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STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

March 24, 1982

The Honorable Bob Mulcahy
Chairman
Senate Labor and Commerce Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: SB 756

Dear Senator Mulcahy:

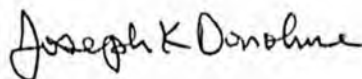
The Department of Revenue would like to propose that the following amendment be added to SB 756 which is presently in your Committee. The amendment would allow the Department to promulgate regulations for multistate financial institutions under Chapter 43.70.

AS 43.70.000. The department may adopt regulations necessary to determine and collect the fees imposed [AND TO ENFORCE] by this chapter and may promulgate regulations defining the necessary methods of combination and apportionment for multistate financial institutions required to file under this chapter.

Financial institutions are not covered by the corporate income tax statute (AS 43.20) in Alaska. They are treated instead under AS 43.70.030(b), the Alaska Business License Act, and the license fee for these institutions is seven percent of their net income. Although the Department feels that it has the authority to promulgate regulations defining methods of combination and apportionment for multistate financial institutions, the amendment would clarify that position and that the treatment for multistate financial institutions is the same as other multistate corporations for taxing purposes.

The attached fiscal note is for an auditor position to monitor the new corporations the bill would permit to operate in the state.

Sincerely,



Joseph K. Donohue
Deputy Commissioner, Taxation

JKD:DLC:jas

Enclosure

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 756
 Title An Act relating to the ownership of financial institutions
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Revenue
 Program Category Affected Audit
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		45.0	45.0	45.0	45.0	45.0
200 TRAVEL		5.0	5.0	5.0	5.0	5.0
300 CONTRACTUAL						
400 COMMODITIES		.3	.3	.3	.3	.3
500 EQUIPMENT		1.2				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		51.5	50.3	50.3	50.3	50.3

FUNDING (Thousands of Dollars)

GENERAL FUND		51.5	50.3	50.3	50.3	50.3
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME		1	1	1	1	1
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE March 16, 1982 PREPARED BY *R. Keen* N. David Ziemer
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2319
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

opinion

3/18/82

Anchorage Daily News

Winner, 1976 Pulitzer Prize Gold Medal for Public Service

Katherine Fanning
Editor and Publisher

Stan Abbott
Executive Editor



Gerald E. Grilly
General Manager

Howard Weaver
Managing Editor

Lawrence Fanning, Editor and Publisher 1967 to 1971
Alaska's Only Morning Newspaper • Founded in 1946 by Norman C. Brown

Interstate banking needs close look

An idea that cropped up in a hurry last legislative session — interstate banking in Alaska — is back on the agenda in Juneau. Legislators who Monday took testimony on proposals to lower the barriers against Outside penetration of Alaska's banking industry would do well to study carefully before taking any action on the matter.

The issues are complex. Competition among financial institutions; financial resources and services available to Alaskans; flows of capital into and out of the state; short- and long-term interests of bank shareholders; control over important economic resources; benefits or disadvantages to local consumers . . . all would be affected by a major change in state banking law. Wider political concerns include the desires of major banks to break down interstate banking barriers nationwide — and the resulting concentration of power and resources that could ensue.

Last year, legislators wisely rejected special legislation to allow interstate banking here — a proposal sought by Seattle's Rainier Bancorporation when it wanted to acquire Anchorage's Security National Bank. The abruptness and reach of the plan troubled local bankers and politicians alike, and it was tabled for later consideration. Now the issue is back, and Rainier, among others, is still in the market.

Legislators should move cautiously, as any good banker would do. If Alaskans can benefit by improved services, increased financial resources and more sophisticated financing options, the proposal may have real merit. But state leaders should know well the balance of costs and benefits that go with interstate banking before taking action on any such plan.

and shareholders.

(h) As used in this section "out-of-state bank holding company" means a company that

(1) is a bank holding company as defined in the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841, et seq.);

(2) is registered as a bank holding company with the Board of Governors of the Federal Reserve System, with the Federal Reserve Bank of the Federal Reserve District in which the operations of the bank holding company are principally conducted, or with a Federal Reserve Bank that the Board of Governors may designate;

(3) maintains its principal office and place of business outside the state; and

(4) principally conducts its *[BANKING] operations [THROUGH OUT-OF-STATE BANKING SUBSIDIARIES], as measured by total deposits held or controlled by it on the date on which it becomes an out-of-state bank holding company;

*[(i) FOR THE PURPOSE OF THIS SECTION, A TRUST COMPANY ORGANIZED UNDER THE LAWS OF THIS STATE WHICH IS CONDUCTING A BANKING BUSINESS SHALL BE DEEMED TO BE A STATE BANK.]

*Sec. 5. [THIS ACT TAKES EFFECT IMMEDIATELY IN ACCORDANCE WITH AS 01.10.070(c).]

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

February 18, 1982

Honorable Bob Mulcahy
Chairman
Senate Labor and Commerce
Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

Thank you for your request for a position statement and fiscal note on SB 756.

SB 756, an act relating to ownership of financial institutions by out-of-state bank holding companies, this department and the Division of Banking, Securities, Small Loans and Corporations, although not necessarily advocating interstate banking, does support the full legislative process in determining the needs of the state, its citizens and a sound financial community. We opposed the special interest activity noted on this subject during the last legislative session.

SB 756 is acceptable inasmuch as it is not limited or restrictive to any size, condition, location, etc., of the bank holding company or subsidiary bank. We feel if interstate banking is going to be a benefit to the state it should go through the bank holding company structure. This will tend to preserve the dual banking system and also maintain some Alaska (community) management control and local interest of the subsidiary bank.

As to the regulatory scheme toward the proposed legislation, we see no problem as specifics in public protection are covered under the Alaska Banking Code and can be implemented by regulations. If, however, restricted activity or limiting provisions are amended in the bill, there may be serious problems in regulation and enforcement ability by the department.

Sincerely,

Edward W. Eboch

Edward W. Eboch
Deputy Commissioner

EHE/wfs 3/3

08-H2L-

Enclosures



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Summary SB 756:

Amends the Alaska Banking Code (AS 06.05) to allow ownership of "in state" banks by out of state bank holding companies. Adds a new subsection to allow an out of state bank holding company to acquire and own all, or a portion of the voting securities or other capital stock of, or all or substantially all of the assets of, one or more state banks, domestic bank holding companies, or national banks conducting business in the state unless the national bank is a "recently formed bank". A recently formed bank is one that has conducted banking business in the state on or after July 1, 1982, and that has not been in existence and continuously operating in the state for a period of three years or more.

Would allow the state to require "out of state" bank holding companies to post a bond to assure full protection of the public. Provides that when the department considers it necessary, an out of state holding company is subject to an examination by the state or its designee.



Alaska State Legislature

Senate

Official Business

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SB 756 Sectional Analysis

Section 1) Amends AS 06.05.235 (a) which essentially removes the prohibition against a company to own, control, or hold with power to vote 25% or more of a class of voting securities or other capital stock of one or more state banks or domestic bank holding companies; inserts the word state before the word bank, and domestic before the words bank holding company throughout the section. See section 4 which enables the "out of state bank holding company" to participate in the acquisition of domestic banks, and addresses the criteria for the acquisition of a domestic bank.

Section 2) Section relates to domestic bank holding companies, the bond requirement and formula for a bond which may be required of a domestic bank holding company, and the required examination which must be conducted at least once a year.

Section 3) Grants the Alaskan regulator (Department of Commerce and Economic Dev) the right to adopt regulations for both domestic and out of state bank holding companies.

Section 4) enables out of state bank holding companies to acquire all, or a portion of the voting securities or other capital stock and assets of one or more state banks, domestic bank holding companies, or national banks conducting a business in the state. Defines the bond requirement and formula for the bond, and that when necessary, the department shall conduct an examination and the out of state bank holding company shall pay the fee. Further, defines recently formed bank, and the limitations on acquisition of Alaskan banks. Section also defines "out of state bank holding companies" and lists the criteria for becoming an out of state bank holding company.

SEE ATTACHMENT FOR SPECIFICS

Section 5) Effective date of July 1st, 1982.



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SB 756 Interstate Banking;

- 1) Enables interstate banking unless the bank is a "recently formed bank".
- 2) "Recently formed bank" is defined as a state or national bank conducting business in the state that commenced that business in the state on or after July 1st, 1982; and that has not been in existence and continuously operating in the state for a period of three years.
- 3) "Recently formed bank" does not include a bank:
 - a) organized solely for the purpose of facilitating acquisition of a bank that had been in existence and continuously operating in the state for a three year period, or conducting business on or before June 30th, 1982.
 - b) a state bank that was not chartered (directly or indirectly) by an acquiring bank holding company, and that the department determines does not have the capacity to conduct business independently in a manner consistent with the public interest.
 - c) a national bank that the Board of Governors of the Federal Reserve or its designee determines was not chartered (directly or indirectly) by an acquiring bank holding company, and that does not have the capacity to conduct its business independently in a fashion consistent with the public interest.
4. "Out of state bank holding company" is defined as:
 - a) a bank holding company as defined in the Bank Holding Company Act of 1956 (12 USC 1841, et seq.)
 - b) must be registered as a bank holding company with the Board of Governors of the Federal Reserve System, with the Federal Reserve Bank of the Federal Reserve District in which the operations are principally conducted, or with a Federal Reserve Bank that the Board of Governors may designate.
 - c) maintain its principal office and place of business outside the state;

d) principally conducts its operations out of the state, as measured by total deposits held or controlled by it on the date on which it becomes an out of state bank holding company.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

March 5, 1982

Honorable Bob Mulcahy
Chairman
Senate Labor and Commerce
Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

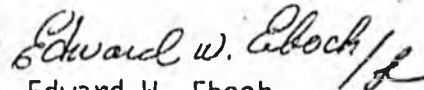
Re: Review on Interstate Banking Activity

You have asked the Division of Banking, Securities, Small Loans, and Corporations for some information concerning current activities in interstate banking. I have enclosed for your consideration a review of some of the activities that we are aware of; please bear in mind, however, that the review is not meant to be all inclusive.

The review mentions electronic automated teller machines as one current form of interstate banking. There are other forms like loan production offices, Edge Act offices, etc. The review also does not include foreign country banks that have branches in various states. California, Oregon, and Washington, for example, have foreign banks in their states. California claims that the Japanese banks in California were one of the major economic forces in California in the early 70's in building their international trade.

If you have any other questions, you may wish to contact Mr. Willis F. Kirkpatrick, Director of Banking, direct at 465-2521.

Sincerely,



Edward W. Eboch
Deputy Commissioner

EWE/krb 4/14

Enclosure
cc: Senator Pat Rodey

Division of Banking, Securities, Small Loans & Corporations
Interstate Activity
Review
March 1, 1982

Citizen Savings of San Francisco, California (3.6 billion) merged with Westside Federal, New York City, New York (2.5 billion) and Washington Savings, Miami Beach, Florida (1 billion). This amounts to 88 offices in California, 18 offices in Florida and 30 offices in New York. The new organization is called First Nationwide Savings.

Glendale Federal of California (5.5 billion) merged with First Federal of Broward County, Fort Lauderdale, Florida (2.6 billion). This amounts to 115 offices in California and 35 offices in Florida.

City Federal, Elizabeth, New Jersey (3 billion) merged with Boca Raton Federal in Florida (294 million) and Mohawk Savings, Newark, New Jersey (88 million). This merger provided for 90 offices in New Jersey and Florida.

Home Savings, Los Angeles, California (12.8 billion) merged with Security Federal, Sikeston, Missouri (83 million), Hamiltonion Federal, Ladue, Missouri (236 million) and Southern Federal, Broward County, Pompano Beach, Florida (612 million). This merger resulted in 143 offices in California, 16 in Missouri and 13 in Florida.

The above mergers were mainly as a result of regulators looking for the cheapest way to salvage ailing thrift institutions. There are additional mergers forthcoming because of continued economic constraints for thrift institutions.

Commercial banks appear to be positioning themselves for a time when interstate banking restrictions fall completely.

Citicorp of New York invested 12 million dollars in the preferred stock and warrants of Central National Bank in Chicago and established nearly 700 lending offices in 40 states. Also, Citicorp of New York has moved its credit card center to South Dakota.

Citicorp has launched an all-out effort in California to create legislation which would permit out-of-state banks to branch in California under the terms of the Douglas Amendment to the Bank Holding Company Act.

Citicorp has also been interested in Connecticut but a state commissioner has retained a moratorium on interstate banking.

First Bank System Incorporated of Minneapolis, a multi-state bank holding company with 92 grandfather banks and trust companies has agreed to buy banks of Iowa, Inc., a ten bank holding company, contingent upon laws changing to permit the purchase.

Northwest Bancorp has agreed to acquire Des Moines based Consumer Finance Company with 500 offices in 37 states.

Other examples of the limited investment by bank holding companies and banks across state lines that are being permitted are the acquisition up to five percent of the outstanding common stock of ten regional banks by National Detroit Corp. and the \$125 million in capital that Chase Manhattan Corp. has sunk into Equimark Corp., a Pittsburg bank holding company.

The International Banking Act of 1978 called for a review of geographic restrictions in banking. Late in the Carter administration, there was a report done called the McFadden Act Report. The context of the McFadden Act Report discussed what might the direction be of geographic deregulation take place in the 1980s.

"First, banking organizations might gain permission to bid for takeovers of failing banks or thrift cross state lines. Second, holding companies or their banks might gain permission to expand or extend their deposits or loan facilities across state lines within metropolitan areas. These activities, however, might be restricted initially to deposits through automatic-teller machines. Third, there might be interstate acquisitions and contiguous states or within special regions through bilateral or multilateral changes in state laws (California, New York, for example) or by changes in the Douglas Amendment to the Bank Holding Company Act. The report states that as a political compromise, permission to cross state lines through merger or acquisitions might be limited to smaller institutions which would limit large holding companies to de novo entry or perhaps to operate across state lines only in large metropolitan areas."

The report goes on to state that geographic deregulation will come eventually, largely because the banking industry already is effectively expanding nationwide (except for direct deposits and loan facilities) and still is losing ground to other industries that can expand nationally without restrictions.

Changing technological forces in the banking industry is also a major factor in promoting interstate banking. Automatic-teller machines (ATMS) and point of sale terminals already are economically viable and are proving increasingly popular with consumers. Such technology will exert further pressure on branching laws and interstate restrictions.

A feature article entitled "Electronic Banking" in Business Week, January 18, 1982 discusses a meeting held in Chicago by executives from a dozen of the largest U.S. and Canadian banks to form a joint venture that would create the first national retail banking network. If the purpose of the meeting becomes a reality, these financial institutions will share their 2,500 automated teller machines so that customers could obtain cash from any one of them simply by inserting their proprietary debit cards issued by each bank for the use in its own automatic teller machines. It will mark the formation of an electronic network potentially capable of delivering on a nationwide scale all manner of retail banking services. This network was named "Cirrus" and is expected to be in operation by April '82.

The following is a quote from the Business Week article.

"To most participants, the race to form national ATM networks, represents an opportunity to speed up dramatically their schedules for achieving nationwide banking. These networks are already conducting some interstate banking, including deposit taking in some cases. The politicians and regulators appear to view the sharing of electronic facilities as a palatable form of interstate banking and are happy to look the other way. It now appears that full service, electronic banks will be up and running nationally by 1985. This is the earliest date that Congress is expected to repeal the 1927 McFadden Acts prohibition against interstate banking."

In a recent bank conference, there was brought out another ATM network in formation in addition to "Cirrus" which would be approximately 4,000 ATMs in major cities throughout the United States and Canada.

Holding companies in Alabama, South Carolina and Georgia have agreed to merge when and if interstate banking is allowed. The combination, if put into effect today, would create the largest bank holding company in southeast, with a combined size of 7.8 billion. Each company has agreed to buy \$2 million of nonvoting, preferred stock of each other until such time that interstate banking restrictions are lifted.

A North Carolina bank holding company, NCNB Corp., \$7.1 billion in assets, has publicly announced plans to buy a "large" Florida banking company by 1983. Through a loophole in Florida law, NCNB last year acquired the \$21.5 million - deposit First National Bank of Lake City, Florida.

Florida National Bank of Florida, Inc., one of the state's largest holding companies, has reached a merger agreement with Chemical New York Corp. This agreement is dependent on authorization of interstate banking.

In February of 1982, the Florida Banker's Association voted to endorse the idea of interstate banking. This position is an attempt to bring some order to an apparently inevitable process.

The new comptroller of currency, C. Todd Conover, testified during recent senate banking committee hearings, stated that the "time has come" to remove geographic limitations on bank branching.

SEN. PATRICK RODEY

CHAIRMAN

(907) 465-3717



SEN. TERRY STANGOR
SEN. ARLISS STURGULEWSKI

ALASKA STATE LEGISLATURE
SENATE BANKING COMMITTEE
PO BOX V, JUNEAU 99811

M E M O R A N D U M

DATE: March 19, 1982

TO: Members, Senate Special Committee on Banking
Members, House Special Committee on Loans

FROM: Jim Kelly, Administrative Assistant *J. K.*

RE: Banking Legislation in Congress

Please find enclosed a copy of a document prepared by the U.S. House Committee on Banking dealing with changes in the banking industry. The questions presented are basic indeed, and similar to those we must ask as the Alaska State Legislature considers amending existing banking statutes.

Handwritten note:
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7. Do in
8. Do in
9. Do in
10. Do in

[COMMITTEE PRINT 97-8]

FINANCIAL INSTITUTIONS IN A
REVOLUTIONARY ERA

COMMITTEE ON
BANKING, FINANCE AND URBAN AFFAIRS
HOUSE OF REPRESENTATIVES
97th Congress, First Session



OCTOBER 1981

Printed for the use of the
Committee on Banking, Finance and Urban Affairs

This report has not been officially adopted by the Committee on
Banking, Finance and Urban Affairs and may not therefore necessarily
reflect the views of its members

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON: 1981

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LETTER OF TRANSMITTAL

October 28, 1981.

COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

FERNAND J. ST GERMAIN, Rhode Island, *Chairman*

HENRY B. REUSS, Wisconsin
HENRY D. GONZALEZ, Texas
JOSEPH G. MINIHAN, New Jersey
FRANK ANNUNZIO, Illinois
PAREN J. MITCHELL, Maryland
WALTER E. FAUNTROY,
District of Columbia
STEPHEN L. NEAL, North Carolina
JERRY M. PATTERSON, California
JAMES J. BLANCHARD, Michigan
CARROLL HUBBARD, Jr., Kentucky
JOHN J. LAFALCE, New York
DAVID W. EVANS, Indiana
NORMAN E. D'AMOURS, New Hampshire
STANLEY N. LUNDINE, New York
MARY ROSE OAKAR, Ohio
JIM MATTOX, Texas
FRUCE F. VENTO, Minnesota
DOUG BARNARD, Jr., Georgia
ROBERT GARCIA, New York
MIKE LOWRY, Washington
CHARLES E. SCHUMER, New York
FRANK FRANK, Massachusetts
BILL PATMAN, Texas
WILLIAM J. COYNE, Pennsylvania
BENNY H. HOYER, Maryland

(ii)

To the Committee on Banking, Finance and Urban Affairs:

The following document, entitled "Financial Institutions in a Revolutionary Era", sets forth a wide range of issues and proposals regarding the provision of financial services in this nation. We have previously indicated that we support a two tiered approach to consideration of the major issues involving the financial services industry. This involves separation of emergency assistance legislation from long-range issues and proposals.

The first tier is embodied in H.R. 4603, the Deposit Insurance Flexibility Act, which passed the House on October 28, 1981 by a vote of 371 to 46. That bill provides the deposit insurance agencies more flexibility to deal with financially distressed depository institutions.

The second tier will include a look at issues revolving around expanded lending powers, improved delivery of credit and other financial services to consumers and the economy, interstate banking, the Glass-Steagall Act, usury and other statutes affecting consumer lending, and questions concerning the competitive balances throughout the financial community. These matters require a full airing.

This discussion document was developed by the staff of the Committee as a guide for prospective witnesses and the members of the Committee in discussing the subject of financial institution restructuring. The compilation of questions and proposals is intended to be suggestive and is not all-inclusive.

FERNAND J. ST GERMAIN,
*Chairman, House Committee on
Banking, Finance and Urban Affairs.*

J. WILLIAM STANTON,
*Ranking Republican Member, House Committee on
Banking, Finance and Urban Affairs.*

(iii)

FINANCIAL INSTITUTIONS IN A REVOLUTIONARY ERA

A little over a year and one-half ago, the Depository Institutions Deregulation and Monetary Control Act of 1980 was signed into law in order to deregulate the deposit taking function of financial institutions. Now it appears the pace of change in the financial marketplace is so rapid that a substantial portion of the remaining statutes governing the operation of financial institutions--depository and non-depository--needs to be reviewed. Those laws, many of which were passed in the wake of the Great Depression, established a system of specialized financial institutions differentiated by product lines and markets. The result was a system where commercial banks emphasized demand deposits and commercial and agricultural loans; savings and loan associations and mutual savings banks emphasized savings deposits and home mortgage loans; credit unions provided financial services for a field of membership based primarily on employment; investment companies pooled capital and invested in securities; brokers and dealers packaged equity and debt offerings for sale to investors; finance companies borrowed funds to make commercial and consumer loans; and insurance companies used premiums for all kinds of investments closely related to actuarial needs.

An elaborate framework of Federal and state restraints and protections was created to maintain this system of specialized financial institutions. Market entry was restricted, product lines were limited and the prices of services were controlled. For example, depository institutions were provided deposit insurance, controls on prices paid for funds, and restrictions on competition. Securities dealers and investment firms were provided with distinct product lines and other activities which other financial institutions could not offer, and they were prohibited from accepting "deposits."

Today, however, the marketplace is eroding the justification for this system of specialized financial institutions and its regulatory framework. The following examples reveal the depth and magnitude of the challenges to this system. We cite them not because we consider them improper, but because they reflect the changes which are occurring in the marketplace:

1. Sears, Roebuck and Co., a retailer of merchandise through department stores and its famous catalogs, provides multi-line insurance through its Allstate insurance subsidiary, operates a major savings and loan in California, has one of the largest credit card operations in the nation, plans to offer its own money market mutual fund, and is purchasing one of the nation's largest real estate brokerages and one of the nation's largest securities brokerage houses.

2. National Steel Corporation now has a savings and loan subsidiary which reaches both coasts. Its California savings and loan acquired savings and loans in New York and Florida in a recently publicized case.

3. American Express, which operates a travel and entertainment card system, a multi-line insurance company, and a major international bank, is now linked with one of the largest securities brokerage houses through its merger with Shearson Loeb Rhoades, Inc. That firm recently acquired a trust company in Boston as well.

4. Prudential Insurance Corporation has acquired Bache Group, Inc., another major brokerage house.

5. Banc One in Ohio agreed with Merrill Lynch to assist in the operation of the latter's cash management account. Other depository institutions are considering similar arrangements.

6. Bank holding companies in the West and East have changed operational modes to position themselves for possible nationwide banking. Western Bancorporation in California (which has subsidiaries in eleven Western states) changed its name and that of its subsidiaries to "First Interstate Banks." Financial General (which has subsidiaries throughout the Washington, D.C. metropolitan area) changed the name of its banking subsidiaries so that each has a common name—"First American Banks."

7. Several of the nation's largest banking firms have been purchasing shares of banks in various states—up to the five percent permissible limit—in anticipation of relaxation of restrictions on interstate banking.

8. At least two firms have used a "loophole" in the Bank Holding Company Act to escape the restrictions on non-banking firms owning banks. These companies—major finance companies—have acquired banks and divested them of their commercial loan portfolios. The banks have become consumer banks, dealing in consumer deposits and loans.

9. Savings and loan associations in Washington, D.C., and Florida have announced plans to establish a money market mutual fund.

10. Major banking firms have operated loan production offices for years all over the United States.

11. Federal savings and loans have received regulatory authority to establish electronic fund transfer systems nationwide.

12. Money market mutual funds have continued to expand by offering customers the ability to earn high rates of return on their money with flexible withdrawal capability. These funds move money by wire and mail, do not rely on deposit insurance as an attraction for customers, and are not subject to geographic restrictions on their operations.

13. The international operations of U.S. banks continue to expand in response to the increasing interdependence of the international economy; and foreign banks continue to expand into the U.S., in some cases on more favorable terms than domestically owned banks.

In large measure it is the changing financial needs of individuals and corporations which have led to the increased homogenization of financial institutions. Banks, savings and loans, mutual savings banks, credit unions, mortgage bankers, investment companies, and insurance companies are all offering, in many cases, similar and competing services to customers. The ability of all these institutions to speak to the needs of their customers, however, is limited by the differing

regulatory frameworks under which they operate. Thus, the time has come to examine in more detail the supervisory and regulatory structure governing financial institutions.

The nation needs a rational statutory and regulatory structure for its financial institutions so that the financial services the people and the firms of this country need are provided fairly and efficiently in the evolving financial marketplace. Market forces are shaping the services that are offered now and statutory restrictions keep many depository institutions from providing the services the market demands. Congress must examine the role of government as it affects all customers of financial institutions. The nation's economy and the public interest require a system of financial intermediaries which assures all segments of the population needed services while moving capital efficiently.

To provide guidance in examining the financial structure of the United States, there follows an outline of broad questions and more specific issue areas. The Committee intends to focus discussions first on the needs of the economy for financial services and then on the nature of the delivery system required to fulfill those needs. Thus, rather than first looking at the lending powers of commercial banks, the focus should be on the demand for commercial credit. For example, the rapid development of the commercial paper market in which companies raise short-term funds in the open market rather than rely on bank loans has implications for the type of delivery system needed for this financial service. This one illustration is offered merely to indicate the breadth of the analysis which must be undertaken.

While it is imperative to answer the overall policy questions first, at the same time we must direct the Congress attention to specific proposals, many of which currently exist in legislation now pending before the Committee on Banking, Finance and Urban Affairs. Therefore, in several of the sections that follow, specific proposals are listed which the Committee should discuss in the process of addressing the overall public policy issues.

The Committee on Banking, Finance and Urban Affairs will hold hearings on these issues and proposals in order to elicit views from all affected individuals and groups. The issues and proposals are intended to illustrate the wide variety of issues that need examination and are by no means all-inclusive.

I. DEFINITION OF FINANCIAL SERVICES

The innovations of the last decade suggest that the traditional perception of financial services is not appropriate. Old distinctions among types of financial services are being blurred. Thus, several basic issues need exploration.

A. What financial services do consumers, businesses, and institutions require?

B. Is a deposit different from a security, and, if so, in what ways?

C. Is a loan to a commercial firm different from an equity security offered by that commercial firm?

II. THE ROLE OF SPECIALIZED FINANCIAL INSTITUTIONS

The changes which have occurred in the financial marketplace suggest that money flows rather freely, especially in an inflationary environment. Structures and protections designed to assure flows of funds to specialized institutions or to specific areas of the economy no longer operate as designed. Geographic and product restrictions do not stop funds from flowing to higher rates of return or to alternative uses. Distinctions among institutions, with each type offering some unique services, have become blurred by recent events and statutory changes. The rationale for these distinctions and the need for their perpetuation, at least in institutional form, require examination.

A. Should there be distinct types of financial institutions which provide services to a defined portion of the economy? If so, should these types be determined by statute or by the market?

B. Should new types of institutions with specified powers and protections be created to fill particular needs?

C. Should existing institutions be given parallel powers to allow free competition among these institutions?

D. Should Federal savings and loan associations and Federal mutual savings banks be authorized to switch freely from mutual to stock charters and from savings and loan to mutual savings bank form?

E. Should mutual savings banks, savings and loans, and credit unions be authorized to accept demand deposits from any source?

F. Should Federal mutual savings banks and Federal savings and loans be authorized to invest in or make loans for a broad range of purposes—real estate, agriculture, commerce—without restriction?

G. Should mutual savings banks, savings and loans, and commercial banks be authorized to take equity positions in real estate?

H. Should commercial banks have expanded authority to engage in real estate lending?

I. Should commercial bank and thrift institution service corporation investment limitations be liberalized?

J. Should commercial bank lending and borrowing limitations applicable to loans to one borrower and to affiliates, and applicable to bankers' acceptances, be liberalized?

K. Should Federal credit unions be allowed to make all types of consumer loans without restriction as to loan size or purpose of the loan?

L. Should Federal credit unions be provided authority to engage in expanded real estate lending activities?

M. Should the International Banking Act be modified in light of changing market conditions?

N. Should the procedures and limitations on insider loans by banks be liberalized in light of inflationary effects on loan limits and should these limitations be extended to other depository institutions to reflect homogenization of investment and deposit taking authority?

O. Should the Bank Holding Company Act and the Savings and Loan Holding Company Act be modified to provide parallel treatment of bank and savings and loan holding companies and should the procedures of both be streamlined?

III. THE DISTINCTION BETWEEN DEPOSITORY AND NONDEPOSITORY INSTITUTIONS

A substantial portion of banking statutes was designed to segregate banking and commerce. This segregation was designed to prevent concentrations of economic power, to minimize conflicts of interest involving relationships between the two areas, and to assure a safe and sound banking system, but it has been severely ruptured. Exceptions allowed in earlier years and based on a rationale that was meaningful then have become major factors affecting potential competition in a restructured financial marketplace. For example, savings and loan holding companies exist which combine manufacturing and depository institutions—combinations precluded under laws governing bank holding companies. Nonbank firms now solicit funds and provide services in direct competition with depository institutions. The existing distinctions need to be reexamined.

A. Should existing restrictions on cross-ownership of institutions or on provision of services be eliminated?

B. Can the antitrust laws provide adequate protection against concentration of power involving financial institutions and nonbank firms?

C. Is separation required to provide an ample flow of capital to firms and governments requiring funds for their endeavors? If not, then should all types of firms be subject to the same supervisory and regulatory requirements?

D. Should a Presidential Commission be convened to review and make recommendations regarding modification or elimination of the restrictions on corporate investments and underwriting by depository institutions and on financial/non-financial institution mergers and acquisitions?

E. Should all depository institutions be permitted to establish subsidiaries which would be free to engage in securities operations, provided such subsidiaries are subject to the same restrictions as the securities industry?

F. Should brokerage houses be permitted to establish subsidiaries which would be free to engage in deposit and lending operations, provided such subsidiaries are subject to the same restrictions as depository institutions?

G. Should all depository institutions have the authority to sponsor, sell, or underwrite mutual funds?

H. Should all depository institutions have the authority to underwrite municipal revenue bonds or all forms of bonds?

I. Should all depository institutions have the authority to take equity positions in export trading companies?

K. Should the Depository Institution Management Interlocks Act and the Glass-Steagall Act interlock restrictions be modified in light of the changes being made in the nature and operation of depository institutions and their holding companies and of non-depository institutions?

L. Should all restrictions on interstate depository operations be terminated and, if so, should this be permitted (1) by holding companies, for example, by allowing a phased acquisition of depository institutions by out-of-state depository holding companies unless a state acted to prohibit such acquisitions of its institutions, in which

case holding companies which conducted their business principally in that state would be barred from acquiring institutions in other states; (2) by holding company acquisitions in contiguous states; or (3) in market areas like Standard Metropolitan Statistical Areas?

M. Should electronic fund transfer systems be authorized for nationwide operation?

IV. THE ROLE OF GOVERNMENT IN THE FINANCIAL MARKETPLACE

Government now is intimately involved in the financial marketplace. Laws on both the Federal and state levels of government provide restrictions, protections, supervision and guidance for institutions providing financial services and for those receiving or buying financial services. This involvement must be reconsidered.

A. To what extent should the government continue to provide mechanisms, whether directly or indirectly, to assure that services are provided for such specific sectors of the economy as housing, small business, and agriculture?

B. Should the government remove all of its supports for and impediments to the provision of financial services and allow market forces to determine the shape of the financial system?

C. Should government continue to provide liquidity for financial institutions by maintaining operations which create secondary markets for products of financial institutions and by providing sources of funds to meet liquidity needs or to continue levels of business?

D. Should the Federal secondary market institutions have liberalized Federal charters or should they be allowed to secure charters as non-banking firms do now to allow market forces to determine which secondary market services are provided?

E. Should all Federal depository institution chartering authority be eliminated to allow such institutions to choose charters as nonbanking firms do now?

F. Should controls on the price paid for funds, whether as loans, deposits, or securities, be eliminated and, if so, should protections be provided to assure that all people and institutions have fair access to funds? If not, should existing restrictions be modified to assure that all financial instruments are subject to similar price controls?

G. Should Federal law provide a preemption of state usury ceilings—on consumer loans and in modified form on business and agricultural loans—with states having a time period within which to reimpose state ceilings, or should a national usury law be enacted?

H. Should the Credit Control Act be modified and extended?

I. Should disclosures and protections on alternative mortgage instruments be provided, and should the option of a fixed rate mortgage be required?

J. Should the Home Mortgage Disclosure Act, the Community Reinvestment Act, the Truth-in-Lending Act, and the Equal Credit Opportunity Act be reviewed to determine how best to provide disclosure of community, mortgage, and loan activities of changed financial institutions?

K. Should the government establish direct lending operations to provide credit and other financial services for the provision of housing or other national needs?

V. A REGULATORY STRUCTURE FOR A FUTURE FINANCIAL SYSTEM

There is in many ways a bewildering assortment of regulatory agencies with jurisdiction over institutions providing financial services. The Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank System, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the National Credit Union Administration, the Comptroller of the Currency, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Federal Trade Commission, the Depository Institutions Deregulation Committee, and the Federal Financial Institutions Examination Council all regulate and supervise financial institutions and products. In many cases the philosophies of the agencies differ significantly. For example, depository institution regulation is characterized by close supervision through examination and through statutory limitations. This system relies on governmental officials for enforcement of statutes and for maintenance of stability in the industry. Securities regulation is characterized, on the other hand, by disclosure to the public and by supervision that relies less on government. These distinctions and the need for these agencies require examination.

A. Should the supervisory and regulatory structure of financial institutions be reconstituted? If so, should a single agency be created?

B. Should the regulatory structure be based on disclosure to the public as is the case with the securities industry or should the current system that relies on government be maintained?

C. Should the deposit insurance system be broadened to include all forms of financial instruments?

D. Should government continue to provide deposit insurance at levels which may tend to insulate depository institutions from market judgments about the riskiness of a depository institution's operations?

E. Does the private market have the capability to develop an insurance product which would provide deposit insurance and, if so, is it sufficient to allow restructuring of the Federal deposit insurance programs?

F. Should the depository institution regulatory agencies be restructured to create one agency responsible for insurance, one for supervision and promotion, and one for control of the money supply?

G. Should the deposit insurance funds be consolidated into one fund with the remaining functions and structures intact?

H. Should deposit insurance assessments be based on risk as in other forms of insurance?

I. Should the Central Liquidity Facility for credit unions be modified to provide more flexibility for its operations?

J. Should the charter of the Depository Institutions Deregulation Committee and the regulations promulgated to phase-out deposit ceilings be modified?

It can be seen from the above that many, if not all, of these issues are related to each other. Answers provided in one area lead to questions and answers in other areas. An examination of these complex issues, however, can assist in the development of a financial system which can meet the nation's future needs.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

March 18, 1982

Honorable Bob Mulcahy
Chairman
Senate Labor and Commerce
Committee
Pouch V
Juneau, Alaska 99811

Dear Senator Mulcahy:

Re: Interstate Banking - Other States

In reponse to your request, the following is a breakdown, by states, of the restrictions imposed.

Delaware - restrictions

1. may not purchase existing banks - may form new bank;
2. minimum \$25 million capital;
3. minimum 100 employees by end of the first year.

Maine - restrictions

1. unlimited but, reciprocity is a requirement. No other state is as liberal, therefore, no out-of-state purchases have been made;
2. \$5 million minimum capital required.

New York - restrictions (proposed legislation)

1. outright purchase of New York banks or may form bank;
2. limited to New York City;
3. reciprocal with other states.

Rhode Island

1. may purchase existing banks and are subject to banking laws of state;

March 18, 1982

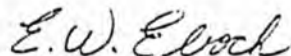
2. may not purchase if insured deposits exceed 20% of deposits located in the state;
3. must maintain 65% of assets or 85% of deposits in state;
4. acquisition must be approved by commissioner.

South Dakota - restrictions

1. may acquire an existing bank but minimum capital must be \$25 million or a new bank with capital of \$5 million;
2. approval of commission required (certain findings must be made somewhat like needs and convenience).

In addition, I have enclosed for your information, two recent articles on the subject from The American Banker. If I may be of further assistance, please feel free to call on me at any time.

Sincerely,



Edward W. Eboch
Deputy Commissioner

EWE/saE/38

Enclosure

White House Looks to Ease Bank Statutes

By JAY ROSENSTEIN

WASHINGTON — The Reagan Administration plans to conduct an analysis of existing consumer credit laws and other banking statutes to determine whether the burdens on financial institutions can be reduced. The White House will review the rules and record-keeping requirements of the Truth-in-Lending Act, the Fair Credit Reporting Act, the Electronic Funds Transfer Act, the Real Estate Settlement Procedures Act, and the Employee Retirement Income Security Act.

The announcement, made last week, said reducing the burdens of the regula-

➔ Disclosure: Page 8

Interstate Banking Gets A Florida 'Yes'

Bankers Association Board Favors It in Surprise Vote

Special to the American Banker

TAMPA, Fla. — Directors of the Florida Bankers Association, in a surprise move, voted here this week to endorse the idea of interstate banking as long as it is "on a phased-in basis."

Although the issue of interstate banking is complex and inspires a variety of

NCNB Corp.'s Big Florida Plans, Page 2.

opinions from Florida bankers, they and their association have generally opposed the concept.

As one Florida banker said after the vote, taken in a specially called meeting, "I think the (new) position will surprise you."

FBA members are being notified by mail this week of the directors' vote.

Florida has been besieged by attempts to cross its borders with trust and loan-production offices and outright acquisitions. C. Carl Mertins, the Pensacola banker who is currently FBA president, explained the vote as a response to the "de facto interstate banking occurring on an accelerated basis."

A principal complaint of Florida bankers has been what they call the "piecemeal" encroachment by out-of-state banks, and their position is an attempt to bring some order to an apparently inevitable process.

The position has five parts:

1. There should be regional reciprocity — in Florida's case among eight southeastern states — effective Jan. 1, 1984.

➔ Florida: Page 34

Metropolitan Bank Feared Ready to

Rescuers Also Sought for Big

By ROBERT E. NORTON and JOHN MORRIS

NEW YORK — Reports were circulating in the financial community Tuesday about the impending failure of a \$200 million-deposit commercial bank in Florida and the forced merger of a billion dollar asset savings and loan association, the largest state-chartered thrift in Illinois.

Talks are continuing in Illinois with several potential rescuers of Unity Savings Association, an official of the Federal Home Loan Bank of Chicago said. All are thrifts and all are in the state.

In Florida, according to industry sources, the Metropolitan Bank of Tampa was set to be closed by the state's banking department last Friday, but a last minute paperwork problem set the timetable back a week.

If the Tampa bank fails, it would be the largest commercial bank failure since 1978, when the \$208 million-deposit Drovers National Bank closed in Chicago. At yearend 1980, the Metropolitan Bank listed \$214.5 million in deposits. Depending on its deposit size at the time of closing, it could be the largest failure since the 1976 closing of the Hamilton National Bank of Chattanooga, which had deposits of \$400 million.

The Federal Deposit Insurance Corp., the sources said, had solicited bids from more than a dozen banking companies to assume certain assets and the deposit liabilities of Metropolitan. The bidders were said to include North Carolina's NCNB Corp. — which has said it is looking to expand further in Florida — as well as major Florida-based bank holding companies.

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INSIDE

West Virginia Debates Branching

Views on branch banking were aired in a hearing on a the bill to revamp the state's restrictive banking laws.....2

Alaska Mutual to Convert

The \$244.4 million-asset Alaska Mutual Bank, Anchorage, has decided to convert from mutual to stock.....2

Chase Rebuffed on Suit Data

A federal judge has turned down a plea by Chase Manhattan that he seal documents relating to a suit by a former officer.....2

ERISA Critic Sees Hopeful Signs

A critic of the Employees Retirement Income Security Act says he sees signs that some of the act's burdens may be lightened.....3

Lerrick Takes Care of Business

The president of Bank of New York makes clear his belief that commercial lending remains the most important aspect of the banking business.....3

Blocker Questioned on Capitol Hill

The final installment of Federal Reserve

MORE TRAVELERS DINE ON RADCLIFFE THAN ANY OTHER

ASSETS	
Cash and due from depository institutions	\$181,751
Treasury securities	43,001
Securities of States and political subdivisions in the United States	57,188
Other bonds, notes, and debentures	2,511
Federal Reserve stock and corporate stock	1,090
Federal funds sold and securities purchased under agreements to resell in domestic offices of bank and of its Edge and Agreement subsidiaries	40,000
Loans, Total (excluding unearned income)	\$2,895,950
Less: Allowance for possible loan losses	5,097
Loans, Net	203,853
Lease financing receivables	8
Bank premises, furniture and fixtures, and other assets representing bank premises	2,899
Real Estate owned other than bank premises	40
Customers' liability to this bank on acceptances outstanding	1,436
Other assets	10,296
TOTAL ASSETS	\$544,073

LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	\$210,789
Time and savings deposits of individuals, partnerships, and corporations	189,377
Deposits of United States Government	621
Deposits of States and political subdivisions in the United States	3,537
Deposits of foreign governments and official institutions	234
Deposits of commercial banks	1,812
Certified and officers' checks	6,496
TOTAL DEPOSITS IN DOMESTIC OFFICES	\$412,866
Total demand deposits	220,939
Total time and savings deposits	191,927
TOTAL DEPOSITS IN FOREIGN OFFICES AND EDGE AND AGREEMENT SUBSIDIARIES	9,870
TOTAL DEPOSITS	\$422,736
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of bank and of its Edge and Agreement subsidiaries	30,968
Interest-bearing demand notes (note balances) issued to the U.S. Treasury	5,534
Banks liability on acceptances executed and outstanding	1,436
Other liabilities	16,773
TOTAL LIABILITIES (excluding subordinated notes and debentures)	\$477,447

EQUITY CAPITAL	
Common stock (par value)	17,926
No. shares authorized	350,526
No. shares outstanding	358,526
Surplus	18,414
Undivided profits	30,286
TOTAL EQUITY CAPITAL	66,626
TOTAL LIABILITIES AND EQUITY CAPITAL	\$544,073

Amounts outstanding as of report date:	
Standby letters of credit:	
Standby letters of credit, total	\$15,438
to U.S. addressees (domicile)	15,438
Time certificates of deposit in denominations of \$100,000 or more in domestic offices	116,374
Other time deposits in amounts of \$100,000 or more in domestic offices	250
Customers' liability on acceptances outstanding	1,436
U.S. addressees (domicile)	1,436
Average for 30 calendar days (or calendar month) ending with report date:	
Cash and due from depository institutions	166,872
Federal funds sold and securities purchased under agreements to resell	10,613
Total loans	212,699
Time certificates of deposit in denominations of \$100,000 or more in domestic offices	114,514
Total deposits	367,133
Federal funds purchased and securities sold under agreements to repurchase	27,329
Total assets	507,679

I, John Eberle, Vice President & Cashier, of the above named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

JOHN EBERLE
January 25, 1982

We the undersigned directors attest the correctness of this statement of resources and liabilities. We declare that it has been examined by us and to the best of our knowledge and belief is true and correct.

THEODORE H. SILBERT
EDNA J. DEMERSTEIN
ARTHUR F. SILBERT
Directors

Florida . . .

Continued from page 1

2. Nationwide reciprocity would come three years later, effective Jan. 1, 1987.

3. There would be no de novo establishment of banks across state lines at anytime.

4. Expansion would ensue only through mergers and acquisition.

5. Eligibility for merger or acquisition would be limited to banks at least three years old.

The directors also registered their opposition to HB 883 before the U.S. House of Representatives and SB 370 before the Senate, both interstate banking bills, unless they incorporate the phased-in aspects supported by their position.

Interstate banking as it relates to Florida has taken several forms, but has almost never been out of the headlines for some five years. Out-of-state banks have won in the courts the right to establish trust offices in Florida.

The issue of out-of-state banks' loan-production offices caused a bitter political fight that led to a gubernatorial veto of the prohibition the FBA managed to get passed in the legislature.

The FBA formally opposed the recent acquisition of First National Bank of Lake City by NCNB Corp., Charlotte, N.C.

Southern Florida has become a focus for Edge Act offices of out-of-state banks, and many Florida bankers see the facilities as just so many brick-and-mortar trojan horses prepared for the advent of interstate banking.

Chemical New York Corp. has reached an agreement with Florida National Banks of Florida, Jacksonville, to merge, though their agreement is hotly contested in the courts by Southeast Banking Corp., Miami.

The competition is over Florida's industrial growth, its relatively dynamic housing market, a per-capita income that is the highest in the growing Southeast, and an affluent retirement community.

This week's vote was seen as important for its acceptance of the tide of support for liberalized interstate banking opportunities, with the FBA no longer trying to turn back that tide but resigned to trying to channel it.

21	12%	Central Bk Sys, Dartmouth, 40s	17
13	9%	CU Bsch of Sth Birmingham, 80	9%
16	13%	Central Carol Bk of NC, '96	14
17	12%	Central Fidelity Banks Inc., 1.24	17%
8	7%	Central Jersey B&T, Freshid, '80s	8
9	3%	Central Natl Chicago Cp	3%
27	19%	Central Pacific Cp., Bakersfield, '64	25
16	11%	Central Penn Hall Corp., 1.41e	16%
27	15%	Centran Corp, Cleveland, '40	19%
14	8%	Century Banks Inc., Fla, '48	13%
11	7%	Chanter Co., Jacksonville, 1.00	7%
59	42%	Chase Man Corp, NYC, 3.40	58%
61	42%	Chemical New York Corp, 3.84	49%
26	21%	C&S Corp, Charleston, 1.60	22%
9	7%	C&S Georgia Corp., Atlanta, '48	8%
29	20%	Citicorp, New York, 1.56	24%
38	17%	Citizens Fidelity Corp, Ky, 1.08s	18%
38	22%	City N Corp., Beverly Hills, '80	32%
22	12%	Citymut Bcp. Inc., Bridgeport, 1.24	21%
8	6%	Colonial Am Bkshs, Roanoke, '80	7%
18	15%	Colonial Bcp., Waterbury, 1.80	18%
31	20%	Colo N Bkshrs, Denver, 1.00s	22%
29	22%	Commerce Bsch, Kansas C, 1.68	28
8	5%	Commerce S'west Inc., Dallas, '20	7%
17	8%	Commerce S'west Inc., pld., '75	N.A.
23	14%	Commerce S'west Inc., pld., 1.462	20%
18	7%	Commercial Bancorp of Colo.	13%
20	14%	Comm'l Trust, Jersey City, 1.60	15%
30	22%	Commonwealth NB, Pa., 2.32	30
32	18%	Conn. NB, Bridgeport, 1.76	28%
33	21%	Cont'l Bank, Norristown, 2.04s	33%
42	21%	Cont'l Illinois Cp., Chicago, 2.00	34
41	21%	Crocker Natl Corp., S.F., 2.40	28%
30	25%	Cullen Frost Bkshs., San Ant, '84s	25%
49	28%	Dauphin Dep. Corp., Pa. 3.00s	45%
30	24%	Dep. Guar Corp., 1.70	25
38	23%	Depositories Corp., Augusta, 2.32	35%
24	19%	Dist. Bank Corp., 2.00	22%
17	13%	Dominion Bksh., Roanoke, 1.00s	12%

E-F			
13%	5%	Ellis Bkg Co, Bradmtn, '40s	11%
12	4%	Equimark Co, Pittsburgh	5%
22	11	Equitable Banc, Baltimore, '76s	21%
18	9%	Exchange Banc, Tampa, '60s	16%
25	8%	Fidelcor Inc., Phila., Pa. 1.00	24%
29	23%	Fidelity Union, Newark, N.J. 2.80	23%
29	17	First Ala Bsch, Montgomery, 1.68	26%
17	11%	1st Amer. Bk. Co., Kalamazoo, '32	15%
13	7%	First American Cp., Nashville, '90	12%
15	15%	First & Merch., Richmond, 1.00s	15%
18	8%	First Ark. Bkstock, LR, '50s	18%
28	10%	First Atlanta Corp., Atlanta, '88s	17
20	13	First Bancgroup, Ala., 1.12	17%
39	16%	First Bancorp Inc., New Haven, 1.60	28%
27	16%	First Bsch of Louisiana, '80	27%
23	14%	1st Bksh Co of Fla., Pmpo. B, 1.0015	21%
23	16%	1st Bksh, Columbia, S.C., 1.40	21%
46	32	1st Bank System, Mnpls, 2.44,	32%
20	15%	First Chicago Corp., 1.20	18
40	30%	First City Banc, Houston, 1.06s	30%
33	14%	First Comm Cp, New Orleans, 1.20s	29
41	20%	First Conn Bancorp, 1.92	39
20	14	1st Empire State, Buffalo, '80	18%
11	3%	1st Fla Bks Inc, Tampa, '38	8%
32	23	1st Hawaiian Inc, Honolulu, 2.40s	27
16	12	First Interstate Bancorp., 1.00	13%
43	31%	First Interstate Bancorp., L.A., 2.04	30%
17	12	1st Jersey Natl Corp, JC, 1.60	13%
40	22%	1st Ky Natl Cp, Louisville, 2.36	31%
14	5	First Marine Banks, Inc., '34	14%
24	13%	First Maryland Bncp, Ball, 1.40	19%
35	13%	First Natl Bcp, Denver, 1.40	27%
32	25	First Natl Bsch, Little Rock, 2.00	32
75	30%	First Natl Bk, Midland, Tex, 1.20s	75
20	12%	1st Natl Bk of NJ, Totowa, 1.60	14%
47	24%	First Natl Boston Corp, 2.88	40%
31	21	1st Natl Charter, KC, Mo., 1.68	28%
28	21%	1st Natl Cincinnati Corp., 2.40s	25%
21	14	First Natl Corp., Appleton, Wis., 1.1215	14
25	20	First N State Bcp., Newark, 2.20s	24%
22	13	1st N.M. Bksh., Albuquerque, 1.04	18%
26	12%	First Okla. Bncp., Okla. City, '60	22%
5	2%	First Penn Corp, Phila.	2%
4	3/16	First Penn Corp., Vts.	4
15	9	First Peoples Bank of NJ, 1.32	10
11	8	First RR & Bkg Co of Ga, '60	10%
26	16%	1st Security Cp, Salt Lake, 1.00	16%
17	9%	First Tenn Natl Cp., Ma., '81s	14%
38	'94	First Tulca Bancorp Inc., 1.50s	38
24	9%	First Union Corp., 1.12	21%
37	28%	First United Banc, Ft Worth, 1.12s	29%
10	6%	1st Va Bks Inc., Falls Church, '60	7%
35	26	First Wis Corp, Milwaukee, 2.00	27%
28	10%	Flagship Banks, Fla. 1.00	22%
11	6%	Florida Coast Banks Inc., '32	10%
12	9%	Florida Coast Banks pld., 1.00	10%
29	11	Florida Commercial Banks, 1.00	23%
29	11%	Florida Natl Bks of Fla, '80	28%
28	14	Fourth First Corp, Kan, 1.36s	28

G-M			
22%	15	Gen'l Bancsh, St Louis, '88	17%
32	23%	Gir. d Co, Phila, 2.24	29%
10	5%	Great Amr Bank, Inc., Miami	6%
15	11%	Great Am Cp, Baton Rouge, '65	14
24	12%	Greater J Banc, W. Paterson, 1.60	21
5	3	Guarantee Bk, Atlantic City, '20	3%
12	7%	Gulfstream Banks, Inc., Fla, '32	9%
31	24%	Harris Bancorp, Chicago, 2.20	27%
26	18%	Hartford Natl Corp, 1.80	20%
17	13%	Hawkeye Bcp, D.Molins, Iowa, '96s	15%
17	13%	Heritage Bcp., Cherry Hill, 1.44	15
18	8%	Heritage Wisconsin Corp., '60	13%
33	25%	Hibernia Cp, New Orleans, 1.20	26%

Delaware Officials Now Look to Attract Foreign Banks

Special to the American Banker

WILMINGTON, Del. — Delaware, the state that jumped the gun on interstate banking, is now tackling international banking.

While the effort to attract overseas business is not expected to have as big an impact on the local economy as the banks, state officials expect to introduce new legislation welcoming international banking in late March.

Since mid-December, a draft of proposed legislation has been circulating among the legal and banking communities for comment.

The "foreign bank development act" is an effort to find "the mother lode" said David Singleton, administrative assistant to Wilmington's mayor, William T. McLaughlin. "The draft legislation is an effort to crystallize the possibilities."

The most controversial among several proposals in the legislation is one to

allow foreign and U.S. banks to form new subsidiaries with looser requirements for capital and numbers of employees than set forth in the landmark 1981 Financial Center Development Act.

That law, welcoming out-of-state banks and lifting usury ceilings on interest rates, established a capitalization floor of \$25 million and minimum employment of 100 jobs per bank. Last week, Chemical Bank of New York announced plans to open a new bank here, the 10th out-of-state bank to do so.

Investment companies, by comparison, could maintain a minimum capital stock and paid-in surplus of \$2 million and employ a minimum of 10 persons.

The proposed law also would extend favorable tax rates to new foreign banks, just as last year's banking law

did. Tax rates would range from a maximum of 8.7% for banks and trust companies earning up to \$20 million in net income to 2.7% for those with net income of more than \$100 million.

Revisions Are Possible

Glenn C. Kenton, secretary of state said he thought the draft would be subject to "substantial" revisions. "I've heard a lot of suggestions and questions," he said. "In my judgement, it's going to take several weeks to distill the issues."

One issue, he said, is "to what extent are quasi-banks going to be subject to capital and employment requirements." He noted that they couldn't be called banks because they would not make loans nor take deposits.

Under the draft legislation, the new

➔ Delaware: Page 21

Frankfort

Continued from page 2

"outsiders seizing control of deposits in your local bank."

Key members of the Progressive Bankers Association of Kentucky, an organization formed last fall to push multibank legislation, began huddling minutes after the House vote in order to map its next move.

Similar legislation could be introduced in the Kentucky Senate, although House members originally were considered to be more receptive.

Kentucky BA Opposed Measure

Thomas R. Brumley, president of the \$62.2 million-deposit First State Bank in Greenville and of the Progressive Bankers group, said proponents of the multibank measure failed to overcome the opposition of the state's Farm Bureau and of the Kentucky Bankers Association.

A poll by the Kentucky BA just before the general assembly opened in early January found that nearly two-thirds of the group's member banks opposed

multibank formation. The results were similar to an earlier poll conducted by the legislative research commission for an interim House-Senate panel.

C. Merwin Grayson Jr., president of the \$95.7 million-deposit Covington Trust & Banking Co. and a member of the Progressive Bankers group, said, "we don't consider it [the multibank issue] dead."

But getting the bill back for another House vote will be difficult. A motion to table the measure passed, 47-30. It would take a majority of the full House, 51 members, rather than a simple majority of those present, to reconsider the measure.

HB 194 would have permitted a bank holding company to buy up to three banks a year, as long as it did not acquire more than 20% of the overall deposits in the state. Banks in existence for less than five years could not have been purchased.

Kentucky is one of only 10 states that does not have some type of law to permit banks to breach county lines. ■

Delaware

Continued from page 2

bank subsidiaries would accept no domestic deposits other than certificates of deposit of at least \$100,000 from non-individuals. The draft also proposed changes to the state banking code to permit international banking facilities to locate here.

Pennsylvania

Continued from page 2

one-half of their deposits for use in their home communities.

The other House change would bar the state from keeping deposits in banks that sought to circumvent Pennsylvania interest-rate ceilings on consumer loans.

This was amended by the Senate committee to apply to banks that "unlawfully" charge more than the ceilings.

The bill would allow bank holding companies to make acquisitions anywhere in the state. There is a limit

Nathan Hayward 3d, acting director of the state's development office, said he thinks that limited-purpose investment and trust companies — one group of financial institutions dealt with under the proposed law — "may have a great deal more application for us" than some of the other financial activities contemplated in the draft.

The legislation should be constructed to attract outsiders while providing "adequate protection to Delaware's existing institutions," Mr. Hayward said.

Recent efforts by E.F. Hutton & Co., Inc., to set up a trust company in Delaware were thwarted by local bankers. But the New York firm is said to be negotiating with politicians and bankers for another try.

Mr. Hayward said that the state had had "serious inquiries" from two overseas banks and is meeting with another two. He declined to name the banks. ■

LEGAL ADVERTISING

Bank Call Notice

Alaska Statutes

Title 6. Banks and Financial Institutions.

Chapter

- 01. Administration (§§ 06.01.010 — 06.01.050)
- 05. Alaska Banking Code (§§ 06.05.005 — 06.05.545)
- 10. Model Foreign Bank Loan Act (§§ 06.10.010 — 06.10.050)
- 15. Mutual Savings Bank Act (§§ 06.15.010 — 06.15.380)
- 20. Alaska Small Loans Act (§§ 06.20.010 — 06.20.920)
- 25. Trust Companies (§§ 06.25.010 — 06.25.350)
- 30. Alaska Savings Association Act (§§ 06.30.005 — 06.30.915)
- 35. Uniform Common Trust Fund Act (§§ 06.35.010 — 06.35.050)
- 40. Premium Financing Act (§§ 06.40.010 — 06.40.190)

Chapter 01. Administration.

Section

- 10. Examination fees and assessments
- 20. General powers of department
- 30. Orders and injunctions; notice and hearings; regulations

Section

- 40. Examination policy
- 50. Definitions

Editor's note. — Section 55, ch. 169, SLA 1978, contains a severability clause.

Sec. 06.01.010. Examination fees and assessments. (a) The expenses of the department reasonably incurred in the examination or investigation of all financial institutions or applications to establish financial institutions regulated by the department under this title shall be charged to and paid by each financial institution as provided in (b) of this section.

(b) The commissioner shall assess every financial institution, and every applicant to establish a financial institution, a fee for the actual expenses incurred by the department in connection with any examination or investigation, whether regular or special. The fee shall include the proportionate part of the salaries and cost of employee benefits of the examiners while conducting examinations or investigations and while preparing reports of them, and transportation costs and per diem of each examiner while away from his duty station. However, the cost to the financial institution in connection with an examination may not exceed \$7,500 per examination. The assessment shall be made by the commissioner as soon as feasible after the

examination or investigation has been completed. All assessments shall be paid to and received by the department by each institution within 30 days after receipt of notice of the assessment.

(c) Any financial institution which fails to make the payments required by the commissioner under (a) and (b) of this section within the time specified is subject to a penalty of not more than \$100 each day it is late. The penalty, together with the amount due under (a) of this section, may be recovered in a civil action brought by the department. (§ 42 ch 169 SLA 1978)

Sec. 06.01.020. General powers of department. The commissioner may by regulation authorize financial institutions, except licensees subject to ch. 20 of this title, to exercise any of the powers conferred upon a federally chartered bank, trust company, savings association, or other federally chartered institution doing business in this state which is subject to the regulations of the United States Comptroller of the Currency, the Federal Reserve Board, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation or the successor or successors of them, if the commissioner finds that the exercise of the power both:

- (1) serves the public convenience and advantage; and
- (2) equalizes and maintains the quality of competition between state-chartered financial institutions and corresponding federally chartered financial institutions. (§ 42 ch 169 SLA 1978)

Sec. 06.01.030. Orders and injunctions; notice and hearings; regulations. (a) Whenever it appears to the commissioner that a person has engaged in an act or practice in violation of any provision of this title or of a regulation adopted under it, the commissioner may

(1) if he considers it to be in the public interest, issue an order directing the person to stop the act or practice; reasonable notice and an opportunity for a hearing must be given before issuing the order; however, the commissioner may issue a temporary order pending the hearing which remains in effect until 10 days after the hearing is held and which becomes final if the person to whom the notice is addressed does not request a hearing within 15 days after receipt of the notice; or

(2) bring an action in the superior court to enjoin the acts or practices and to enforce compliance with this title or a regulation adopted under it; upon a proper showing, the department is entitled to the appropriate remedy, and a receiver or conservator may be appointed for the defendant or the defendant's assets; the commissioner is not required to post a bond.

(b) Except as provided in (a) of this section, the department shall give public notice of each proposed action, but it is not required to hold a hearing before taking the action unless it receives written opposition to the proposed action. Written opposition must be filed with the department within the time specified by the department. In cases

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(e) The term "bank service corporation" means a corporation organized to perform bank services for two or more banks, each of which owns part of the capital stock of the corporation. (§ 8 ch 157 SLA 1970)

Legislative committee report. — For (Judiciary), see 1970 House Journal, p. report on ch. 157, SLA 1970 (CSHB 643 1085.

Sec. 06.05.232. Leasing of real and personal property. (a) The department may authorize a bank to become the owner and lessor of real or personal property acquired upon the specific request of and for the use of a customer, if

(1) the original lease is executed in writing before acquisition of the property to be leased;

(2) the terms of the lease require payment to the bank during the minimum period of the lease of an amount of money that will exceed the total expenditure by the bank for acquisition, ownership, maintenance and protection of the property;

(3) the total of the expenditures by the bank for acquisition, ownership, maintenance and protection of the leased property and other loans to any one lessee by the bank do not exceed the limits on loans to one borrower under § 205 of this chapter;

(4) in the case of real property, the lease agreement provides that upon its expiration the lessee will become owner of the property;

(5) Repealed by § 4 ch 56 SLA 1971.

(b) The aggregate investment in property under this section and §§ 230(1) and 231 of this chapter may not exceed the bank's combined capital, surplus and undivided profits.

(c) Payments by a lessee to a bank for property leased under this section are considered rent rather than interest.

(d) Real property retained by a bank upon termination of a lease authorized under this section, as the result of default by the lessee, shall be utilized or disposed of as provided by regulation of the department. (§ 9 ch 157 SLA 1970; am § 4 ch 56 SLA 1971)

Legislative committee report. — For (Judiciary), see 1970 House Journal, p. report on ch. 157, SLA 1970 (CSHB 643 1085.

Sec. 06.05.235. Bank holding companies. (a) It is unlawful for a company to own, control or hold with power to vote 25 per cent or more of the capital stock of one or more state banks or state bank holding companies subject to regulation under this chapter. Nothing in this subsection prohibits a company from qualifying as a bank holding company under (b) of this section. However, when it becomes a bona fide necessity to avoid loss for a creditor to accept shares of stock in one or more banks or bank holding companies constituting more than 25 per cent of the ownership or control of a bank or bank holding company in payment of indebtedness owing to the creditor, shares of stock may be

accepted, but the shares of the one or more banks or bank holding companies exceeding that 25 per cent shall be promptly disposed of under the supervision of the department.

(b) A domestic bank holding company, as defined in § 540 of this chapter and organized under AS 10.05, which maintains its principal office and place of business in the state and conducts its principal operations in the state, may acquire and own all or any portion of the voting shares or other capital stock of, or all or substantially all of the assets of, one or more banks or bank holding companies. The department may require a holding company to post a bond with the department in an amount equal to the paid-in capital and paid-in surplus represented by the proportion of bank stock directly or indirectly owned, held, or controlled by it under conditions the department may prescribe to assure full protection of the public. The holding company is subject to an examination by the department or a competent person designated by the department when the department considers it necessary, but not less than once each year. The holding company shall pay an examination fee in accordance with AS 06.01.010.

(c) The department may adopt regulations for bank holding companies to assure financially sound banking organization and practice.

(d) A person, or an officer, director, agent, or employee of the person, who violates a regulation adopted under (c) of this section is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than \$5,000, or by imprisonment for not more than one year, or by both; and in the case of a corporation, by a fine of not more than \$10,000. (§ 3.167 ch 129 SLA 1951; am § 1 ch 194 SLA 1959; am § 1 ch 139 SLA 1961; am § 1 ch 53 SLA 1962; am § 1 ch 124 SLA 1966; am § 18 ch 218 SLA 1976; am § 16 ch 169 SLA 1978)

Effect of amendments. — The 1976 amendment, in this section as it existed prior to the 1978 amendment, deleted "of commerce" following "commissioner" at the end of the third sentence of subsection (a), in the first, second, and third sentences of subsection (b), and in subsection (c).

The 1978 amendment rewrote this section.

Editor's note. — Section 55, ch. 169, SLA 1978, contains a severability clause.

Sec. 06.05.238. Required directors' meetings and statements to the department. The department may require a meeting of the board of directors of a state bank to be held in the manner and at the time and place it directs, when, in the judgment of the department, a serious violation of this chapter is involved. Any report of an examination required or allowed by this chapter, any conclusions drawn from such an examination by the department, any recommendations made by the department relative to it, and any other matters concerning the operation and condition of the bank may be presented to the board of directors by the department. Each member of the board of directors

Effect of amendment. — The 1978 amendment, in the second sentence, substituted "conviction of a corporation for violation of this chapter" for "violation by

a corporation" and increased the maximum fine from \$5,000 to \$20,000.

Editor's note. — Section 55, ch. 169, SLA 1978, contains a severability clause.

Sec. 06.05.525. Injunction. If a state bank fails to comply with the provisions of this chapter, or the regulations of the department, or is found by the department to be in an unsafe or unsound condition the result of which will cause substantial injury to the bank or to its depositors, creditors or stockholders, the superior court may, upon the suit of the department, issue an injunction restraining the violation and may issue an order prohibiting the transaction of all or any part of the bank's business until the circumstances upon which the suit is based no longer exist. (§ 3.510 ch 129 SLA 1951; am § 9 ch 63 SLA 1969)

Article 6. General Provisions.

Section

530. Effect on existing banks

535. Construction with subsequent legislation

Section

540. General definitions

545. Short title

Sec. 06.05.530. Effect on existing banks. The charters of state banks existing on March 26, 1951, continue in full force and effect. All state banks and, to the extent applicable, all banks shall thereafter operate in accordance with this chapter. Any state bank, by filing an application for an amendment of its charter or for a merger, consolidation or sale of all, or substantially all, of its assets or the assets of any department of the bank under this chapter and its charter is thereafter subject to this chapter. (§ 1.104 ch 129 SLA 1951)

Sec. 06.05.535. Construction with subsequent legislation. No part of this chapter shall be considered to be impliedly repealed by subsequent legislation not specifically repealing it if that construction can be avoided. (§ 1.106 B ch 129 SLA 1951)

Effect of Business Corporation Act. — This chapter is in no way amended by the Alaska Business Corporation Act (AS 10.05). 1959 Op. Atty. Gen., No. 17.

On formation of banking corporation. — A banking corporation may lawfully be formed under the Alaska Business

Corporation Act (AS 10.05). It is equally certain that a banking corporation may be formed under this chapter, since it has not been repealed in whole or in part by the Alaska Business Corporation Act. 1959 Op. Atty. Gen., No. 17.

Sec. 06.05.540. General definitions. As used in this chapter unless the context otherwise requires

(1) "action" in the sense of a judicial proceeding includes any proceeding in which rights are determined;

(2) "bank" means any person doing a banking business whether subject to the laws of this or any other jurisdiction;

(3) "banking" means the negotiation for and the discounting of promissory notes, drafts, bills of exchange and other evidences of indebtedness; receiving deposits, selling and buying exchange, coin, and bullion, and lending money on personal, real and other security, and other kindred financial operations;

(4) "branch bank" includes a branch bank, branch office, branch agency, additional office, or any branch place of business located in the state, at which deposits are received, checks are paid, or money is lent;

(5) "commissioner" means the commissioner of commerce and economic development or his designee;

(6) "community" means a city, town, unincorporated village, or, in absence of any one of the foregoing, a trade area;

(7) "court" means a court of competent jurisdiction;

(8) "department" means the Department of Commerce and Economic Development;

(9) "domestic bank holding company" means a domestic corporation that is organized under AS 10.05 and that has control over a bank or another domestic bank holding company through one of the following:

(A) the company directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 per cent or more of any class of voting securities of the bank or company;

(B) the company controls in any manner the election of a majority of the directors or trustees of the bank or company; or

(C) the department determines, after notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management of policies of the bank or company.

(10) "executive officer" when referring to a bank, means the president, vice president, treasurer, cashier, comptroller and secretary, or any person who performs the duties appropriate to those offices or any person designated in the bylaws as an executive officer;

(11) "fiduciary" means trustee, agent, executor, administrator, committee, guardian or conservator for a minor or other incompetent person, receiver, trustee in bankruptcy, assignee for creditors or any holder of a similar position of trust;

(12) "good faith" means honesty in fact in the transaction and some reasonable ground for belief that the transaction is rightful or authorized;

(13) "item" means any instrument for the payment of money negotiable or nonnegotiable but does not include money;

(14) "officer" when referring to a bank means any person designated as an officer in the bylaws and includes, whether or not so designated, any executive officer, the chairman of the board of directors, chairman of the executive committee, and any trust officer, assistant vice president, assistant treasurer, assistant cashier, assistant comptroller, or other person who performs the duties appropriate to those offices;

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(15) "reason to know" means that upon the information available a person of ordinary intelligence in the particular business, or of the superior intelligence or experience which the person in question may have, would infer that the fact in question exists or that there is a substantial chance of its existence that, if exercising reasonable care with reference to the matter in question, conduct would be predicated upon the assumption of its possible existence;

(16) "state bank" means any bank chartered by this state;

(17) "undivided profits" means the accumulated, undistributed net profit of a bank, including any residue after

(A) provision for payment of taxes and expenses of operations,

(B) transfers to reserves allocated to a particular asset or class of assets,

(C) losses estimated or sustained on a particular asset or class of assets in excess of the amount of reserves allocated for it,

(D) transfers to surplus and capital,

(E) amounts declared as dividends to stockholders;

(18) "company" means any bank, corporation, partnership, joint stock company, business trust, association or similar organization, domestic or foreign. (§§ 1.102, 1.103 ch 129 SLA 1951; § 3.167 ch 129 SLA 1951; am § 1 ch 194 SLA 1959; am § 1 ch 139 SLA 1961; am § 1 ch 53 SLA 1962; am § 7 ch 56 SLA 1971; am § 19 ch 218 SLA 1976; am §§ 39, 40, 43 ch 169 SLA 1978)

Effect of amendments. — The 1976 amendment substituted "commissioner of commerce and economic development" for "commissioner of commerce" in paragraph (6) and "Department of Commerce and Economic Development" for "Department of Commerce" in paragraph (8).

The 1978 amendment added "or his designee" to the end of paragraph (6), rewrote paragraph (9), and added paragraphs (17) and (18).

Editor's notes. — Section 8, ch. 56, SLA 1971, provides: "Any branch or limited banking facility operating under a charter from the State of Alaska on January 1, 1971, is a duly chartered branch."

Section 55, ch. 169, SLA 1978, contains a severability clause.

Applicability of Alaska Banking Code to building and loan associations. — See *American Bldg. & Loan Ass'n, Inc. v. State*, Sup. Ct. Op. No. 112 (File No. 149), 376 P. (2d) 570.

Commissioner subject to provisions of Administrative Procedure Act. — The Administrative Procedure Act (AS 44.62) provides that the commissioner shall be subject to its provisions. 1960 Op. Atty. Gen., No. 7.

Sec. 06.05.545. Short title. This chapter may be cited as the Alaska Banking Code. (§ 1.101 ch 129 SLA 1951)

Chapter 10. Model Foreign Bank Loan Act.

Section	Section
10. Exemption of foreign banks from laws and taxation	35. [Transferred]
20. Authorized activities	40. Definitions
30. Filing statement	50. Short title

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 756
 Title An Act relating to the ownership of financial institutions
 Requested by Labor and Commerce Date 2/18/82

II. FISCAL DETAIL
 Agency Affected Commerce and Economic Development
 Program Category Affected Consumer Protection
 BRU, Program, Or Subprogram(s) Affected Banking and Securities
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	0	0				
200 TRAVEL	0	0				
300 CONTRACTUAL	0	0				
400 COMMODITIES	0	0				
500 EQUIPMENT	0	0				
600 LAND & STRUCTURES	0	0				
700 GRANTS, CLAIMS, ETC.	0	0				
TOTAL	0	0				

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	0	0				
FEDERAL FUNDS	0	0				
OTHER (Specify Source)	0	0				

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	0	0				
PART TIME	0	0				
TEMPORARY	0	0				

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Willis E. Kirkpatrick

IV. DATE February 18, 1982 PREPARED BY Willis E. Kirkpatrick, Director
 AGENCY Banking, Securities, Sm. Loans, & Corp.
 Original: Legislative Finance PHONE 465-2521
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

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Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SUNSET PROCEDURES:

Boards and commissions expire on the date set out in statute, however, upon termination, a board or commission shall continue its existence until June 30th of the succeeding year for the purpose of concluding its affairs.

1) Before termination, continuation, or re-establishment of a board:

A. Committee of reference of each house shall hold one or more hearings with attendance by:

1. Commissioner of the Dept having administrative responsibility
2. Members of the board
3. Interested public

B. Not later than the 60th day (11 March 1982) of the legislative session, the committee of reference shall submit a report to the presiding officer of the house. The report shall contain:

1. A summary of the findings of the committee
2. The recommendations of the committee

C. The committee of reference may introduce a bill for the continuation or reorganization of the board or commission. Only one board may be addressed in each bill, and the term of continuation may not exceed 4 years.



Alaska State Legislature

Senate

Official Business

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SUNSET REPORTS:

A summary of the findings and recommendations of the committee shall be submitted to the presiding officer of the house by the 60th day of the legislative session. The report shall contain the following:

- 1) The extent to which the board has operated in the public interest
- 2) The extent to which the operation of the board has been impeded or enhanced by existing statutes, procedures, and practices adopted.
- 3) The extent to which the board has recommended statutory changes in the public interest
- 4) The extent to which the board has encouraged interested persons to report to it, concerning the effects of its regulations and decisions.
- 5) The extent to which the board has encouraged public participation in making its decisions and regulations.
- 6) The efficiency with which the board has handled public inquiries or complaints.
- 7) The extent to which the board regulating occupational entry has presented qualified applicants to the public.
- 8) The extent to which State personnel practices have been complied with
- 9) The extent to which statutory, budgetary, or regulatory changes are necessary to best serve the public.

The report should also contain recommendations as follows:

1. Identification of the problem or needs of the public

2. A statement of the committee's findings and recommendations



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

SUNSET REPORTS (continued):

- 3) An identification of other boards having duplicate objectives
- 4) An assessment of alternative methods for achieving the purposes of the board
- 5) An assessment of the consequences of eliminating the board
- 6) A justification for the continuation of the board
- 7) Any information, which in the judgement of the committee, would improve the performance of the board
- 8) The committee may introduce a bill to effect the continuation or reorganization of the board.

WELDING EXAMINERS, BOARD OF

(AS OS.99.010-101) 7 members appointed by the Governor from a list of persons prepared by the Alaska Chapter of the American Welding Society and the Alaska Society of Professional Engineers and submitted at least 30 days before the expiration of a term and not more than 60 days after a vacancy occurs in an unexpired term. The list shall contain not less than two recommended candidates for each appointment. The Governor shall make appointments within 30 days after receiving list. Confirmed by Legislature; 5-year term.

MEMBERS	REPLACING	APPT.	TERM
Mr. Philip B. Davis 986 N. Coppet Fairbanks, Alaska 99701 (Engineer)	Reappointed	79/07/18	83/12/16
Mr. George A. Fox Union Chemical Division Box 575 Kenai, Alaska 99611 (Engineer)	Richard Schneider	79/07/18	83/12/16
Mr. Donald Delk SRA Box 372-C Anchorage, Alaska 99507	Reappointed	81/02/02	85/12/16
Mr. Donald Lockman 2114 Railroad Avenue Anchorage, Alaska 99501 (Chairman 79/07/18)		78/03/16	81/12/16
Mr. Peter Millar 4047 Kingston Drive Anchorage, Alaska 99504 (Engineer)	Reappointed	80/03/11	84/12/16
Kenneth C. Lomax ARCO Oil & Gas Co. General Engineering P.O. Box 6015 Anchorage, AK 99502	Tim Farrell (effective 80/03/11)	81/01/19	83/12/16
Mr. J. C. Wingfield 495 Sprucewood Road Fairbanks, Alaska 99701	Reappointed	78/03/16	82/12/16

CONTACT AGENCY:

Division of Occupational Licensing
Labor & Economic Development

(2) a statement, to the extent practicable, of the objectives of the program of the board, commission, or agency program, and its anticipated accomplishments;

Finding:

To assure the public of high standards of dental care by professionals in the State.

(3) an identification of any other programs having similar, conflicting or duplicate objectives;

Finding:

There are no similar or conflicting programs.

(4) an assessment of alternative methods of achieving the purposes of the program.

Finding:

Licensure and discipline could be turned over to the Division of Public Health. At this time this step is not practicable. Another alternative is to leave licensure and discipline to the professional associations, but there is no indication that this would work better or save money.

(5) an assessment of the consequences of eliminating the board, commission or program and consolidating its activities with another program, or of funding it at a lower level.

Finding:

The board is necessary to guarantee professional competency. Reduced funding would reduce frequency of meetings, endangering the testing, investigative and regulatory functioning of the board.

(6) a justification for the recommended continuation or extension of the board, commission or program, and an explanation of the manner in which it avoids duplication of or conflict with other efforts;

Finding:

There would be no guarantee of public protection if licensing were eliminated. For example, there have been 38 complaints filed since July 1978. Duplication or conflict with other efforts is precluded by the statutory prescription of the Board's authority.

(7) any other information which, in the opinion of the committee, would improve the performance of the board, commission or agency with respect to its representation of and responsiveness to the public interest.

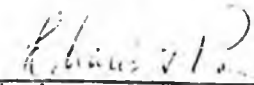
Finding:

The board has promulgated continuing competency regulations in compliance with prior audit recommendations. Elimination of temporary licenses for

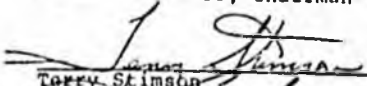
rural areas will be accomplished through legislation introduced by the Committee.

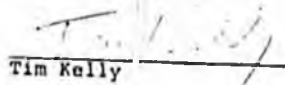
The Health, Education, and Social Services Committee finds that:

1. The Board of Dental Examiners should be continued.
2. The Board should continue the improvement it has shown since the sunset review in 1978.
3. The Alaska Dental Society should cooperate with the Board in conducting the clinical portion of the dental examination, in order to lessen the work load on Board members.
4. The Board should develop and submit a revised Dental Practice Act.


Charles H. Parr, Chairman


Mike J. Colletta


Terry Stinson


Tim Kelly


Vic Fischer

SB 757

The following letter dated March 10 was received from Senator Mulcahy, Chairman, Senate Labor and Commerce Committee: "The Senate Labor and Commerce Committee has had the Board of Welding Examiners under consideration for "sunset" review pursuant to your referral under AS 44.66.050 and AS 08.03.010.

In accordance with the statutory requirements, a public hearing was held on the review of the board, and members of the board and interested members of the public provided the committee with testimony. The committee received both oral and written testimony and examined the performance audit of the activities of the board prepared by the Legislative Audit Division. Guided by the above, the committee took into consideration the factors required to be considered under AS 44.66.050(c).

The Committee feels it has adequately addressed the recommendations and categories required under AS 44.66.050(d), and recommends that the Board of Welding Examiners be continued for another four years, and that the repealer with regard to the activities of the board be amended to read 30 June 1985.

Senate bill 757 has been introduced by the Senate Labor and Commerce Committee to implement the recommendations of this report.

Introduced: 2/15/82
Referred: Labor & Commerce

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 SENATE BILL NO. 757

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act continuing the existence of the Board of Weld-
7 ing Examiners; and providing for an effective date."

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

9 * Section 1. AS 08.03.010(c)(13) is amended to read:

10 (13) Board of Welding Examiners (AS 08.99.010) -- June 30,
11 1985 [1981].

12 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
13 070(c).

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(9) Repealed by § 42 ch 167 SLA 1980.

(10) Repealed by § 2 ch 153 SLA 1980.

(11) Repealed by § 13 ch 52 SLA 1981.

(c) The following boards have the termination date provided by this subsection:

(1) Board of Nursing (AS 08.68.010) — June 30, 1983.

(2) Board of Chiropractic Examiners (AS 08.20.010) — June 30, 1984.

(3) Board of Examiners in Optometry (AS 08.72.010) — June 30, 1984.

(4) Board of Pharmacy (AS 08.80.010) — June 30, 1984.

(5) Board of Dispensing Opticians (AS 08.71.010) — June 30, 1985.

(6) Board of Dental Examiners (AS 08.36.010) — June 30, 1982.

(7) Board of Veterinary Examiners (AS 08.98.010) — June 30, 1985.

(8) State Physical Therapy Board (AS 08.84.010) — June 30, 1986.

(9) Board of Nursing Home Administrators (AS 08.70.010) — June 30, 1986.

(10) Board of Psychologist and Psychological Associate Examiners (AS 08.86.010) — June 30, 1982.

(11) State Medical Board (AS 08.64.010) — June 30, 1983.

(12) Board of Marine Pilots (AS 08.6.010) — June 30, 1983.

(13) Board of Welding Examiners (AS 08.10.010) — June 30, 1981.

(14) Board of Electrical Examiners (AS 08.10.010) — June 30, 1982.

(15) State Board of Registration for Architects, Engineers, and Land Surveyors (AS 08.48.011) -- June 30, 1984.

(16) Board of Barbers and Hairdressers (AS 08.13.010) — June 30, 1984.

(17) Board of Public Accountancy (AS 08.04.010) — June 30, 1984.

(18) Real Estate Commission (AS 08.88.011) — June 30, 1982.

(19) Board of Governors of the Alaska Bar Association (AS 08.08.040) — June 30, 1985.

(20) Guide Licensing and Control Board (AS 08.54.010) — June 30, 1982.

(d) Repealed by § 3 ch 74 SLA 1979.

(e) Repealed by § 3 ch 74 SLA 1979. (§ 2 ch 149 SLA 1977; am §§ 1, 3 ch 74 SLA 1979; am §§ 1, 3 ch 36 SLA 1980; am §§ 1, 3 ch 37 SLA 1980; am §§ 1, 3 ch 38 SLA 1980; and §§ 1, 3 ch 39 SLA 1980; am §§ 1, 3 ch 40 SLA 1980; am §§ 1, 3 ch 41 SLA 1980; am §§ 1, 3 ch 42 SLA 1980; am §§ 1, 2 ch 43 SLA 1980; am §§ 1, 3 ch 67 SLA 1980; am §§ 10, 11 ch 71 SLA 1980; am §§ 6, 7 ch 72 SLA 1980; am §§ 2, 15 ch 82 SLA 1980; am §§ 1, 3 ch 38 SLA 1980; am §§ 1, 3 ch 39 SLA 1980; am §§ 1, 2 ch 153 SLA 1980; am §§ 2, 5 ch 159 SLA 1980; am §§ 41, 42 ch 167 SLA 1980; am §§ 1, 13 ch 52 SLA 1981; am §§ 1, 2 ch 53 SLA 1981)

bring an action in the superior court to enjoin the act and to enforce compliance with § 120 of this chapter. (§ 1 ch 91 SLA 1963)

Article 4. General Provisions.

Section

250. Definitions

Sec. 08.98.250. Definitions. In this chapter

(1) a person who practices veterinary medicine, surgery, or dentistry is one who does any of the following:

(A) appends to his name a title or abbreviation indicating to the public that he is a veterinarian;

(B) for compensation, diagnoses or treats diseases, injuries, or deformities of domesticated animals;

(C) holds himself out to the public as one who diagnoses or treats diseases, injuries, or deformities of domesticated animals;

(D) maintains premises for receiving, examining, and treating a domesticated animal for compensation;

(2) "board" means the Board of Veterinary Examiners;

(3) "department" means the Department of Commerce and Economic Development. (§ 1 ch 91 SLA 1963; am § 60 ch 218 SLA 1976)

Revisor's note (1973). — In light of the 1966 amendment of AS 08.98.010, "Veterinarian" has been changed to "Veterinary" in paragraph (2) of this section.

Effect of amendment. — The 1976 amendment substituted "Department of Commerce and Economic Development" for "Department of Commerce" in paragraph (3).

Chapter 99. Board of Welding Examiners.

Section

10. Creation and membership of board

20. Term of office

30. Source of appointments

40. Removal from office

50. Qualifications of board members

60. Meetings

70. Quorum

Section

80. Powers and duties of the board

90. Applicability of Administrative Procedure Act

100. Expenses

110. Codes

120. Penalty

Sec. 08.99.010. Creation and membership of board. There is created the Board of Welding Examiners, consisting of seven members appointed by the governor. (§ 1 ch 151 SLA 1968)

Sec. 08.99.020. Term of office. Board members serve a term of five years. However, of the members first appointed, one shall be appointed for a term of one year, one for two years, one for three years, one for four years, and three for terms of five years. (§ 1 ch 151 SLA 1968)

Sec. 08.99.030. Source of appointments. The governor shall appoint board members from a list of persons prepared by the Alaska Chapter



March 7, 1982

AS-13779

Senator Bob Mulcahy
Alaska State Senate
Pouch V
Juneau, Alaska 99811

SUBJECT: Alaska State Bill 757 - Concerning the Continuance
of the Board of Welding Examiners

Dear Senator Mulcahy:

In reference to the above mentioned legislation, I am writing to voice my views and concerns. With over 14 years experience in the industrial construction and oil & gas industry of which the last 7 have been with the Prudhoe Facilities Project, I feel a need to address this issue. I presently hold an Alaska Welding Inspectors License and basically agree with the concept of this program and the laws that govern it. However, being directly involved with welding and piping inspection as my primary responsibility, I do not entirely agree with the acceptance criteria for persons applying for licensing approval, along with appointees of the Board itself. The basic concept of the Welding Board, made up of members of the industry, is a good one; the majority members of most design code committees are representatives of the industry they are policing.

The integrity of the facilities that industry is constructing is dependent upon it's own ability to police itself. In light of the fact that the State is facing a probable increase in major construction projects where critical welding could be a volatile area of concern, to abolish the Board now would be a mistake.

The obvious alternative for monitoring this activity would be for the State to establish a welding board or bureau under the Department of Labor. The citizenry of the State of Alaska are far more attuned toward a decrease in government bureaucracy than to create another taxing organization.

The simple economics of the issue show that there is no way that government can compete with private industry to attract the most qualified personnel. For the State to get into the business of policing the welding industry other than in specific areas, I think would be a practical and economic failure.

With some changes to policy and conditions of appointment, the Welding Board as it is now could be our least costly and most effective vehicle to guard against any major distractions like those that plagued the Alyeska Pipeline project.

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Thank you for your time and consideration of these views.

Sincerely,


John P. Rosen
Quality Assurance
Acting for ARCO Alaska, Inc.

cc: D. F. Harbour - Government Relations
B. Ward - Government Relations



March 7, 1982

AS-13797

Senator Bob Mulcahy
Alaska State Senate
Pouch V
Juneau, Alaska 99811

SUBJECT: Alaska Senate Bill 757, an Act Concerning the Continuance
of the Board of Welding Examiners

Dear Senator Mulcahy:

The purpose of this letter is to express ARCO Oil and Gas, Prudhoe
Facilities Project Group's position regarding Senate Bill 757.

We support the passage of this bill for the following reasons:

1. The Welding Board is comprised of members of private industry. Private industry therefore plays an active role in formulating and enforcing welding regulations through this Board.
2. Killing of Alaska State Senate Bill 757 would likely move jurisdiction of enforcement of welding qualification regulations to the Department of Labor. This, in turn, would create the need for added personnel in the department to carry out the duties of the current Welding Board and private industry. This would impose additional financial drains from State revenues and duplicate more than adequate industry efforts.
3. The movement of control to the Department of Labor would require the hiring of highly competent, highly qualified individuals within the Department of Labor to enforce the welding regulations. The hiring of these individuals would further deplete the supply of these highly qualified persons from the private sector.

In summary, ARCO supports the passage of Alaska State Bill 757. The Bill's passage would maintain the current Board of Welding Examiners. It would preclude the need for assumption of welding regulations by the Department of Labor and reduce costs that would be incurred by the State. Further, it would serve to reduce competition with the current competent private petroleum industry and construction contractors.

Thank you for your time and consideration in considering our opinion to this very important matter.

GA Hughes
Quality Assurance & Safety Director

JM Butcher
Construction Support Director

BE Withers
Administration & Planning Director

R Schuck
Resident Construction Manager



March 6, 1982

AS-13778

The Honorable Bob Mulcahy (R)
Alaska State Senator
Alaska State Capitol
Pouch W
Juneau, Alaska 99811

Dear Senator Mulcahy:

Subject: Alaska Senate Bill 757, Act Concerning
the Continuance of Board of Welding Examiners.

With the impending vote on the Alaska Senate Bill 757, which calls for the continuance of the Board of Welding Examiners, I wish to voice my views on this bill. I currently hold an Alaska State Welding Inspector's license and have actively been involved in the welding field for thirteen years, with seven of the thirteen years spent on the North Slope working for the petroleum industry.

I am in favor of the continuance of the Alaska Board of Welding Examiners as set forth by the State of Alaska, Regulation 12AAC72. The main argument for continuing the Board is:

The present regulation, 12AAC72, as it is currently structured, allows private industry, through the selection of appointed members by the Governor, to enforce and carry out guidelines set down in the State Welding Regulations. This approach is:

1. Cost effective to the State, due to the fact that policing to assure compliance, is borne by current revenues from licensing fees. On the other hand, if the Welding Board were abolished, it is likely that the Department of Labor would be empowered to enforce state welding regulations. Thus, additional "Qualified" Department of Labor welding inspection personnel would have to be employed to assure statutory compliance. This would require additional state revenues to operate at a time when state budgetary cuts are necessary.
2. Historically, the more qualified welding personnel have been employed in the private sector due to economics. Therefore, it is questionable whether a state board or bureau under the Department of Labor could operate more effectively than the currently appointed board.

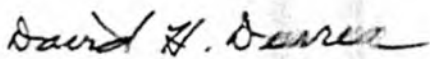
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3. Private Industry, especially the petroleum industry, must meet several code requirements and parameters (A.P.I., A.N.S.I., ASME) as it relates to welder qualifications and welding inspector qualifications during construction as well as maintenance operations. Here, again, these codes are the result of the public sector and industry in the adoption and their enforcement.
4. Lastly, the public who are intimately involved in the welding field take a professional approach in assuring that proper welding practices, code requirements, company specifications, and State and Federal regulations are adhered to.

The State of Alaska Board of Welding Examiners has done a thorough job in creating and adopting the current regulations, and to abolish this existing board and set up a State regulated and operated bureau or board, would serve no useful purpose.

Thank you for your time and consideration on this matter.

Sincerely,


David H. Derrer
Quality Assurance Engineer

DHD:yms

cc: Dave Harbour -- Government Relations, Juneau
Bev Ward - Government Relations, Juneau