

SB 93

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB 93  
PUBLISH DATE: \_\_\_\_\_

H. Rules 1/21/88

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Investments by Financial Institutions  
Sponsor: Duncan  
Requestor: Duncan  
Agency Affected: Comm. & Econ. Dev.  
BRU: Banking, Securities & Corp.  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
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						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick  
Division: Banking, Securities & Corporations  
Phone: 465-2521  
Date: January 15, 1988

Approved by Commissioner: J. Anthony Smith, Commissioner  
Agency: Department of Commerce & Economic Development  
Date: January 15, 1988

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

SENATE COMMITTEE REPORT

FURTHER:

3/11/87

DATE TURNED INTO OFFICE 3/19/87

Mr. President:

FINANCE

Committee considered SB 93

investments by financial institutions.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 93 (Jud) )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures: Fred T. ...]*  
*[Handwritten signature: Earl ...]*  
*[Handwritten signature: ...]*  
*[Handwritten signature: ...]*  
*[Handwritten signature: ...]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature]* DO PASS  
Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version : SR 93

Publish Date : \_\_\_\_\_

Revision Date: \_\_\_\_\_

Title: Investments by Financial  
Institutions

Agency Affected: Comm. & Econ. Dev.

BRU: Banking, Securities & Corp.

Sponsor : \_\_\_\_\_

Requestor : \_\_\_\_\_

Components : \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>CAPITAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>REVENUE</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

<b>FULL-TIME</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>PART-TIME</b>						
<b>TEMPORARY</b>						

**ANALYSIS :**

\_\_\_\_\_

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521  
 Division: Banking, Securities & Corporations Date: \_\_\_\_\_

Approved by Commissioner: *J. Anthony Smith* Date: \_\_\_\_\_  
 Agency: Department of Commerce and Economic Development

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Original sponsor: Duncan

1 IN THE SENATE BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE BILL NO. 93 (Judiciary)

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 investments by financial insti-  
7 tutions."

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

9 \* Section 1. AS 06.05.180 is amended to read:

10 Sec. 06.05.180. POWERS AS TRUSTEE AUTHORIZED. Every bank organ-  
11 ized under this chapter, subject to the restrictions and limitations  
12 of laws and the regulations of the department, may

13 (1) act as trustee under any mortgage or bond issued by the  
14 state, or any municipality, body politic, or corporation, foreign or  
15 domestic, and accept and execute any municipal or corporate trust not  
16 prohibited by the laws of this state;

17 (2) accept a trust from, and execute a trust for a married  
18 woman in respect to the married woman's [HER] separate property, and  
19 act as agent in the management of the property or transact any busi-  
20 ness in relation to the property;

21 (3) act under the order or appointment of a court of compe-  
22 tent jurisdiction including any probate court as guardian, receiver,  
23 or trustee of the estate of a minor, and as depository of money paid  
24 into court for the benefit of any person, corporation, or party, and  
25 in any other fiduciary capacity;

26 (4) act under the order or appointment of a court of compe-  
27 tent jurisdiction including any probate court as trustee, guardian,  
28 receiver or committee of the estate of a lunatic, idiot, spendthrift,  
29 person of unsound mind or habitual drunkard, or as receiver or

1 committee of the property or estate of any person in insolvency or  
2 bankruptcy proceedings;

3 (5) act as executor or administrator with or without the  
4 will annexed of the estate of a deceased person;

5 (6) accept and execute any legal trust, duty and power in  
6 regard to the holding, management and disposition of any estate, real  
7 or personal, wherever located, and the rents and profits from it, or  
8 the sale of it, as may be granted or confided to it by a court of  
9 competent jurisdiction including any probate court or by any person,  
10 corporation, municipality or other authority, and is accountable to  
11 all parties in interest for the faithful discharge of every trust,  
12 duty, or power which it may accept;

13 (7) accept and execute any trust or power conferred upon it  
14 by any person or any body politic or domestic or foreign corporation,  
15 or any other authority, grant, assignment, transfer, devise, bequest  
16 or otherwise, or which may be entrusted or committed or transferred to  
17 it by order of a court of competent jurisdiction including any probate  
18 court;

19 (8) receive, manage, hold and dispose of according to the  
20 terms of any trust or power any property or estate, real or personal,  
21 which may be the subject of any such trust or power;

22 (9) act as the fiscal or transfer agent of the United  
23 States or of any state, territory, municipality, or other body poli-  
24 tic, and in this capacity may receive and disburse moneys, transfer,  
25 register and countersign certificates of stocks, bonds, or other  
26 evidences of indebtedness;

27 (10) whenever the instrument or power governing the fidu-  
28 ciary relationship directs, requires, authorizes, or permits invest-  
29 ment in obligations of the United States government, with the approval

1 of the trustor invest in the obligations either directly or in the  
2 form of securities of, or other interests in, an open-end management  
3 type investment company or investment trust registered under 15 U.S.C.  
4 80a-1 - 80a-64 (Investment Company Act of 1940), if

5 (A) the portfolio of the investment company or invest-  
6 ment trust is limited to obligations of the United States govern-  
7 ment and repurchase agreements fully collateralized by the  
8 obligations; and

9 (B) the investment company or investment trust takes  
10 delivery of the collateral directly or through an authorized  
11 custodian.

12 \* Sec. 2. AS 06.05.270(a) is amended to read:

13 (a) In addition to loans and acquisitions expressly authorized  
14 by this chapter, a state bank may deal in, underwrite, and invest in  
15 for its own account

16 (1) direct or guaranteed obligations of the United States,  
17 either directly or in the form of securities of, or other interests  
18 in, an open-end management type investment company or investment trust  
19 registered under 15 U.S.C. 80a-1 - 80a-64 (Investment Company Act of  
20 1940), if

21 (A) the portfolio of the investment company or invest-  
22 ment trust is limited to obligations of the United States govern-  
23 ment and repurchase agreements fully collateralized by the  
24 obligations; and

25 (B) the investment company or investment trust takes  
26 delivery of the collateral directly or through an authorized  
27 custodian;

28 (2) general obligations of the State of Alaska and its  
29 political subdivisions;

1           (3) general obligations of a state of the United States or  
2 its political subdivisions;

3           (4) revenue obligations of the State of Alaska or its  
4 political subdivisions subject to the limitation of (b) of this sec-  
5 tion;

6           (5) revenue obligations of a state of the United States or  
7 its political subdivisions subject to the limitation of (b) of this  
8 section;

9           (6) obligations of instrumentalities of the United States  
10 government including, but not limited to Federal Intermediate Credit  
11 Banks, Federal Land Banks, the Federal National Mortgage Association,  
12 and Banks for Cooperatives;

13           (7) commercial paper of prime or equivalent quality as  
14 rated by a recognized national rating service subject to the limita-  
15 tion of (b) of this section;

16           (8) secured corporate obligations rated within the three  
17 highest grades of a national rating service subject to the limitation  
18 of (b) of this section;

19           (9) obligations of the International Bank for Reconstruc-  
20 tion and Development or the Inter-American Development Bank subject to  
21 the limitation of (b) of this section;

22           (10) stock in the Federal National Mortgage Association or a  
23 Federal Reserve Bank.

SENATE AMENDMENT #1

BY: Labor & Commerce Committee

TO: \_\_\_\_\_ SENATE BILL NO. 93

TO: \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

On page 2, line 29, following "government,"

Insert: "with the approval of the trustor,".

(TURN IN ORIGINAL AMENDMENT TO SENATE SECRETARY'S OFFICE.  
THE AMENDMENT WILL BE NUMBERED, COPIED AND DISTRIBUTED.)

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-19-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: JUDICIARY  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED X \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/30/87 DATE TURNED INTO OFFICE 2/26/87  
Mr. President:

LABOR & COMMERCE Committee considered SB 93

relating to investments by financial institutions."

and recommended:

- replace with CS \_\_\_\_\_  same title
- <sup>amendments</sup> attached amendment(s) and  new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to \_\_\_\_\_
- letter of intent adopted and attached
- \*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]  
[Signature]  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Mike Spinali - No Rec.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Tim Kelly - Do Pass  
 Chairman signature and recommendation

Committee Backup Attached

1 IN THE SENATE

BY DUNCAN

2

SENATE BILL NO. 93

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

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

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15 domestic, and accept and execute any municipal or corporate trust not  
16 prohibited by the laws of this state;

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18 woman in respect to the married woman's [HER] separate property, and  
19 act as agent in the management of the property or transact any busi-  
20 ness in relation to the property;

21 (3) act under the order or appointment of a court of compe-  
22 tent jurisdiction including any probate court as guardian, receiver,  
23 or trustee of the estate of a minor, and as depository of money paid  
24 into court for the benefit of any person, corporation, or party, and  
25 in any other fiduciary capacity;

26 (4) act under the order or appointment of a court of compe-  
27 tent jurisdiction including any probate court as trustee, guardian,  
28 receiver or committee of the estate of a lunatic, idiot, spendthrift,  
29 person of unsound mind or habitual drunkard, or as receiver or

1 committee of the property or estate of any person in insolvency or  
2 bankruptcy proceedings;

3 (5) act as executor or administrator with or without the  
4 will annexed of the estate of a deceased person;

5 (6) accept and execute any legal trust, duty and power in  
6 regard to the holding, management and disposition of any estate, real  
7 or personal, wherever located, and the rents and profits from it, or  
8 the sale of it, as may be granted or confided to it by a court of  
9 competent jurisdiction including any probate court or by any person,  
10 corporation, municipality or other authority, and is accountable to  
11 all parties in interest for the faithful discharge of every trust,  
12 duty, or power which it may accept;

13 (7) accept and execute any trust or power conferred upon it  
14 by any person or any body politic or domestic or foreign corporation,  
15 or any other authority, grant, assignment, transfer, devise, bequest  
16 or otherwise, or which may be entrusted or committed or transferred to  
17 it by order of a court of competent jurisdiction including any probate  
18 court;

19 (8) receive, manage, hold and dispose of according to the  
20 terms of any trust or power any property or estate, real or personal,  
21 which may be the subject of any such trust or power;

22 (9) act as the fiscal or transfer agent of the United  
23 States or of any state, territory, municipality, or other body poli-  
24 tic, and in this capacity may receive and disburse moneys, transfer,  
25 register and countersign certificates of stocks, bonds, or other  
26 evidences of indebtedness;

27 (10) whenever the instrument or power governing the fidu-  
28 ciary relationship directs, requires, authorizes, or permits invest-  
29 ment in obligations of the United States government, invest in the

1 obligations either directly or in the form of securities of, or other  
2 interests in, an open-end management type investment company or in-  
3 vestment trust registered under 15 U.S.C. 80a-1 - 80a-64 (Investment  
4 Company Act of 1940), if

5 (A) the portfolio of the investment company or invest-  
6 ment trust is limited to obligations of the United States govern-  
7 ment and repurchase agreements fully collateralized by the  
8 obligations; and

9 (B) the investment company or investment trust takes  
10 delivery of the collateral directly or through an authorized  
11 custodian.

12 \* Sec. 2. AS 06.05.270(a) is amended to read:

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3           (4) revenue obligations of the State of Alaska or its  
4 political subdivisions subject to the limitation of (b) of this sec-  
5 tion;

6           (5) revenue obligations of a state of the United States or  
7 its political subdivisions subject to the limitation of (b) of this  
8 section;

9           (6) obligations of instrumentalities of the United States  
10 government including, but not limited to Federal Intermediate Credit  
11 Banks, Federal Land Banks, the Federal National Mortgage Association,  
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13           (7) commercial paper of prime or equivalent quality as  
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15 tion of (b) of this section;

16           (8) secured corporate obligations rated within the three  
17 highest grades of a national rating service subject to the limitation  
18 of (b) of this section;

19           (9) obligations of the International Bank for Reconstruc-  
20 tion and Development or the Inter-American Development Bank subject to  
21 the limitation of (b) of this section;

22           (10) stock in the Federal National Mortgage Association or a  
23 Federal Reserve Bank.

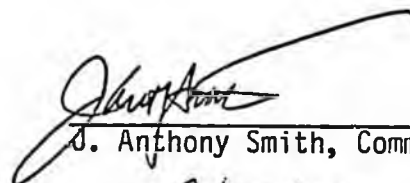
SB 93: "An Act relating to investments by financial institutions."

The Department of Commerce and Economic Development supports this bill if amended in the following manner. Page 2 line 29 after government insert "with approval of the trustor(s), . . . ."

Section 1 of the bill allows a trustee of a bank to invest in a mutual fund made up of government securities when the trust customer of the bank grants authority for the trustee to invest in government securities. This provision expands the trust power beyond that of the trustee agreement without allowing the trustor to make the determination as to whether this investment accords with the trustors' wishes. If the bank's trust customer gives the bank fiduciary freedom to invest in government securities the trustee of the trust should do just that. As SB 93 is now written, if the bank customer did not want government securities in the form of shares in a mutual fund the trust agreement would have to so state. There are a number of reasons why a trustor might choose not to have the trustee invest in mutual funds, one of which is that the trustor ends up paying double fees for the investment, one for the trustee administration cost and another for mutual fund management fees.

The department favors Section 2 of the bill as written. This section allows bank management to invest, as part of the bank's investment portfolio, mutual funds as long as the mutual fund limits its portfolio to legal investments. This allows a small financial institution the ability to have greater use of expertise of the mutual fund's managers, thus, diversifying some market risk.

This bill will have no affect on the program of regulating financial institutions nor will it have a fiscal impact.



J. Anthony Smith, Commissioner

DATE: 2/25/87

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

2/26/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

JUDICIARY

Committee considered SB 93

~~relating to~~ investments by financial institutions.

and recommended:

replace with CS FOR SB 93 (Jud)  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Mike Roden  
Joe Josephson  
Rick Halford  
Arnis Stangulinski  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

J. K. [Signature] do pass  
Chairman signature and recommendation

Committee Backup Attached