

**SB**

**168**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/26/95

FURTHER:

Date of 24-Hour Notice: 2-15-96  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/21/96

Finance Committee considered SB 168

Relating to financial institutions.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:

same title  
 new title

House Bill:

same title  
 technical change  
 new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Parris</i>	✓	<i>David Donley</i>	✓		
<i>Walter E. Hood</i>	✓	<i>Paul F. Ziegler</i>	✓		
Co-Chair: <i>David</i>	✓				
Co-Chair: <i>Rich Halford</i>	✓				

**NEW FISCAL NOTES:**

Department                      Date    Zero    Fiscal

<i>DCUED</i>	<i>7/29/95</i>	<i>0</i>	

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. SB 168

Revision Date: February 22, 1996  
Title: Financial Institutions

Department: Commerce and Economic Development  
BRU: Banking, Securities and Corporations  
Component: Banking, Securities and Corporations

Sponsor: Senate Labor and Commerce  
Requestor: Senate Finance

COMPONENT SERIAL NO. 1233

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	00	00	00	00	00	00
<b>CAPITAL EXPENDITURES</b>	00	00	00	00	00	00
<b>CHANGE IN REVENUES</b>	00	00	00	00	00	00

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	00	00	00	00	00	00

Estimate of any current year (FY 96) cost: \$ 00

**POSITIONS**

FULL-TIME	
PART-TIME	
TEMPORARY	

**ANALYSIS:** (Attach a separate page if necessary)

Prepared by: Walter F. Kirkpatrick, Director  
Division: Banking, Securities and Corporations  
Approved by Commissioner: William L. Menzies  
Agency: Commerce and Economic Development

Phone: 465-2521  
Date: 2-22-96  
Date: 2-22-96

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 168

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

Department Affected: Commerce and Economic Development

Title: Financial Institutions

BRU: Banking, Securities and Corporations

Sponsor: Senate Labor & Commerce

Component: Banking, Securities and Corporations

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

COMPONENT SERIAL NO. 1233

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ( )	0	0	0	0	0	0
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTA	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimate of current year (FY 95) cost: \$ 0

**POSITIONS**

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director  
Division: Banking, Securities and Corporations

Phone: 465-2521  
Date: 5/5/95

Approved by Commissioner: William L. Herles  
Agency: Commerce and Economic Development

Date: 5/5/95

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Senator John Torgerson, Vice Chair  
Senator Mike Miller  
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Senator Judy Salo



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### Sponsor Statement

#### SB 168

#### "An Act relating to financial institutions."

This past year, Congress passed the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (The Act). This Act will affect banking in Alaska because it overrides state law in many areas of interstate banking and branching. The Act does allow the states to address any provision in state determination they wish to exercise. Luckily, Alaska anticipated many of the provisions covered in the Act in the recent recodification of the Alaska Banking Code.

SB 168 was introduced at the request of the Division of Banking and Securities. SB 168 addresses three subjects which are included in the Federal Act and which need to be addressed directly in the Alaska Banking Code. These three subjects are: (1) agency activities between banks in Alaska with banks in other states, (2) examination sharing agreements between state bank regulators, and (3) deposit concentration limits on mergers and purchases of Alaska banks from banks outside the state. The Alaska Bankers Association set the concentration level.

The Alaska Bankers Association has endorsed and encouraged this legislation to facilitate meeting the 1996 deadline. All banks in the state have passed on the language and intent.

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES AND CORPORATIONS

TONY KNOWLES, GOVERNOR

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February 20, 1996

The Honorable Rick Halford, Co-Chairman  
The Honorable Steve Frank, Co-Chairman  
Senate Finance Committee  
Alaska State Senate  
Juneau, AK 99801-1182

Dear Senator Halford and Senator Frank:

Re: SB 168, "An Act relating to financial institutions"

This bill is offered as a technical response to federal Congress action. During 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Act) was passed. The Act preempts the right of states to prevent interstate banking; leaves to the states the right to impose limited condition upon interstate banking acquisition; grants to national banks the right to branch across state lines subject to state permission; and other limiting conditions on other banking provisions.

Two years ago, when the Alaska Banking Code was recodified, many of these federal Congressional actions were anticipated and included in our legislation. We find, however, that there are three areas that need to be addressed: 1) allowing agency powers between banks across state lines; 2) limit concentration of banking in Alaska by acquisition from banks outside the state; and 3) allow the sharing of effort and information between jurisdictions and regulatory agencies in the regulation of banks across state lines.

There is a time sensitive problem. The Act provides that the states must pass their state laws prior to 1997 to avoid preemption. While federal preemption may not be a disaster, it would place most of our banks in a second class status with competitive financial institutions in the Pacific Northwest and much of the nation.

None of the three components are onerous to anyone. In fact, the first two provide assurance of competition.

Section 1. Provides agency powers for banks in Alaska. It is important for our community banks to have agency powers to compete with any large institution that could enter their market. This means a local bank could become an agent for a bank outside the State of Alaska for certain services that they, on their own, could not provide. Alaska had some experience with this idea in the early 1980's when Alaska Bank of Commerce became a franchise of First Interstate Bank.

February 20, 1996

Section 2. This section limits the amount of insured deposits in the state that an out-of-state bank can acquire through purchase or merger. The limit of 50 percent was debated and arrived at by the Alaska Bankers Association. This protects any one institution from coming into Alaska and acquiring over 50 percent of the states insured deposits. To put this into perspective, I believe NBA has 20 to 30 percent of the insured deposits.

Section 3. Defines "depository institution."

Section 4. This section allows the department to share regulatory information and effort across state lines to other states and federal jurisdictions. This is becoming more and more essential in the regulation and supervision of financial institutions when interstate "branching" became a reality. It may be necessary for the State of Washington to ask Alaska examiners to determine the loan quality of a branch in Alaska, of a Washington bank. There may come a time where it would be essential for Alaska to ask a Washington examiner to determine the loan quality of a branch in Washington, of an Alaskan bank. Local examiners know local economy and borrower risks. It is also essential that there be an open follow of communication concerning status of affiliated banks and branches located across jurisdictional lines.

While we have been far ahead of the rest of the nation in interstate banking and branching, we do need to address these three remaining components within the federal law. Without action prior to the end of this session (by 1997), the preemptive provisions of the Riegle-Neal Act become effective. I would be pleased to respond to any questions you may have.

Sincerely



Willis F. Kirkpatrick  
Director

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cc: The Senate Finance Committee