

HB

217

HOUSE COMMITTEE REPORT

:(11)

Date referred: 5/4/87

FURTHER REFERRALS:

DATE: 3/8/88

The Finance Committee has considered HB 217

"An Act relating to purchase of foreign investments by the board of trustees of the Alaska permanent fund."

RECOMMENDS:

- replace with CS HB 217 (Fin.) [] the same title
- [] attached amendment(s) [] a new title
- do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: [] _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact [] same as previous fiscal note published _____
- [] zero fiscal note [] same as previous zero fiscal note published _____
- [] zero with analysis

SIGNING DO PASS:

LARSON Ronald J. Larson

BOYER Mark Boyer

RIEGER Steve Rieger

FRANK Don

BROWN Ken Brown

DAVIS Mike Davis

SIGNING OTHER RECOMMENDATIONS:

ADAMS Albert Adams

POURCHOT Ed Pourchot

SWACK-HAMMER Ed Swack-Hammer NO REC

WALLIS Key Wallis

GOLL John Goll

Albert Adams
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to purchase of
foreign securities by PFC.
Sponsor: Rules
Requestor: Governor

Agency Affected: Revenue
BRU: Permanent Fund Corporation
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	35.0	500.0	500.0	500.0	500.0
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LAND & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	35.0	500.0	500.0	500.0	500.0

CAPITAL	-	-	-	-	-	-
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REVENUE	-	-	-	-	-	-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	35.0	500.0	500.0	500.0	500.0
TOTAL	-	35.0	500.0	500.0	500.0	500.0

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

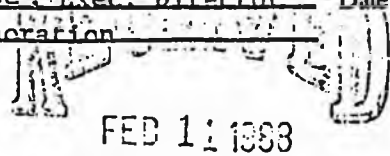
FY 89: Contractual services for manager search.

FY 90 - FY 93: Management fees.

Prepared by: Alaska Permanent Fund Corporation Phone: 465-2047
Division: _____ Date: February 8, 1988

Approved by Commissioner: David A. Rose, Exec. Director Date: February 8, 1988
Agency: Alaska Permanent Fund Corporation

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



LEGISLATIVE FINANCE

HB 211

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 217 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to purchase of investments by the
7 board of trustees of the Alaska permanent fund."

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

9 * Section 1. AS 37.13.120(g)(8) is amended to read:

10 (8) domestic corporate debt securities that [WHICH] are
11 rated AA or better by a nationally recognized rating service, or
12 foreign corporate debt securities of comparable quality;

13 * Sec. 2. AS 37.13.120(g)(19) is amended to read:

14 (19) certificates of deposit, term deposits, or bankers'
15 acceptances, which are issued by a United States or foreign bank or
16 trust company located in a foreign country and are denominated in
17 United States or foreign currency, if either (A) they may be readily
18 sold in a secondary market at prices reflecting fair value, or (B) the
19 issuing bank or trust company has capital, [AND] surplus, and retained
20 earnings at the date of issue equaling at least \$500,000,000; invest-
21 ments made under this paragraph are not subject to the collateral
22 requirements for domestic certificates under (m) of this section;

23 * Sec. 3. AS 37.13.120(g) is amended by adding a new paragraph to read:

24 (21) securities of foreign governments, foreign govern-
25 mental agencies, and foreign corporations the principal of which is,
26 or the interest or dividends on which are, payable in either United
27 States dollars or foreign currencies.

28 * Sec. 4. AS 37.13.120(h) is amended to read:

29 (h) The board may enter into future contracts for the sale of

1 investments purchased under (g) of this section, or for the sale of
2 foreign currencies, only for the purpose of hedging an existing equiv-
3 alent ownership position in these investments [SECURITIES].

4 * Sec. 5. AS 37.13.120(i) is amended to read:

5 (i) [AT THE TIME OF EACH INVESTMENT, THE AGGREGATE INVESTMENT OF
6 THE ALASKA PERMANENT FUND IN EACH STATED CATEGORY OF INVESTMENT MAY
7 NOT EXCEED THE FOLLOWING STATED PERCENTAGE OF THE TOTAL INVESTMENTS OF
8 THE FUND: MORTGAGES UNDER (g)(16) OF THIS SECTION, 15 PERCENT; REAL
9 ESTATE INVESTMENTS UNDER (g)(20) OF THIS SECTION, 15 PERCENT; FOREIGN
10 CERTIFICATES OF DEPOSIT OR THE EQUIVALENT UNDER (g)(19) OF THIS SEC-
11 TION, 20 PERCENT; CORPORATE STOCKS AND DEBT SECURITIES UNDER (g)(8),
12 (9), AND (18) OF THIS SECTION, 50 PERCENT.] The Alaska permanent fund
13 may at no time own more than five percent of the voting stock of a
14 corporation. Domestic stocks, except for bank and insurance company
15 stocks, must be listed at the date of purchase on an exchange regis-
16 tered with the Securities and Exchange Commission. At the time of
17 each investment the aggregate investment of the fund in each stated
18 category of investment may not exceed the following stated percentage
19 of the total investments of the fund:

20 (1) mortgages under (g)(16) of this section - 15 percent;

21 (2) real estate investments under (g)(20) of this section -
22 15 percent;

23 (3) foreign certificates of deposit, foreign term deposits,
24 and foreign bankers' acceptances under (g)(19) of this section, and
25 securities of foreign governments, foreign governmental agencies, and
26 foreign corporations under (g)(8) and (21) of this section - 20 per-
27 cent;

28 (4) domestic corporate stocks and debt securities under
29 (g)(8), (9), and (18) of this section - 50 percent.

go1397hL
Cook
2/29/88

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 217 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Revenue
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foreign securities by PFC. BRU: Permanent Fund Corporation
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LAND & STRUCTURES	-	-	-	-	-	-
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FY 90 - FY 91: Management fees.

Prepared by: Alaska Permanent Fund Corporation Phone: 465-2047
 Division: _____ Date: February 8, 1988
 Approved by Commissioner: David A. Rose, Exec. Director Date: February 8, 1988
 Agency: Alaska Permanent Fund Corporation

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)



ALASKA STATE CHAMBER OF COMMERCE

310 Second Street
Juneau, Alaska 99801
(907) 586-2323

March 4, 1988

The Honorable Al Adams, Chairman
House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Al:

On Monday, March 7 you will be considering HB 217 relating to foreign investment by the Alaska Permanent Fund.

We have reviewed the Bill and strongly support the legislation as set forth in the committee substitute.

The Alaska State Chamber favors passage for the following reasons:

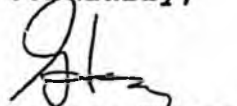
1. The Fund has developed (and earned) a reputation for conservative, careful, and deliberate investment. It clearly has the professional competence to utilize the additional proposed investment tools for the betterment of the State and its citizens.
2. The expansion of investments to the international arena provides further diversification of the Fund's stock and bond portfolios. This blending and diversifying permits the Fund to continue its investment mission at lower risk than that currently being experienced.
3. Generally, foreign investments generate higher earnings than domestic investments. This is evidenced by the performance of such investments in State PER3 and TRS. While this should not be a compelling argument for foreign investment, it is clearly indicative that expected returns, over time, will be at least equal to domestic investments.
4. Finally, and perhaps most important from our viewpoint, is the by-product benefit of foreign investment. The contacts made by the Fund will be extremely valuable. As it researches foreign corporations; confers, meets, and enters into business arrangements with major nondomestic bankers and financiers; and creates dialogue with business leaders throughout the world, the Fund will bring business visitors and potential investors to our state. As these visitors

establish relationships with the Fund, they will gain firsthand exposure to Alaska and its business and economic opportunities.

The global outreach which will be facilitated by international investment is most timely in these difficult economic times for Alaska. We must do everything possible to expand our horizons and develop increased economic activity. Enactment and implementation of the Committee Substitute for House Bill 217 will help us accomplish this.

We recommend its adoption.

Cordially,


George Krusz
President



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802
(907) 465-2047 Telex 099-46-323

April 13, 1987

Representative Fran Ulmer, Chair
House State Affairs Committee
P.O. Box V
Juneau, Alaska 99811

Dear Representative Ulmer:

I am writing to request that you schedule House Bill No. 217, "An Act relating to purchase of foreign investments by the board of trustees of the Alaska permanent fund."

This bill is supported by the board of trustees of the Alaska Permanent Fund Corporation. It was originally recommended by the Trustees on September 26, 1986 (see Board Resolution 86-13 attached). Since the Board membership at that time was quite a bit different than at present, the bill was discussed again at the most recent Board meeting on March 9, 1987, and the original recommendation for passage of this bill still stands.

We think it is important for the legislature to expand the Fund's authorized list of investments to include foreign securities, and we look forward to testifying in support of this bill at your earliest convenience. Staff will be providing your committee with back-up material on this bill in particular and global investing in general.

Thank you.

With warm regards,

David A. Rose
Executive Director

Attachment

RESOLUTION OF THE BOARD OF TRUSTEES
THE ALASKA PERMANENT FUND CORPORATION
REGARDING INVESTMENTS IN FOREIGN SECURITIES

RESOLUTION 86-13

WHEREAS, returns from foreign investment have exceeded those in the United States over most recent ten year periods; and

WHEREAS, the United States represents less than one-half of the world's equity capitalization and is declining in share as foreign economies experience more rapid long-term growth; and

WHEREAS, equity participation in many emerging and fast growth industries can only be attained through foreign investment; and;

WHEREAS, foreign securities markets exhibit a low correlation with the U.S. market therefore reduced overall portfolio volatility will result from international investments; and

WHEREAS, no one national market consistently produces superior or inferior returns; and

WHEREAS, combining U.S. and international investments has consistently provided both increased return and reduced risk compared to a portfolio of all U.S. equities; and

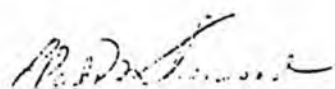
WHEREAS, growth in the U.S. economy remains slow while many foreign economies enjoy more rapid and accelerating growth; and

WHEREAS, increased disposable income and low inflation abroad is spurring consumer demand and domestic growth; and

WHEREAS, a continuation of the dollar's gradual descent will enhance U.S. investors' total return from foreign security holdings;

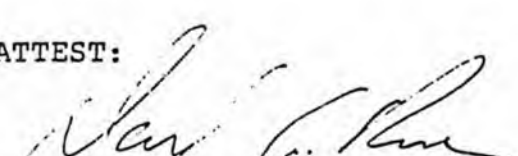
NOW THEREFORE BE IT RESOLVED that the Board of Trustees recommend that the State of Alaska Legislature consider and adopt legislation permitting purchase of foreign securities similar in content to the suggested Bill attached hereto as Appendix A.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 26th day of September, 1986.



Clyde M. Sherwood, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

ALASKA PERMANENT FUND CORPORATION
BOARD OF TRUSTEES

APPENDIX A TO RESOLUTION 86-13
INVESTMENTS IN FOREIGN SECURITIES

A BILL

For an Act entitled: "An Act relating to purchase of foreign securities by the Alaska permanent fund."

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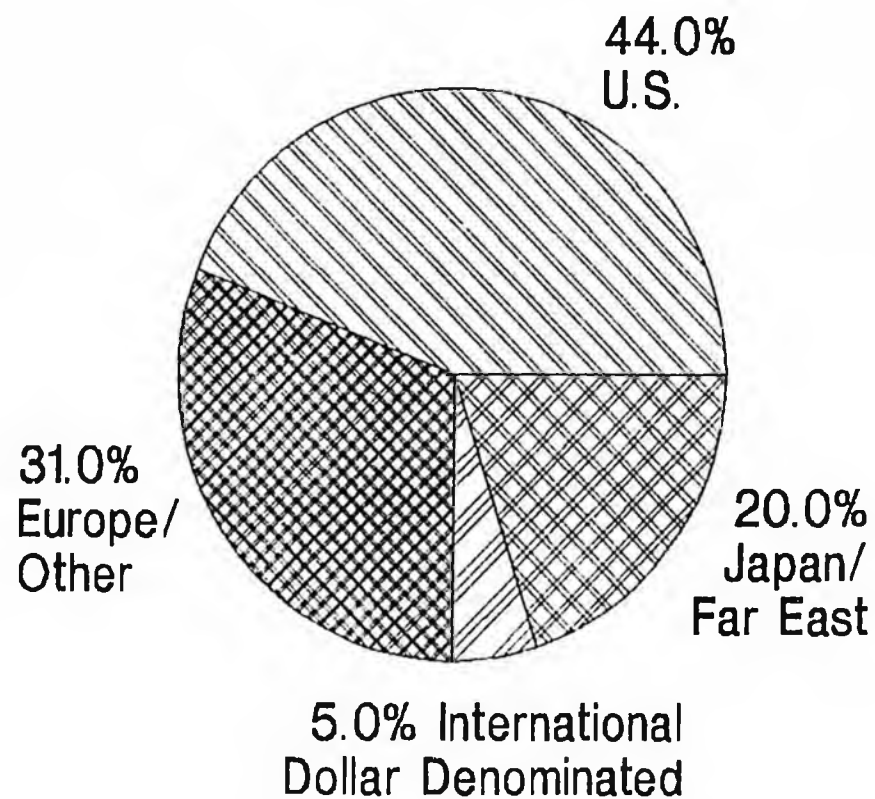
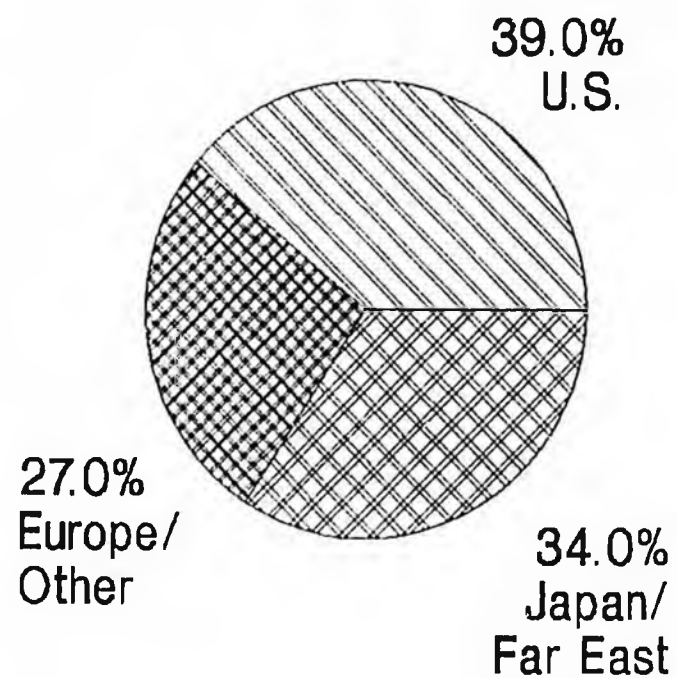
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1986 WORLD CAPITAL MARKETS

EQUITIES (\$5.6 Trillion)

BONDS (\$7.4 Trillion)



Source: J.P. Morgan Investment

TOTAL ANNUAL RETURN (U.S. DOLLARS)

	<u>Germany</u>	<u>Switzer- land</u>	<u>U.K.</u>	<u>Australia</u>	<u>Hong Kong</u>	<u>Japan</u>	<u>Singapore</u>	<u>Canada</u>	<u>S&P 500</u>
1977	25.8	28.7	58.0	11.9	(11.2)	15.9	5.9	(2.1)	(7.2)
1978	26.9	21.9	14.6	21.8	18.5	53.3	45.1	20.4	6.5
1979	(2.2)	12.1	22.1	43.6	83.5	(11.9)	28.5	51.8	18.5
1980	(9.1)	(7.3)	41.1	55.3	72.7	30.3	62.8	22.6	32.4
1981	(8.2)	(9.5)	(10.6)	(23.9)	(15.8)	15.8	18.3	(10.7)	(4.9)
1982	12.3	3.4	9.2	(22.6)	(44.5)	(0.5)	(16.7)	2.4	21.5
1983	25.9	19.3	17.2	56.0	(8.0)	24.9	31.7	33.4	22.4
1984	(3.8)	(11.1)	5.4	(12.6)	46.8	17.1	(26.9)	(7.6)	6.2
1985	140.9	108.9	53.4	21.0	51.6	43.9	(22.0)	16.1	31.7
1986	37.2	34.3	27.1	43.8	56.0	99.7	45.2	10.7	18.2



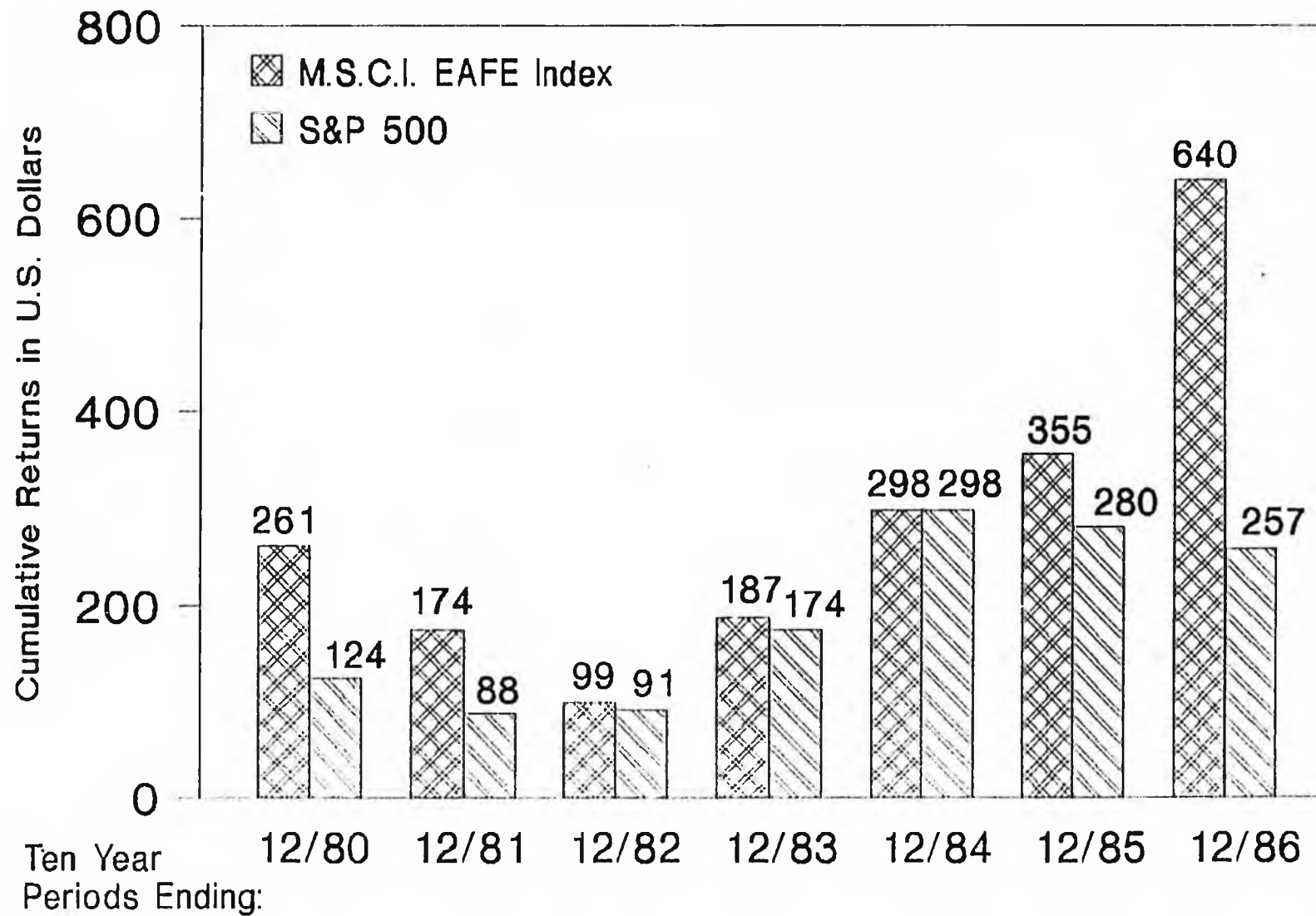
BEST PERFORMER



WORST PERFORMER

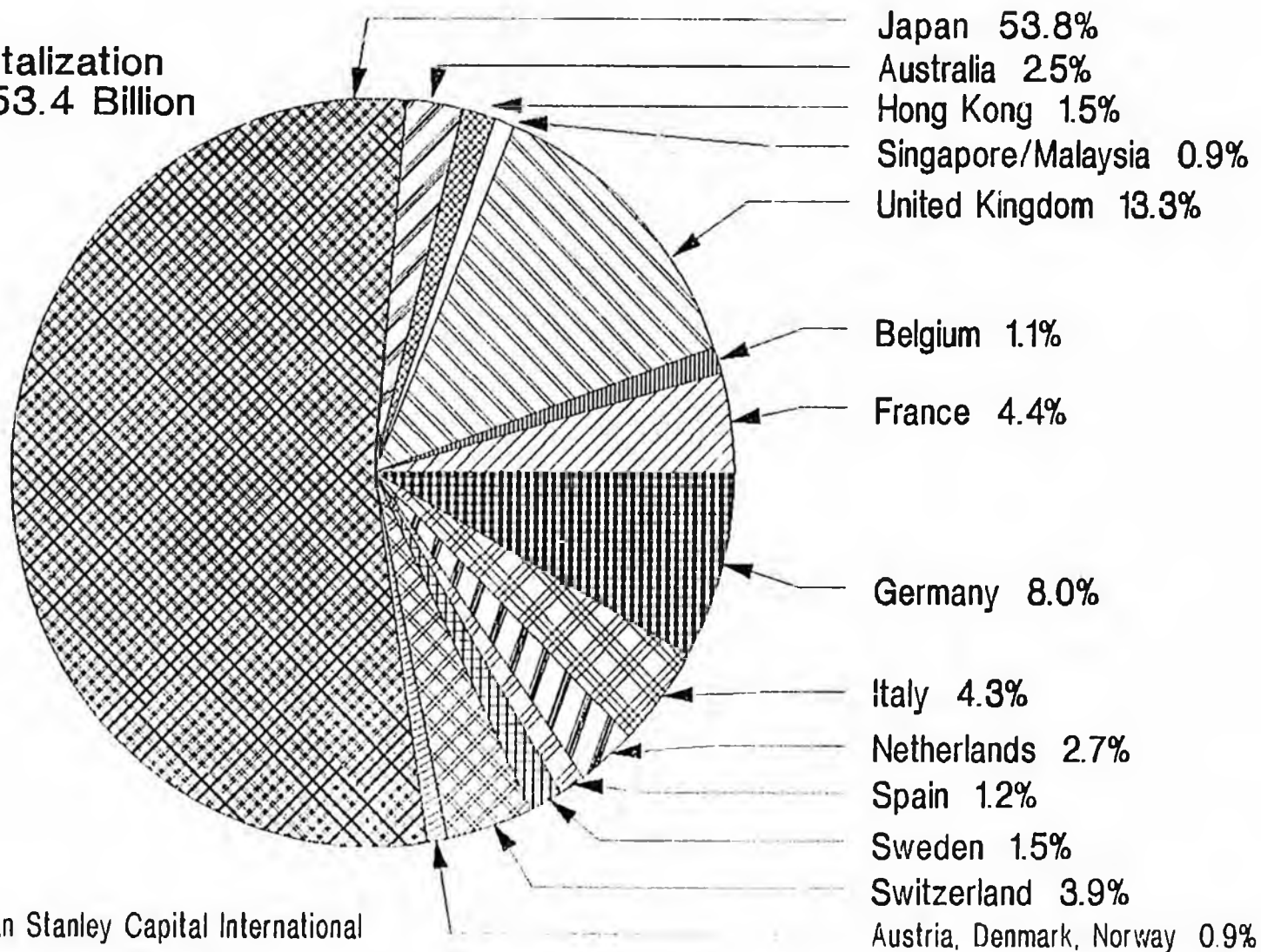
U.S. INTERNATIONAL EQUITY MARKET PERFORMANCE COMPARISON

M.S.C.I. EAFE INDEX vs. STANDARD & POOR'S 500



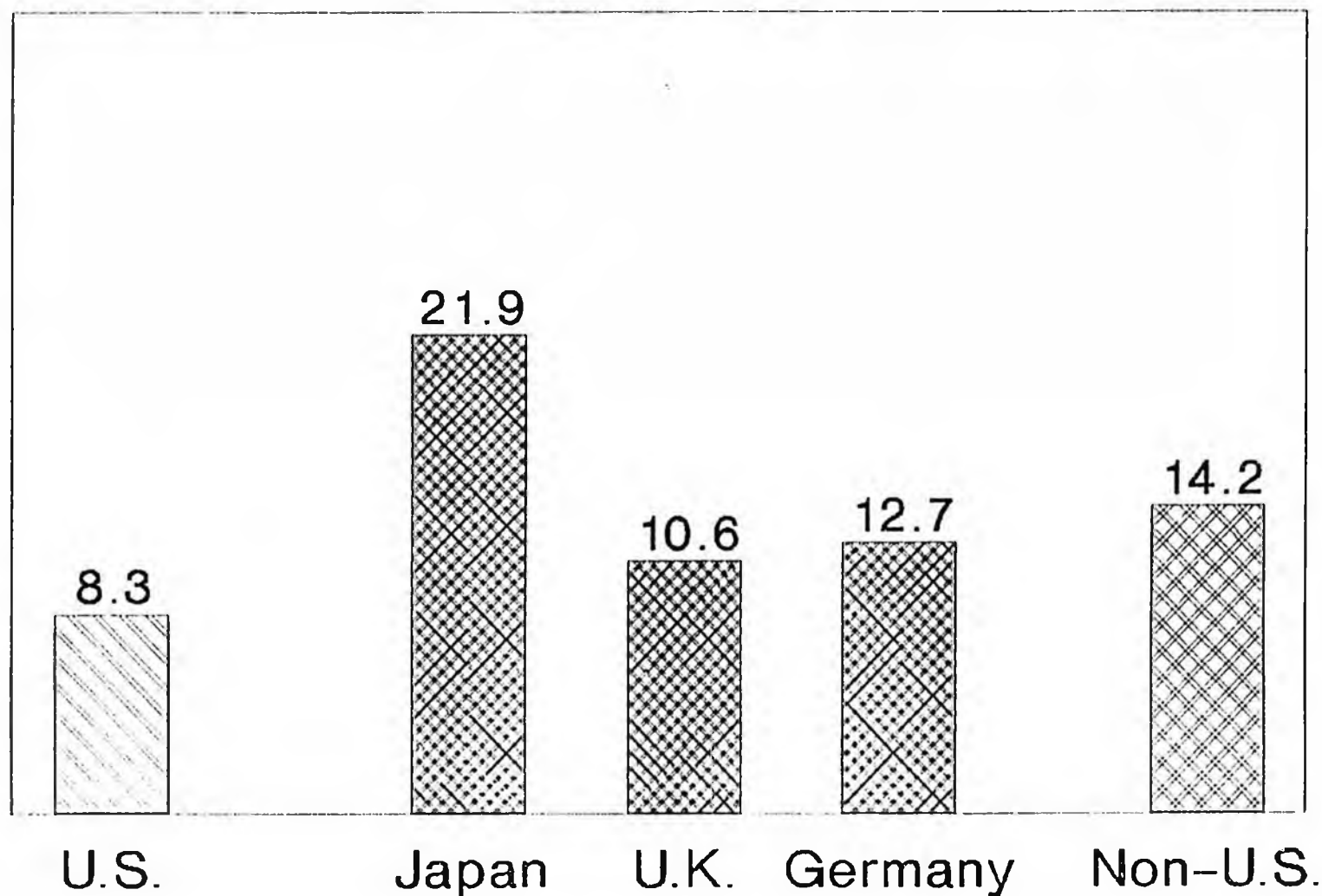
Components of The MSCI Europe, Australia, Far East (EAFE) Index December 31, 1986

Total Capitalization
U.S. \$2,053.4 Billion

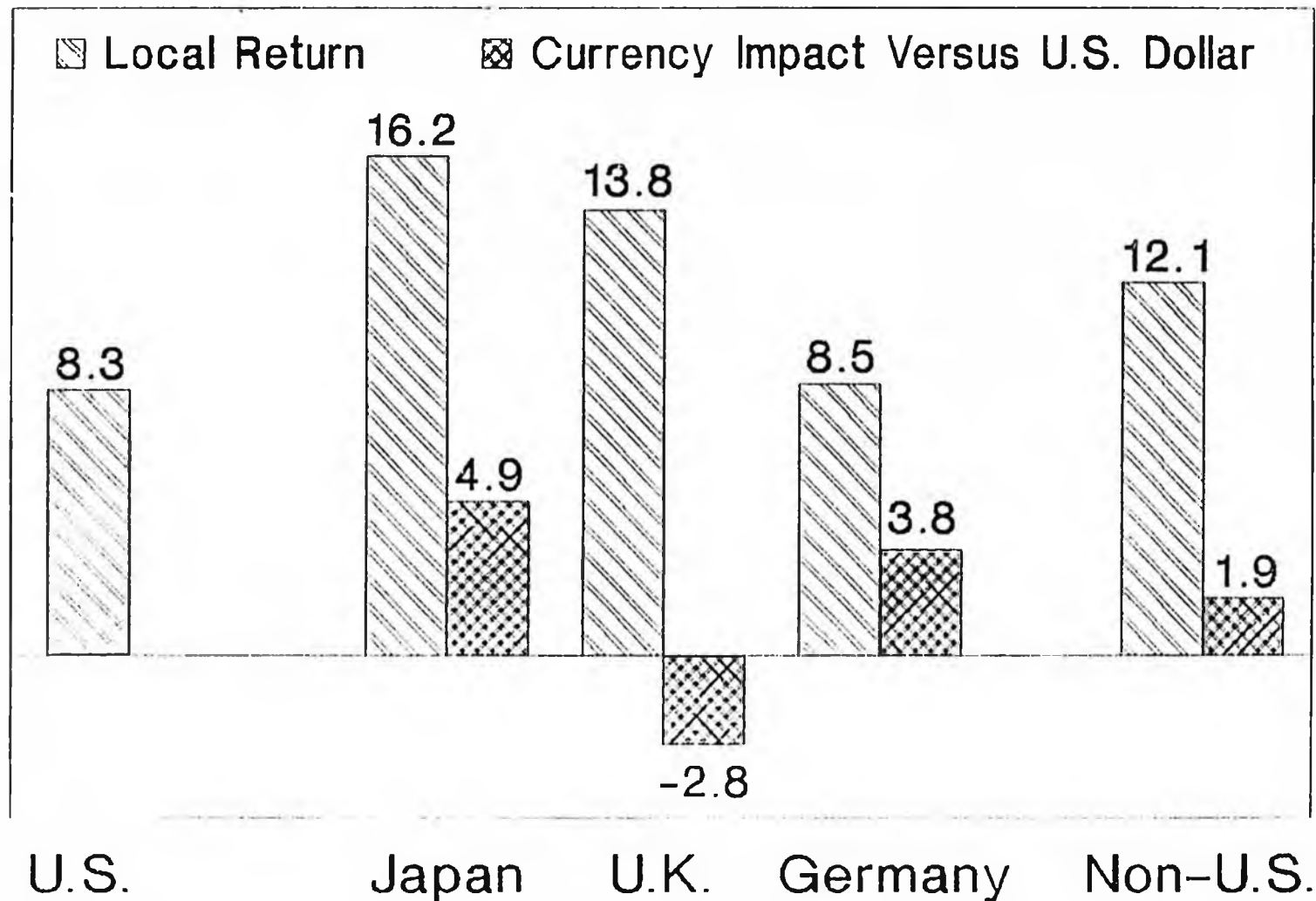


Source: Morgan Stanley Capital International

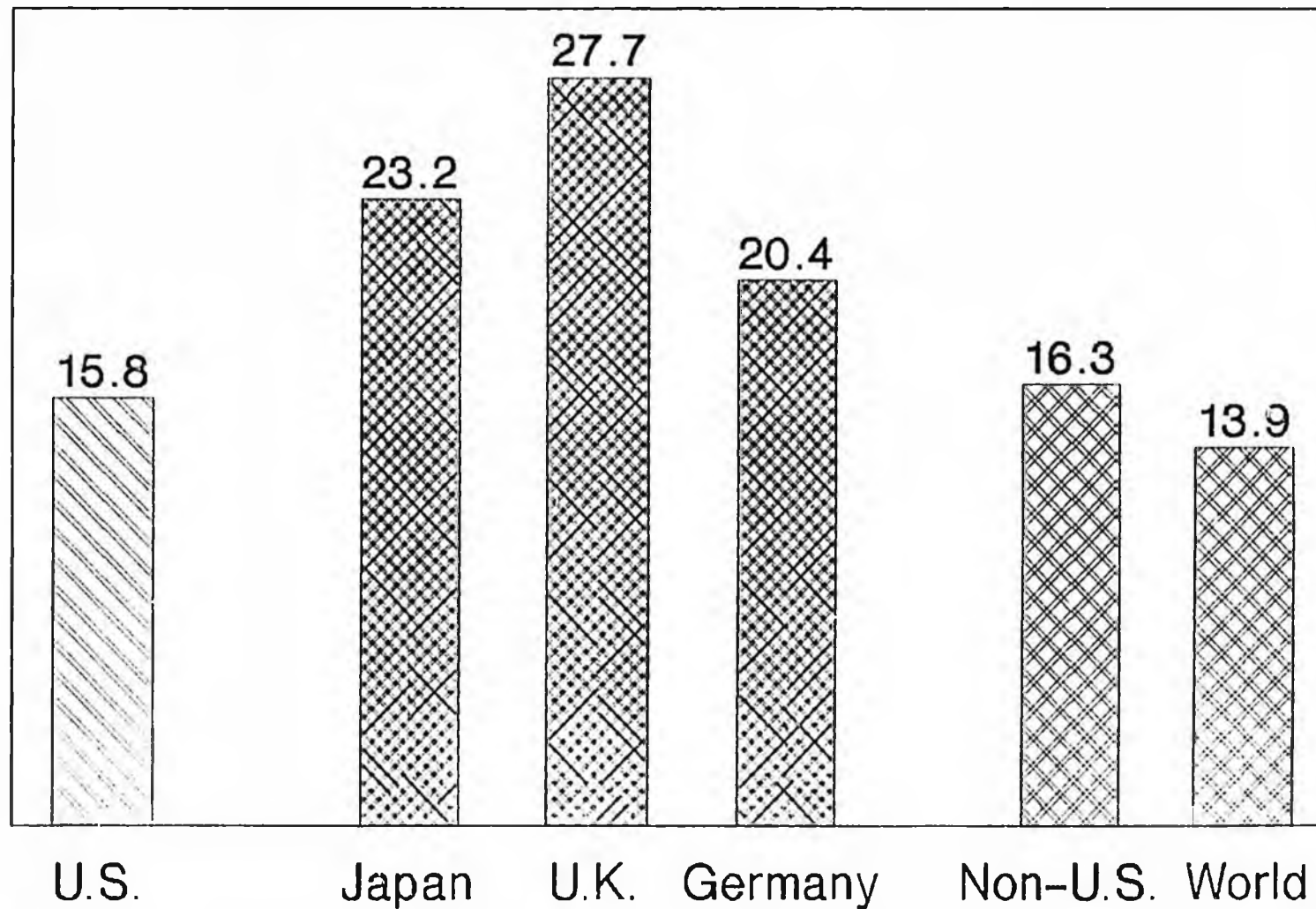
INTERNATIONAL EQUITY MARKETS ANNUALIZED RETURNS IN U.S. DOLLARS 1970 - 1986



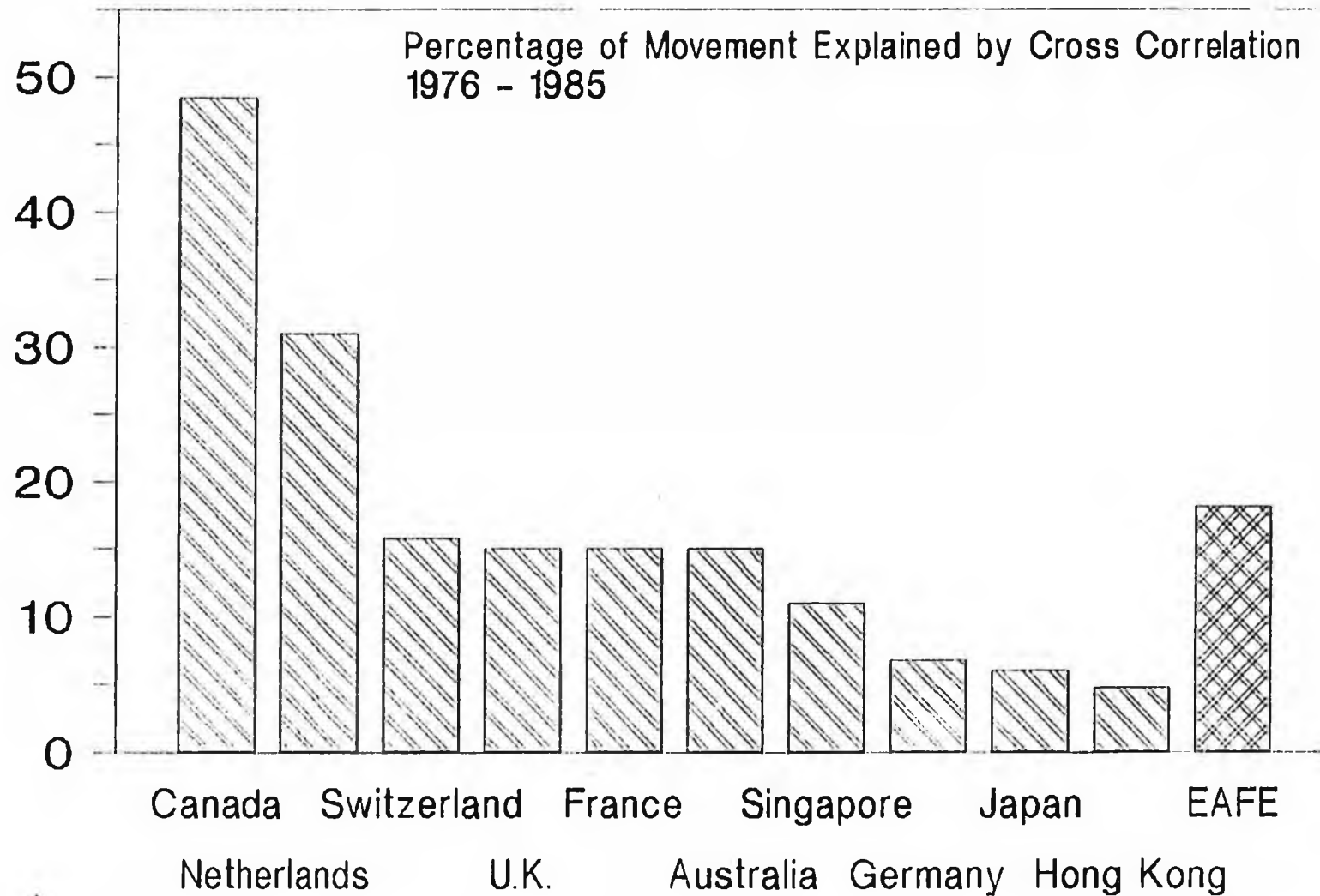
INTERNATIONAL EQUITY MARKETS ANNUALIZED LOCAL AND CURRENCY RETURNS 1970 - 1986



INTERNATIONAL EQUITY MARKETS
STANDARD DEVIATION OF RETURNS IN U.S. DOLLARS
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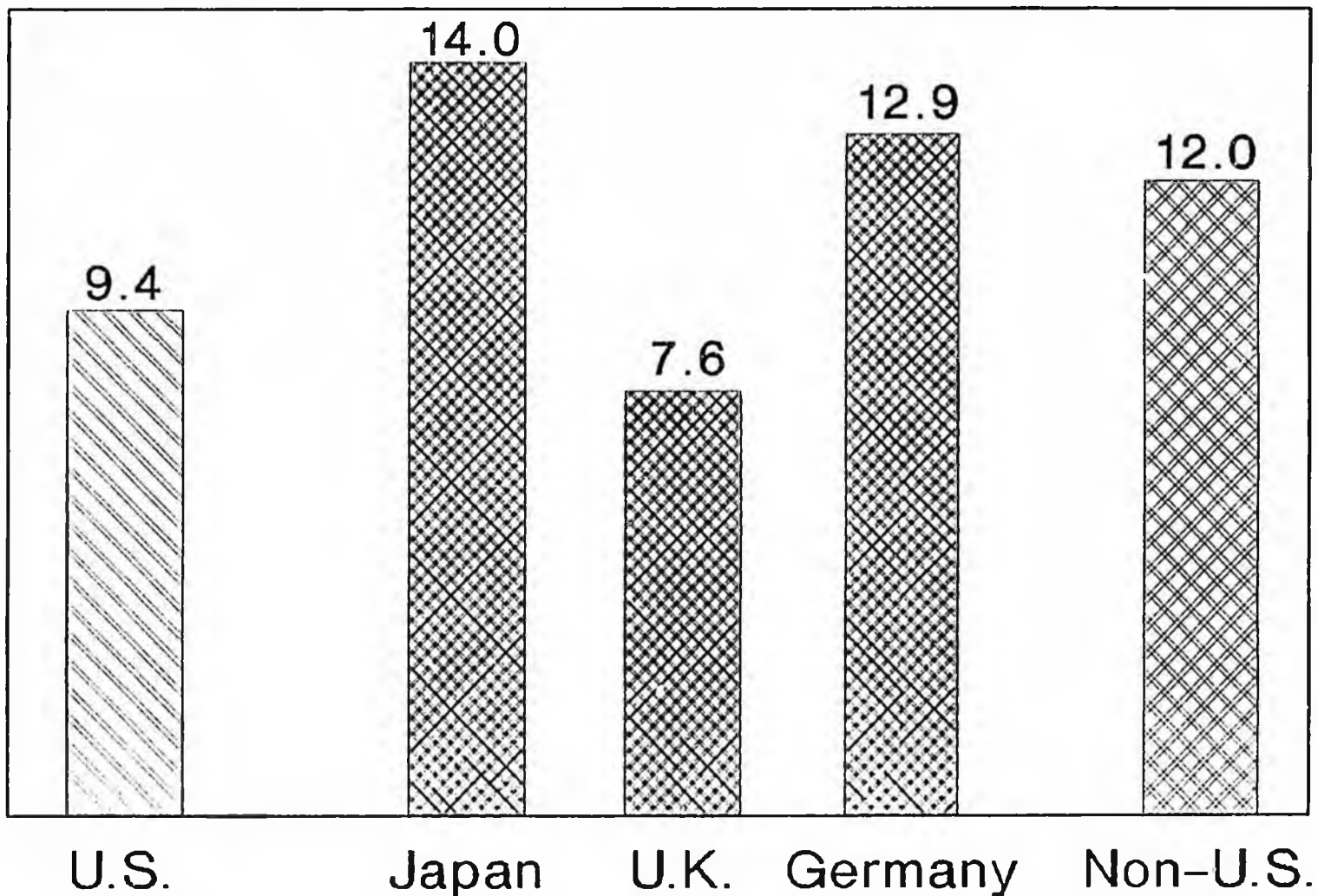


CORRELATION OF RETURNS BETWEEN U.S. AND MAJOR FOREIGN MARKETS

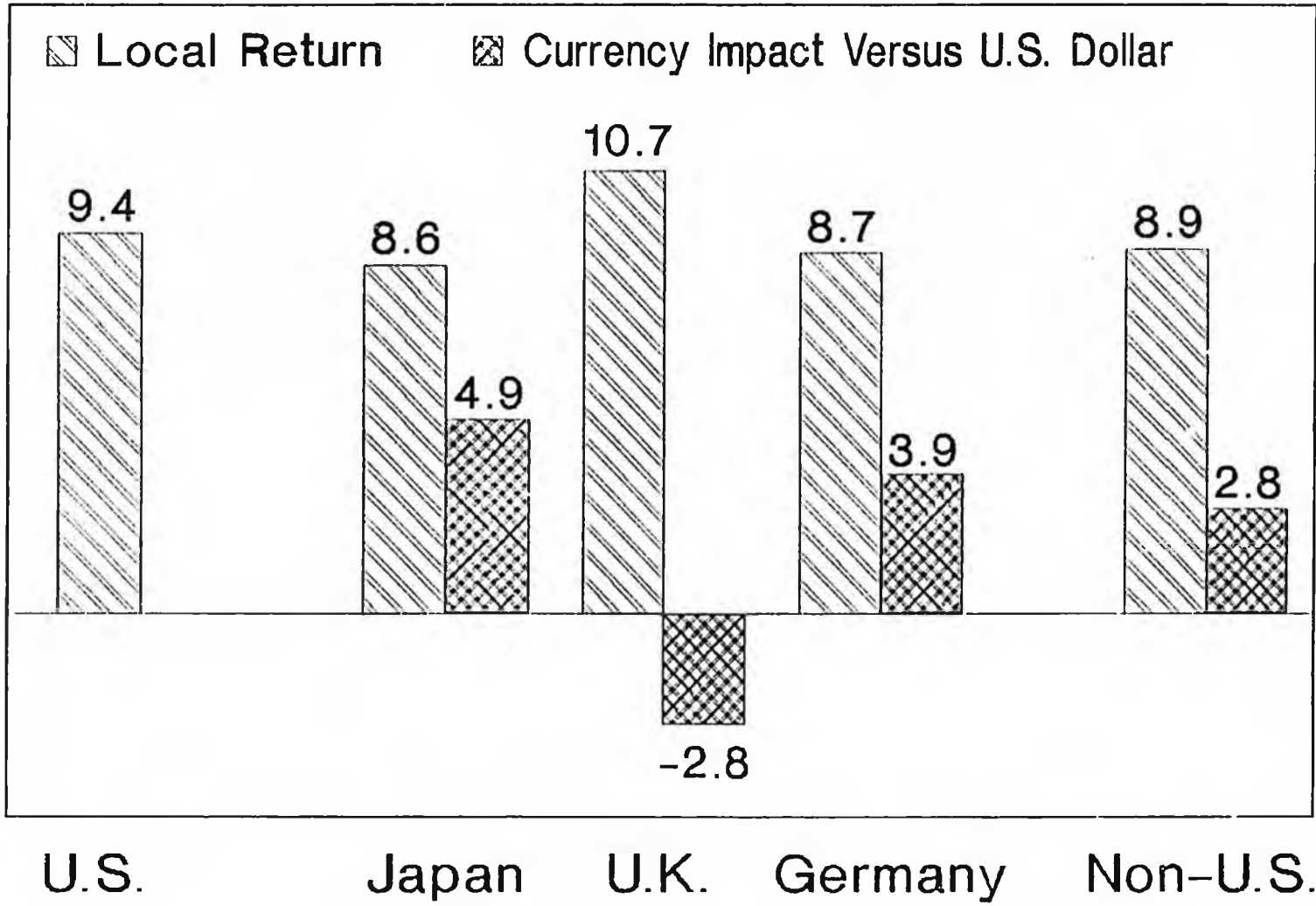


EAFE: Europe, Australia, and Far East Index

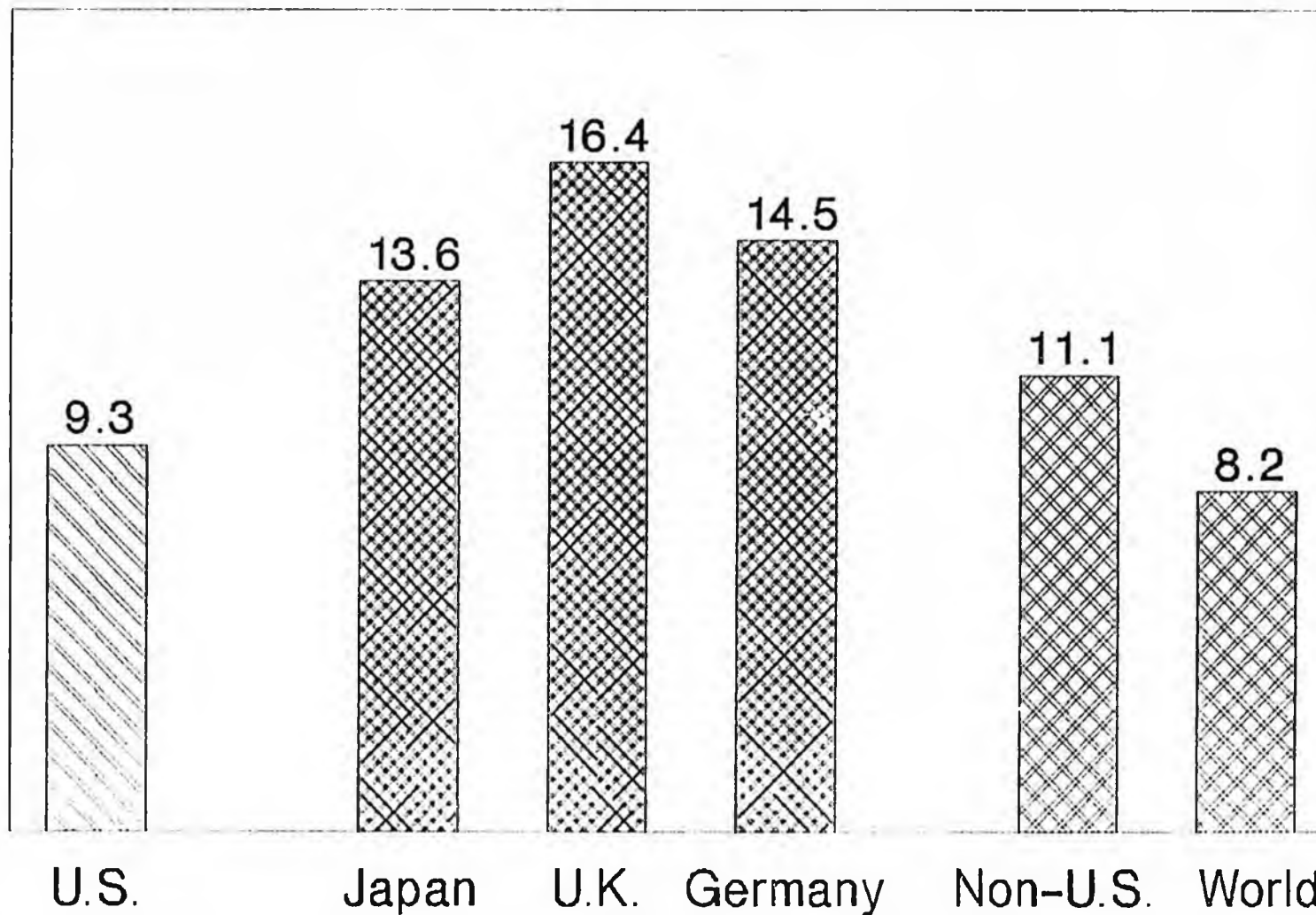
INTERNATIONAL FIXED INCOME MARKETS ANNUALIZED RETURNS IN U.S. DOLLARS 1970 - 1986



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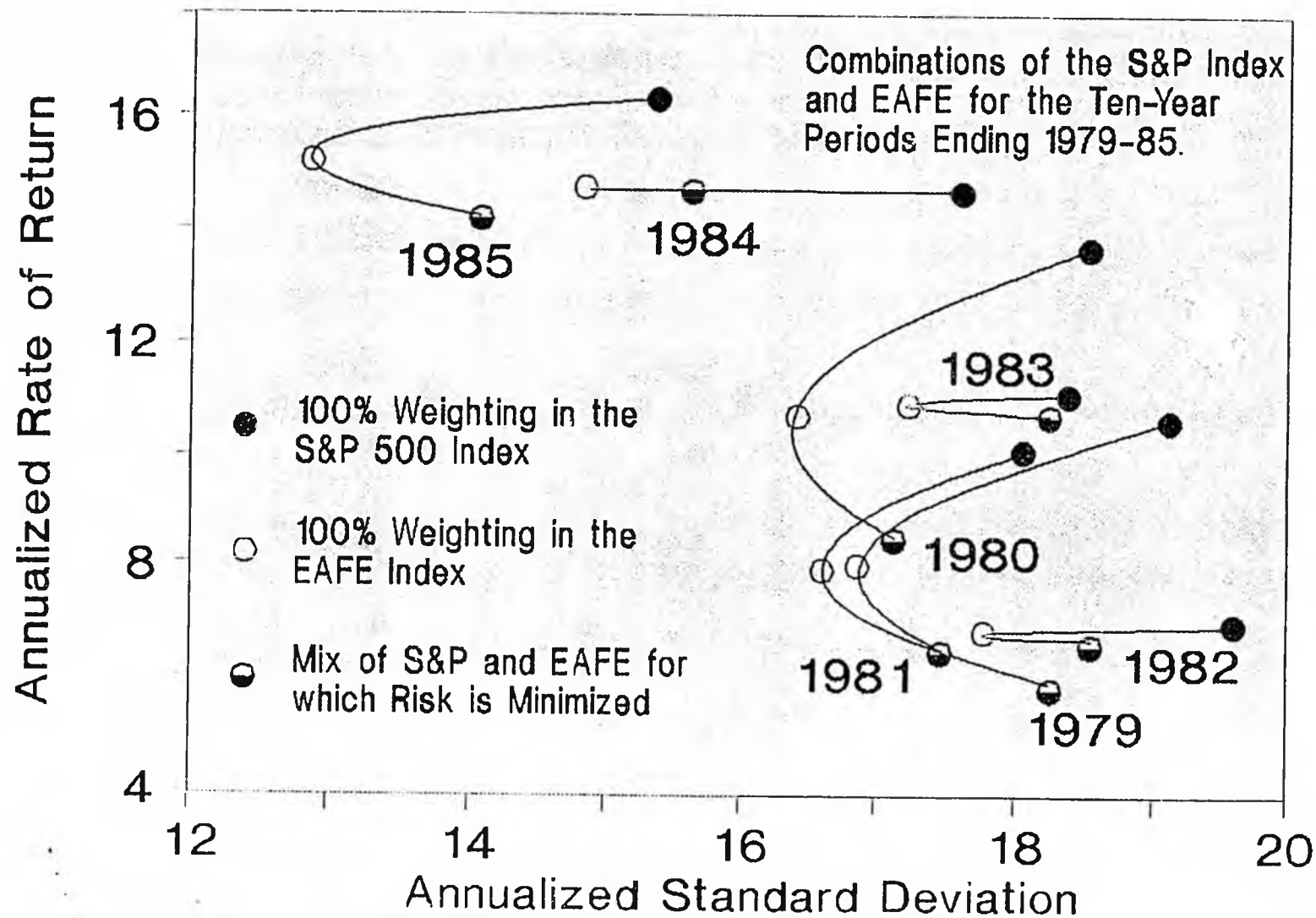


INTERNATIONAL FIXED INCOME MARKETS
STANDARD DEVIATION OF RETURNS IN U.S. DOLLARS
1970 - 1986



EAFE VERSUS THE S & P 500

RISK-RETURN ANALYSIS



THE IMPORTANCE OF INVESTING GLOBALLY IN A SHRINKING WORLD

Why foreign investments? This is a question which wouldn't even have arisen 20 years ago. In 1967, the United States' financial markets represented over two-thirds of the world's equity market capitalization, and the United States was the world's unquestioned financial and industrial leader. By the end of 1987, it represented only 33% of the world's equity market capitalization, and many economists predict that this percentage will continue to shrink.

The world's investable capital markets, excluding cash and real estate, totaled some \$13 trillion at the end of December 1986. The world fixed-income markets amounted to some \$7.4 trillion while the world equity markets totaled \$5.6 trillion. Some statisticians are projecting that by the year 2000, world GNP will be over \$15 trillion, with 75% outside the United States.

With the breakdown of exchange controls and rapid technological advances in communications, the internationalization of the world's financial markets has been proceeding at a rapid pace. To put into perspective the magnitude of these changes, one only has to consider that in 1973 television news in Juneau was delayed at least a day

and all scheduled programs were delayed a week. The tapes had to be flown to Juneau from Seattle, and not infrequently, bad weather delayed their arrival. The only access to current world news and the financial markets was the telephone.

Today, thanks to satellite telecommunications, the Alaska Permanent Fund Corporation has instant access not only to world news but also to the world's financial markets. In our office in Juneau, each of our investment officers has two television monitors on which we are able to obtain Reuters and Telerate financial services. We have instant access to the stock market, the U.S. Government bond market, foreign exchange quotations, commodities, financial futures, worldwide financial news, and trading in U.S. Government bonds in both London and Tokyo as well as New York.

The rapidity with which the world has been shrinking has been truly breathtaking. Worldwide global telecommunications and the integration of the world's financial markets is no longer a dream but well on the way to being an accomplished fact.

During the past 17 years, a period of explosive change, the non-U.S. markets have offered significant investment

opportunities for U.S. investors. Many of the world's fastest growing economies today are located in the Pacific Basin, and investments in this area offer some of the most attractive opportunities currently available.

Opportunities can be seen both in the form of return enhancement and risk reduction. A number of statistical studies have shown definite benefits from foreign investment, both in the level of return and the reduction of risk. It has been demonstrated that the inclusion of foreign investments in a domestic portfolio reduces the volatility (risk) of that portfolio since the world's financial markets do not all move in concert. The degree of benefit demonstrated varies from one study to another depending upon the particular time span used, the countries covered, and the types of investments, but the positive conclusions persist through all of them.

Global investing isn't restricted to only a few companies; it includes most of the world's major industries. The number one oil company in the world is Exxon. Numbers two and three are foreign companies - The Royal Dutch Shell Group and British Petroleum. The two largest food companies are European - Unilever of Dutch and British ownership; and Nestle, a Swiss concern. The number two and three chemical companies in the world behind Dupont are German - Bayer and

Hoechst. And the top four banks are Japanese - Daichi Kangyo, Fuji, Sumitomo, and Mitsubishi. Some of the most significant research for modern wonder drugs is being undertaken by a number of major Swiss and British pharmaceutical companies.

Currently the world is involved in fierce competition to determine which companies will be the winners in the fields of capital goods, consumer electronics, and telecommunications. A large number of the most rapidly growing firms are situated outside the United States, reflecting fast expanding overseas markets and abundant overseas supplies of industrial raw materials and of labor at various skill levels. In some instances, investors can only participate in certain areas of technology by investing in foreign firms.

Over the ten year period ending December 1986, the Standard & Poor's 500 Index managed a very healthy compounded return of 13.7% annually. The Capital International Europe, Australia, Far East Index returned an annual 22.3% for the same period. The next decade may be just the converse with the S&P at 22.3% and EAFE at 13.7%. Even if this is the case, one can be fairly certain that there will be countries, securities, and whole asset classes that will

outperform the U.S. for periods of time during the next decade.

The United States' inability to stand apart from the rest of the world as an independent entity is, above all, the reason to factor international investing into investment plans. In addition, a number of analysts suggest that the prudent man rule and the prudent expert rule require investors with fiduciary responsibilities to look carefully at developments worldwide and to put in place plans for an uncertain future - a future of unpredictable global influence on investments.

We don't know how the U.S. market will compare to foreign markets over the next twenty years. The analysis of international markets should be embraced because it can protect a securities portfolio against unforeseen dangers. Uncertainty about the future should be a compelling force leading investors to diversify as widely as possible.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 25, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of foreign investments by the board of trustees of the Alaska Permanent Fund. The bill specifically permits the purchase of foreign securities by the board.

Returns from foreign investment have exceeded those from investments in the United States over most recent 10-year periods. In addition, the United States represents less than one-half of the world's equity capitalization, and that share is declining as foreign economies experience more rapid long-term growth. No one national market consistently produces superior or inferior returns, and foreign securities markets exhibit a low correlation with the U.S. market. Consequently, the ability to invest in those foreign securities will reduce overall portfolio risk while providing an increased return when compared to a portfolio of solely U.S. equities.


In sec. 2 of the bill, capital and surplus requirements are reduced in recognition of different international accounting conventions. For example, it has been reported in Barron's National Business and Financial Weekly that, if U.S. regulators required U.S. banks to establish a modest 10 percent reserve against their loans to the six major Latin American debtors, it would cost Chase Manhattan Bank \$4.82 a share this year and Manufacturers Hanover Trust Co. more than twice that amount. On the other hand, some German banks reserve more than 30 percent against lesser-developed-country loans. If we were to require \$500,000,000 in capital and surplus of all foreign banks,

Hon. Ben Grussendcrf

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we might be forced to eliminate investments in banks with smaller reported capital but very large unreported reserves, which might make them some of the safest banks in the world.

Sincerely,



Steve Cowper
Governor

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 217

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to purchase of foreign investments
7 by the board of trustees of the Alaska permanent
8 fund."

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

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* Section 1. AS 37.13.120(g)(8) is amended to read:

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(8) domestic corporate debt securities that [WHICH] are

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rated AA or better by a nationally recognized rating service, or

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foreign corporate debt securities of comparable quality;

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* Sec. 2. AS 37.13.120(g)(19) is amended to read:

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(19) certificates of deposit, term deposits, or bankers'

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acceptances, which are issued by a United States or foreign bank or

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trust company located in a foreign country and are denominated in

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United States or foreign currency, if either (A) they may be readily

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sold in a secondary market at prices reflecting fair value, or (B) the

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issuing bank or trust company has capital and surplus at the date of

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issue equaling at least \$100,000,000 [\$500,000,000]; investments made

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under this paragraph are not subject to the collateral requirements

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for domestic certificates under (m) of this section;

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* Sec. 3. AS 37.13.120(g) is amended by adding a new paragraph to read:

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(21) securities of foreign governments, foreign govern-

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mental agencies, and foreign corporations the principal of which is,

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or the interest or dividends on which are, payable in either United

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States dollars or foreign currencies.

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* Sec. 4. AS 37.13.120(h) is amended to read:

1 (h) The board may enter into future contracts for the sale of
2 investments purchased under (g) of this section, or for the sale of
3 foreign currencies, only for the purpose of hedging an existing equiv-
4 alent ownership position in these investments [SECURITIES].

5 * Sec. 5. AS 37.13.120(i) is amended to read:

6 (i) At the time of each investment, the aggregate investment of
7 the Alaska permanent fund in each stated category of investment may
8 not exceed the following stated percentage of the total investments of
9 the fund: mortgages under (g)(16) of this section, 15 percent; real
10 estate investments under (g)(20) of this section, 15 percent; foreign
11 certificates of deposit, foreign term deposits, and foreign bankers'
12 acceptances [OR THE EQUIVALENT] under (g)(19) of this section, 20
13 percent; securities of foreign governments, foreign governmental
14 agencies, and foreign corporations under (g)(8) and (21) of this
15 section, 20 percent; domestic corporate stocks and debt securities
16 under (g)(8), (9), and (18) of this section, 50 percent. The Alaska
17 permanent fund may at no time own more than five percent of the voting
18 stock of a corporation. Domestic stocks, except for bank and insur-
19 ance company stocks, must be listed at the date of purchase on an
20 exchange registered with the Securities and Exchange Commission.