these restrictions prevented, in some degree, the realization of one of the significant advantages of bank holding companies—greater interregional mobility of bank credit.

Though the provisions of the original Act appeared to place subsidiaries of bank holding companies at a disadvantage to independent banks in terms of making loan participations and of buying and selling loan paper,¹⁹ strong arguments remained in support of a position that greater credit mobility could be achieved via a holding company arrangement than via independent banks linked by conventional correspondent relationships.²⁰

The extent to which loan participations are employed clearly depends upon the willingness of small banks to request participation by their city correspondent and upon the willingness of the latter to do so. Small independent banks are often reluctant to seek participations from the large correspondent banks for fear that the customer will be lost to the large bank. This fear is apparently often justified, for in a survey of city correspondents, the large banks

¹⁷The restrictions were not so damaging to holding companies as it may at first appear. Although it was not legal for, say, Subsidiary Bank A to purchase loan paper from Subsidiary Bank B (if A and B are subsidiaries of the same holding company), Bank A could increase Bank B's liquidity by making a direct loan to one of Bank B's customers. This loan would enable the customer to repay his loan at Bank B. The final result would be the same as if Bank A had purchased an equivalent amount of loan paper directly from Bank B.

¹⁸The superiority of the holding company arrangement in providing for credit mobility was one of the major arguments used in the application of Morgan New York State Corporation to become a bank holding company. See *Federal Reserve Bulletin*, May 1962, pp. 567-92.

In a separate statement accompanying the Board's denial of the application, Governor G. W. Mitchell questioned the Applicant's assertions that the proposed holding company could allocate credit more efficiently than would be the case under the existing correspondent banking network (see p. 592).

¹⁹See for example, Governor J. L. Robertson's dissent in the Denver U.S. Bancorporation case, *Federal Reserve Bulletin*, Nov. 1963, p. 1529.

²⁰Marcus Nadler and Jules I. Bogen, *The Bank Holding Company* (1959), p. 27.

were asked how many times they would carry overlines of the same borrower before expecting the borrower to establish a direct relationship with them. Typical replies were "2 or 3 years" and "no set number of times, but we do feel that the local bank should assist us in obtaining a direct relationship if the borrower has permanently outgrown the lending limit of his local bank."²¹

A holding company subsidiary is less likely to be reluctant to seek loan participation from the lead bank of its group because the holding company would probably prohibit one of its banks from pirating the account of a customer of another of its subsidiary banks. Also, in securing loan participation the small independent bank is in a relatively poor bargaining position with respect to, say, the large money-market banks. A subsidiary of a bank group, given that the banks in the group have substantial interbank balances with a money-market bank, would be in a much better position to bargain for loan participations.

In addition to arranging loan participations, local banks can meet the excess credit demand of the community by selling their existing loan paper to other commercial banks or other financial intermediaries. Despite the prohibition that was placed on the sale of loans to holding company subsidiaries, the holding company arrangement probably enabled a subsidiary bank to dispose of loan paper more easily than a comparable independent bank because the latter could not generate the volume of loans needed to interest institutional buyers of loan paper, such as, life insurance companies and savings and loan associations. The bank holding company, however, can make arrangements with these institutions to purchase the loan paper of all of the subsidiaries in the bank group and thus assure the institution of a steady flow in reasonably large volume. The ability of the holding company to standardize

credit procedures further aids in facilitating such transactions.

Effects of the Amended Act

The restrictions upon loan participations and upon the sale of loan paper between banking subsidiaries of the same holding company were based on section 6 of the original Bank Holding Company Act. This section was repealed by the 1966 amendment; but section 23A of the Federal Reserve Act was amended so that its restrictions on banking affiliates were also applied to the subsidiaries of bank holding companies.²² These restrictions state that a banking affiliate may not loan or otherwise extend credit to another affiliate or to the holding company if the total amount of loans or extensions of credit to the other affiliate exceeds 10 per cent of the lending affiliate's capital and surplus or if the total amount of loans or extensions of credit to all affiliates (including the holding company) exceeds 20 per cent of the lending affiliate's capital and surplus. (Under the original Act, loans from one banking subsidiary to another or to the holding company, that is, "cross-stream" and "upstream" loans, were prohibited.) However, because the purchase of loan paper without recourse is not considered an extension of credit, it appears that no significant restrictions now exist on the purchase of loan paper by one subsidiary from another or on loan participations between subsidiaries.

The extent to which the restrictions of the original Act prevented holding companies from achieving their desired allocation of bank credit is not known; but whatever the extent, these barriers now appear to have been substantially eliminated.

²² Under section 23A, a banking affiliate includes any corporation of which a member bank owns or controls more than 50 per cent of the voting shares. In the amended section 23A, affiliate now includes, with respect to any insured bank, any bank holding company of which such bank is a subsidiary as defined by the 1956 Bank Holding Company Act, and any other subsidiary of this bank holding company.

²¹ "Participation Loans," *Banking*, Jan. 1955, p. 49.

Sec. 10. AS 06.05.235 is repealed and AS 06. is amended by adding a new chapter 06 Bank Holding Companies to read:

06.06.005 - DEFINITIONS. (a) "Bank holding company" means any company (1) that directly or indirectly owns, controls, or holds with power to vote 10 per centum or more of the voting shares of any bank or of a company that is or becomes a bank holding company by virtue of this chapter or (2) that controls in any manner the election of a majority of the directors of any bank; and, for the purposes of this chapter, any successor to any such company shall be deemed to be a bank holding company from the date as of which such predecessor company became a bank holding company. Notwithstanding the foregoing, (A) no bank and no company owning or controlling voting shares of a bank shall be a bank holding company by virtue of such bank's ownership or control of shares in a fiduciary capacity, except as provided in paragraphs (2) and (3) of subsection (g) of this section, (B) no company shall be a bank holding company by virtue of its ownership or control of shares acquired by it in connection with its underwriting of securities if such shares are held only for such period of time as will permit the sale thereof on a reasonable basis, and (C) no company formed for the sole purpose of participating in a proxy solicitation shall be a bank holding company by virtue of its control of voting rights of shares acquired in the course of such solicitation.

(b) "Company" means any corporation, general or limited partnership, joint adventure, business trust or any other trust unless by its terms it must terminate within twenty-five years or not later than twenty-one years and ten months after the death of individuals living on the

effective date of the trust, but shall not include any corporation the majority of the shares of which are owned by the United States or by the State of Alaska.

(c) "Bank" means any financial institution in this state that accepts deposits that the depositors have a legal right to withdraw on demand.

(d) "Subsidiary", with respect to a specified bank holding company, means (1) any company 10 per centum or more of whose voting shares is directly or indirectly owned or controlled by such bank holding company, or is held by it with power to vote; or (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company.

(e) The term "successor" shall include any company which acquires directly or indirectly from a bank holding company shares of any bank, when and if the relationship between such company and the bank holding company is such that the transaction effects no substantial change in the control of the bank or beneficial ownership of such shares of such bank.

(f) "Commissioner" means the commissioner of commerce.

(g) For the purposes of this chapter

(i) shares owned or controlled by any subsidiary of a bank holding company shall be deemed to be indirectly owned or controlled by such bank holding company;

(2) shares held or controlled directly or indirectly by trustees for the benefit of (A) a company, (B) the shareholders or members of a company, or (C) the employees (whether exclusively or not) of a company, shall be deemed to be controlled by such company; and

shares
(3) transferred after the effective date of this act by any bank holding company (or by any company which, but for such transfer, would be a bank holding company) directly or indirectly to any transferee that is indebted to the transferor, or has one or more officers, directors, trustees, or beneficiaries in common with or subject to control by the transferor, shall be deemed to be indirectly owned or controlled by the transferor unless the Commissioner, after opportunity for hearing, determines that the transferor is not in fact capable of controlling the transferee.

06.06.010 - ACQUISITION OF BANK INTERESTS. (a) It shall be unlawful, except with the prior approval of the Commissioner, (1) for any action to be taken that causes any company to become a bank holding company; (2) for any action to be taken that causes a bank to become a subsidiary of a bank holding company; (3) for any bank holding company to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank; (4) for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substantially all of the assets of a bank: or (5) for any bank holding company to merge or consolidate with any other bank holding company. Notwithstanding the foregoing this prohibition shall not apply to (A) shares acquired by a bank, (i) in good faith in a fiduciary capacity, except where such shares are held under a trust that constitutes a company as defined in section 5(b) and except as provided

in paragraphs (2) and (3) of section (5) g, or (ii) in the regular course of securing or collecting a debt previously contracted in good faith, but any shares acquired after the effective date of this act in securing or collecting any such previously contracted debt shall be disposed of within a period of two years from the date on which they were acquired; or (B) additional shares acquired by a bank holding company in a bank in which such bank holding company owned or controlled a majority of the voting shares prior to such acquisition.

(b) The Commissioner shall not approve

(1) any acquisition or merger or consolidation under this section which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking, or

(2) any other proposed acquisition or merger or consolidation under this section whose effect may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Commissioner finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

(c) In every case, the Commissioner shall take into consideration the financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the community to be served.

(d) No application under this section shall be approved unless the resulting bank holding company or bank holding companies maintains its principal office and conducts its principal operations in Alaska.

06.06.015 - ACQUISITION OF NONBANK INTERESTS. (a) Except as otherwise provided in this Act, no bank holding company shall

(1) after the effective date of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or

(2) after two years from the effective date of this Act or the date it becomes a bank holding company, whichever is later, retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company or engage in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 10 per centum or more of the voting shares.

The Commissioner may, upon application by a bank holding company, extend the period referred to in paragraph (2) above from time to time as to such bank holding company for not more than one year at a time, if, in his judgment, such an extension would not be detrimental to the public interest, but no such extensions shall in the aggregate exceed three years.

(b) The prohibitions in this section shall not apply to

(1) shares of any company engaged or to be engaged solely in one or more of the following activities: (A) holding or operating properties

used wholly or substantially by any banking subsidiary of such bank holding company in the operations of such banking subsidiary or acquired for such future use; or (B) conducting a safe deposit business; or (C) furnishing services to or performing services for such bank holding company or its banking subsidiaries; or (D) liquidating assets acquired from such bank holding company or its banking subsidiaries or acquired from any other source prior to the effective date of this Act, or the date on which such company became a bank holding company, whichever is later;

(2) shares acquired by a bank in satisfaction of a debt previously contracted in good faith, but such bank shall dispose of such shares within a period of two years from the date on which they were acquired, except that the Commissioner may upon application by such bank holding company extend such period of two years from time to time as to such holding company for not more than one year at a time if, in his judgment, such an extension would not be detrimental to the public interest, but no such extensions shall extend beyond a date five years after the date on which such shares were acquired;

(3) shares acquired by such bank holding company from any of its subsidiaries which subsidiary has been requested to dispose of such shares by any Federal or State authority having statutory power to examine such subsidiary, but such bank holding company shall dispose of such shares within a period

of two years from the date on which they were acquired;

(4) shares held or acquired by a bank in good faith in a fiduciary capacity, except where such shares are held under a trust that constitutes a company as defined in section 5(b) and except as provided in paragraphs (2) and (3) of section 5(g) ;

(5) shares which are of the kinds and amounts eligible for investment by national banking associations under federal law;

(6) shares of any company which do not include more than 5 per centum of the outstanding voting shares of such company;

(7) shares of an investment company which is not a bank holding company and which is not engaged in any business other than investing in securities, which securities do not include more than 5 per centum of the outstanding voting shares of any company;

(8) shares retained or acquired with the approval of the Commissioner in any company performing any activity that the Commissioner has determined, after notice and opportunity for hearing, is functionally related to banking in such a way that its performance by a subsidiary of a bank holding company can reasonably be expected to produce benefits to the public that outweigh possible adverse effects;

(9) shares lawfully acquired and owned prior to the effective date of this Act by a bank which

is a bank holding company, or by any of its wholly owned subsidiaries.

06.06.020 - LIABILITY OF BANK HOLDING COMPANIES. A bank holding company is primarily liable for the payment of the debts of its subsidiaries which are banks.

06.06.025 - ADMINISTRATION. (a) Within one hundred and eighty days after the effective date of this Act, or within one hundred and eighty days after becoming a bank holding company, whichever is later, each bank holding company shall register with the Commissioner on forms prescribed by the Commissioner, which shall include such information with respect to the financial condition and operations, management, and intercompany relationships of the bank holding company and its subsidiaries, and related matters, as the Commissioner may deem necessary or appropriate to carry out the purposes of this chapter. The Commissioner may, in its discretion, extend the time within which a bank holding company shall register and file the requisite information.

(b) The Commissioner is authorized to issue such regulations and orders as may be necessary to enable it to administer and carry out the purposes of this chapter and prevent evasions thereof.

(c) The Commissioner from time to time may require reports to keep him informed as to whether the provisions of this chapter and such regulations and orders issued thereunder have been complied with; and the Commissioner may make examinations of each bank holding company and each subsidiary thereof, the cost of which shall be assessed against, and paid by, such holding company. The Commissioner shall

use available reports of examinations by federal and state supervisory authorities for the purposes of this section.

administrative

(d) All/proceedings under this chapter shall be conducted in accordance with AS 44.62.330 - 630.

06.06.030 - EXEMPTIONS. This chapter does not apply to bank holding companies which are registered under the Federal Bank Holding Company Act of 1956.

06.06.035 - INJUNCTIONS AND PROSECUTION OF OFFENSES.

(a) Whenever it shall appear to the Commissioner, either upon complaint or otherwise, that the provisions of this chapter, or of any regulation prescribed under its authority, have been or are about to be violated, he may, in his discretion, either require or permit any person or company to file with him a statement in writing as to all the facts and circumstances concerning the subject matter which the Commissioner believes to be in the public interest to investigate, and may investigate such facts.

(b) Whenever it shall appear to the Commissioner that any person or company is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this chapter, or of any regulation prescribed under its authority, he may in his discretion, bring an action in the Superior Court for the State of Alaska, to enjoin such acts or practices, and upon a proper showing temporary or permanent injunctive relief shall be granted. The Commissioner may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute appropriate criminal proceedings.

06.06.040 - PENALTIES. Any company which willfully violates any provision of this chapter, or any regulation or order issued by the Commissioner pursuant thereto, shall upon conviction be fined not more than \$1,000 for each day during which the violation continues. Any individual who willfully participates in a violation of any provision of this chapter, or any regulation or order issued by the Commissioner pursuant thereto, shall upon conviction be fined not more than \$10,000 or imprisoned not more than one year, or both. Every officer, director, agent and employee of a bank holding company or a subsidiary who willfully makes false entries in any book, report, or statement of such bank holding company shall upon conviction be fined not more than \$10,000 or imprisoned not more than 5 years, or both.

06.06.045 - JUDICIAL REVIEW. Any party aggrieved by an order of the Commissioner under this chapter may obtain judicial review in accordance with AS 44.62.560 - 570.