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1888



ALASKA STATE SENATE

M E M O R A N D U M

DATE: March 21, 1983
TO: Senator Patrick
FROM: Jim Kelly, Aide *JK*
RE: Senate Bill 188: "An Act relating to bank holding companies."

This bill would make a single change in the domestic bank holding companies section of the Alaska Banking Code. The change, accomplished by the deletion of the words "unless the bank is a recently formed bank" in AS 06.05.235(b), is intended to restore the principle of parity for banks doing business in Alaska.

The problem is that domestic bank holding companies, of which Alaska presently has four - Alaska Pacific Bancorp, Alaska Bancshares, Alaska Bancorporation and United Bancorporation of Alaska, are prohibited from establishing new banks in the state; and recently formed banks, such as the Alaska Continental Bank, are prohibited from establishing domestic bank holding companies.

These legal prohibitions went into effect on July 1, 1982, as a result of passage last session of SB 752, the interstate banking bill. That bill, being the first of its kind enacted anywhere in the country, though carefully drafted, was nonetheless quite complex. The major effect of SB 752 was to allow Outside banks to enter the local market; that has happened, and was intended. The problem mentioned above was not intended, and, in fact, was not even discovered until Alaska Continental Bank made application to establish its own domestic bank holding company and was informed by the Division of Banking that that was prohibited.

It is unfair to allow some Alaskan banks to form relationships with domestic bank holding companies, and prohibit some other Alaskan banks from doing likewise. As there can be significant economic advantages to such relationships, it is not in the public interest to grant the opportunity to some, and withhold it from others. For the consumer to realize the very real benefits of true competition, that is competitive services and competitive prices, it is necessary for rivals within the banking industry to be competing on a "level playing field". This legislation would help accomplish that.

I. REQUEST

Bill/Resolution No.: SB 188
 Title: Act relating to bank holding companies
 Sponsor: Podley
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Div. Banking
 Program Category Affected: Public Pr...
 BRU, Program of Subprogram(s) Affe...

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 83 | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | | | | | |
| 200 TRAVEL | | | | | | |
| 300 CONTRACTUAL | | | | | | |
| 400 COMMODITIES | | | | | | |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS, ETC | | | | | | |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|------------------------|--|--|--|--|--|--|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER (Specify Source) | | | | | | |

POSITIONS:

| | | | | | | |
|-----------|--|--|--|--|--|--|
| FULL-TIME | | | | | | |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

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Phone: 465 2521
 Date: 3/28/83

Approved by Commissioner: Richard A. Lyon
 Department: Commerce & Economic Development

Date: 3/28/83