

HOUSE BILL NO. 430

INTRODUCED BY GRADY, BLAYLOCK, MAZUREK,
STORY, SIMON, PATTERSON, MERCER, QUILICI, HARPER

IN THE HOUSE

JANUARY 25, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT.
JANUARY 26, 1989	FIRST READING.
FEBRUARY 7, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
FEBRUARY 8, 1989	PRINTING REPORT.
FEBRUARY 11, 1989	SECOND READING, DO PASS.
FEBRUARY 13, 1989	ENGROSSING REPORT.
FEBRUARY 14, 1989	THIRD READING, PASSED. AYES, 95; NOES, 1.
	TRANSMITTED TO SENATE.

IN THE SENATE

FEBRUARY 15, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS AND INDUSTRY.
	FIRST READING.
MARCH 3, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.
MARCH 4, 1989	SECOND READING, CONCURRED IN.
MARCH 7, 1989	THIRD READING, CONCURRED IN. AYES, 50; NOES, 0.
	RETURNED TO HOUSE.

MARCH 8, 1989

IN THE HOUSE

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *430*
 2 INTRODUCED BY *Donny Blaylock*
 3 *Steve Simon* *Patricia Menden* *Julien Hays*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING CERTAIN
 5 FINANCIAL INSTITUTIONS TO INVEST FUNDS IN UNITED STATES
 6 OBLIGATIONS EITHER DIRECTLY OR IN THE FORM OF SECURITIES OF
 7 OR OTHER INTERESTS IN CERTAIN INVESTMENT COMPANIES OR
 8 INVESTMENT TRUSTS; AND AMENDING SECTIONS 17-6-103, 32-1-107,
 9 32-1-421, 32-1-424, AND 32-2-406, MCA."

10

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 17-6-103, MCA, is amended to read:

13 "17-6-103. Security for deposits of public funds. The
 14 following kinds of securities may be pledged or guarantees
 15 may be issued to secure deposits of public funds:

16 (1) direct obligations of the United States;

17 (2) securities as to which the payment of principal
 18 and interest is guaranteed by the United States;

19 (3) securities issued or fully guaranteed by the
 20 following agencies of the United States or their successors,
 21 whether or not guaranteed by the United States:

22 (a) commodity credit corporation;

23 (b) federal intermediate credit banks;

24 (c) federal land bank;

25 (d) bank for cooperatives;

1 (e) federal home loan banks;

2 (f) federal national mortgage association;

3 (g) government national mortgage association;

4 (h) small business administration;

5 (i) federal housing administration; and

6 (j) federal home loan mortgage corporation;

7 (4) general obligation bonds of the state or of any
 8 county, city, school district, or other political
 9 subdivision of the state;

10 (5) revenue bonds of any county, city, or other
 11 political subdivision of the state, when backed by the full
 12 faith and credit of such the subdivision or when the
 13 revenues pledged to the payment of the bonds are derived
 14 from a water or sewer system and the issuer has covenanted
 15 to establish and maintain rates and charges for the system
 16 in an amount sufficient to produce revenues equal to at
 17 least 125% of the average annual principal and interest due
 18 on all bonds payable ~~for-such~~ from the revenues during the
 19 outstanding term of ~~such the~~ bonds;

20 (6) interest-bearing warrants of the state or of any
 21 county, city, school district, or other political
 22 subdivision of the state issued in evidence of claims in an
 23 amount which, with all other claims on the same fund, do not
 24 exceed the amount validly appropriated in the current budget
 25 for expenditure from the fund in the year in which they are

1 issued;

2 (7) obligations of housing authorities of the state
3 secured by a pledge of annual contributions or by a loan
4 agreement made by the United States or any agency thereof
5 providing for contributions or a loan sufficient with other
6 funds pledged to pay the principal of and interest on the
7 obligations when due. Subject to rules prescribed by the
8 department of commerce, the bonds and other obligations made
9 eligible for investment in 32-1-424(3)(a) and 7-15-4505 may
10 be used as security for all deposits of public funds or
11 obligations for which depository bonds or any kind of bonds
12 or other securities are required or may by law be deposited
13 as security.

14 (8) general obligation bonds of other states and of
15 municipalities, counties, and school districts of other
16 states;

17 (9) undertaking or guarantees issued by a surety
18 company authorized to do business in the state;

19 (10) first mortgages and trust indentures on real
20 property. The depository shall, on a quarterly basis,
21 certify to the state treasurer that sufficient first
22 mortgages and trust indentures on real property are
23 available and segregated to secure deposits of public funds.
24 The board of investments shall determine the amount of
25 security required.

1 (11) bonds issued pursuant to Title 7, chapter 12,
2 parts 21, 41, and 42;

3 (12) bonds issued pursuant to Title 90, chapter 6, part
4 1;

5 (13) revenue bonds issued by any unit of the university
6 system of the state of Montana;

7 (14) advance refunded bonds secured by direct
8 obligations of the United States treasury held in
9 irrevocable escrow; and

10 (15) linked deposit loan obligations incurred under
11 80-14-203. (Subsection (15) terminates June 30, 1989--sec.
12 6, Ch. 57, L. 1987.)"

13 **Section 2.** Section 32-1-107, MCA, is amended to read:

14 "32-1-107. Trust company defined -- purposes for which
15 may be formed. The term "trust company" means any
16 corporation ~~which~~ that is incorporated under the laws of
17 this state for any one or more of the following purposes:

18 (1) to receive ~~moneys~~ money in trust and to accumulate
19 the ~~same money~~ at such rates of interest as may be obtained
20 or agreed upon or to allow ~~such interest thereon on the~~
21 money as may be agreed upon;

22 (2) to accept and execute all ~~such~~ trusts and perform
23 ~~such the duties of every description as may be~~ committed to
24 them by any person ~~or--persons--whatsoever~~ or by any
25 corporations or may be committed or transferred to them by

order of any of the courts of record of this state or any other state or of the United States;

(3) to take and accept by grant, assignment, transfer, devise, or bequest and hold any real or personal estate or trust created in accordance with the laws of this state or any other state or of the United States and execute such the legal trusts in regard to the same on such the terms as may be declared, established, or agreed upon in regard thereto to the estate or trust;

(4) to act as agent for the investment of money for other persons or corporations and as agents for persons and corporations for the purpose of issuing, registering, transferring, or countersigning the certificates of stock, bonds, or other evidence of debt of any corporation, association, municipality, state, or public authority as may be agreed upon;

(5) to accept from and execute trusts for married persons in respect to their individual property, whether real or personal, and act as agents for them in the management of such the property and generally to have and exercise such powers as are usually had and exercised by trust companies;

(6) to act as trustee, assignee, or receiver in all cases where it ~~shall be~~ is lawful for any court of record, officer, corporation, or person to appoint a trustee,

assignee, or receiver and to be appointed a trustee, assignee, or receiver and to be appointed, commissioned, and act as administrator of any estate, executor of any last will and testament of any deceased person, and as guardian of the person and estate of any minor or minors or of the estate of any person of unsound mind, spendthrift, habitual drunkard, or other persons disqualified or unable to manage their estates;

(7) to loan money upon unencumbered real estate, collateral, or personal security and execute and issue notes and debentures payable at a future date and to pledge its mortgages upon real estate and other securities as security therefor for the notes and debentures;

(8) to buy and sell:

(a) government, state, county, municipal, and other bonds; The trust company may invest in United States obligations either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

1 (ii) the investment company or investment trust takes
 2 delivery of the collateral for any repurchase agreement,
 3 either directly or through an authorized custodian.

4 (b) all kinds of negotiable, nonnegotiable, and
 5 commercial paper, stocks, and other investment securities;
 6 and

7 (c) gold and silver bullion, foreign coins, bills of
 8 exchange, and foreign and domestic exchange;

9 (9) to accept, receive, and hold money on deposit,
 10 payable either on time or on demand, with or without
 11 interest, as may be agreed upon with the depositors; to take
 12 and receive from any individual or corporation on deposit
 13 for safekeeping and storage, gold and silver plate, jewelry,
 14 stocks, securities, and other valuable and personal
 15 property; to collect coupons, interest, and dividends on
 16 ~~said-above-described~~ securities described in this section;
 17 and to rent out the use of safes and other receptacles on
 18 their premises upon ~~such~~ terms and for ~~such~~ compensation as
 19 may be agreed upon."

20 **Section 3.** Section 32-1-421, MCA, is amended to read:

21 "32-1-421. Investment of capital of savings banks. (1)
 22 The term "savings bank" as used in this section ~~shall--mean~~
 23 means any bank organized to do the business specified in
 24 32-1-106.

25 (2) (a) At least one-half of the paid-in capital of a

1 savings bank and one-half of the whole amount deposited
 2 therein in the savings bank must be invested in bonds or
 3 other securities of the United States or any of the states
 4 of the United States or any county, city, town, or school
 5 district of this state on which interest is regularly
 6 payable or federal land bank bonds or loaned ~~or~~ on
 7 unencumbered real estate worth at least double the amount to
 8 be secured.

9 (b) The remainder may be invested in ~~the-aforesaid~~
 10 ~~character-of bonds or securities listed in subsection (2)(a)~~
 11 or in approved personal securities~~7~~, ~~but no~~ However, a loan
 12 ~~must may not~~ be made on personal securities of less than two
 13 responsible persons or collateral security to be approved by
 14 the directors, and ~~no a~~ loan upon personal security ~~shall~~
 15 ~~may not~~ be made to any one person or partnership to an
 16 amount exceeding \$10,000.

17 (c) Investments in United States government
 18 obligations permitted under subsection (2)(a) or (2)(b) may
 19 be made either directly or in the form of securities of or
 20 other interests in an open-end or closed-end management type
 21 investment company or investment trust registered under the
 22 Investment Company Act of 1940 (15 U.S.C. 80a-1 through
 23 80a-64), as amended, if:

24 (i) the portfolio of the investment company or
 25 investment trust is limited to United States government

obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(3) No A president, vice-president, director, or other officer or servant of a savings bank ~~shall~~ may not directly or indirectly borrow any of the funds of ~~such the~~ bank or of its deposits or in any manner use the same in his private affairs or business; ~~nor shall any.~~ A director may not receive any pay, salary, or emolument until ~~such the~~ interest as the directors ~~shall~~ have determined to allow depositors ~~shall have~~ has been provided for in accordance with the regulations of the corporation.

(4) The real estate ~~which-such that~~ the corporation may lawfully purchase, hold, and convey is the real estate that is:

(a) ~~such-as-may-be~~ necessary for the proper transaction of its business, not exceeding in value \$50,000;

(b) ~~such-as-is~~ mortgaged to it in good faith for ~~moneys money~~ money loaned ~~in-pursuance-of-the-provisions-of~~ pursuant to this chapter or given as security for money loaned or advanced;

(c) ~~such-as-is~~ purchased at the sale on judgment or decree obtained or rendered on money ~~so~~ loaned or advanced.

(5) Savings banks organized under the provisions of this chapter ~~must~~ may not purchase, hold, or convey real estate in any other case or for any other purpose than ~~herein is specified in subsection (4)~~ and ~~shall~~ may not buy or sell any personal property, except such as may be necessary for the proper transaction of its business or ~~such~~ as may have been pledged, mortgaged, or assigned to it to secure ~~moneys~~ money loaned or advanced."

Section 4. Section 32-1-424, MCA, is amended to read:

"32-1-424. Investments of financial institutions. (1) Trust and investment companies may lease, purchase, hold, and convey all real or personal property necessary to carry on their authorized business, as well as ~~such the~~ real or personal property ~~as~~ the board of directors considers necessary to acquire in the enforcement or settlement of any claims or demands arising out of business transactions and may execute and issue, in the transaction of their business, all necessary receipts, certificates, and contracts.

(2) The board of directors of ~~any-such a~~ corporation may invest the capital and assets of the corporation and keep the ~~same~~ capital and assets invested in securities to be approved by the board, and the board may make ~~such~~ investments of its capital and assets and of the funds accumulated by its business, including money, deposits, or any part thereof, in negotiable or nonnegotiable notes or

bonds, mortgages on unencumbered real estate, stocks and bonds of corporations, or bonds and warrants of any county, city, town, or school district of this state or any other state of the United States legally authorized to issue the same bonds or warrants, or bonds or obligations of the United States.

(3) Notwithstanding other provisions of the law, it is lawful for a bank, trust company, investment company or other financial institution operating under the laws of this state to invest the funds or money in its custody or possession, eligible for investment, in:

(a) debentures issued by the federal housing administrator and in obligations of national mortgage associations; and

(b) United States government obligations, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes

delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(4) An investment in United States government obligations as provided in subsection (3)(b) may not be made for a term longer than 5 years."

Section 5. Section 32-2-406, MCA, is amended to read:

"32-2-406. Investments. (1) A building and loan association may invest the money of the association in:

(a) the bonds and securities of the United States, bonds and other obligations guaranteed as to interest and principal by the United States, and the stocks, bonds, debentures, and other securities and obligations of any federal home loan bank created under the laws of the United States, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian;

1 (b) the bonds and warrants of any state and of any
2 county, city, or school district of the state of Montana;

3 (c) the obligations of the federal savings and loan
4 insurance corporation lawfully issued pursuant to Title IV
5 of the National Housing Act;

6 (d) improved real estate which that has been sold
7 under contract, including suburban homes but not including
8 farm lands or mining property. However, the total amount
9 remaining ~~so~~ invested in real estate, excluding real estate
10 otherwise acquired, may not exceed 15% of its assets. The
11 amount ~~so~~ invested in real estate may not exceed 85% of the
12 price stipulated in the contract of sale or 85% of the value
13 of the property ~~so~~ purchased, whichever is the lesser.

14 (e) other bonds, securities, and investments, not to
15 exceed 10% of the association assets.

16 (2) Not over 10% of the assets of an association may
17 be invested in home office buildings, furniture, and
18 fixtures. Other real property acquired in any manner or for
19 any purpose may not be held for more than 5 years, except by
20 permission of the department.

21 (3) Notwithstanding other provisions of the law, it is
22 lawful for a building and loan association or other
23 financial institution operating under the laws of this state
24 to invest the funds or money in its custody or possession,
25 eligible for investment, in debentures issued by the federal

1 housing administrator and in obligations of national
2 mortgage associations."

3 NEW SECTION. **Section 6.** Extension of authority. Any
4 existing authority to make rules on the subject of the
5 provisions of [this act] is extended to the provisions of
6 [this act].

-End-

APPROVED BY COMM. ON BUSINESS
AND ECONOMIC DEVELOPMENT

1 *House* BILL NO. *430*
2 INTRODUCED BY *Donna Blaylock*
3 *Steve Simon* *Paula Mercer* *Timothy Hays*
4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING CERTAIN
5 FINANCIAL INSTITUTIONS TO INVEST FUNDS IN UNITED STATES
6 OBLIGATIONS EITHER DIRECTLY OR IN THE FORM OF SECURITIES OF
7 OR OTHER INTERESTS IN CERTAIN INVESTMENT COMPANIES OR
8 INVESTMENT TRUSTS; AND AMENDING SECTIONS 17-6-103, 32-1-107,
9 32-1-421, 32-1-424, AND 32-2-406, MCA."

10
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 17-6-103, MCA, is amended to read:

13 "17-6-103. Security for deposits of public funds. The
14 following kinds of securities may be pledged or guarantees
15 may be issued to secure deposits of public funds:

16 (1) direct obligations of the United States;

17 (2) securities as to which the payment of principal
18 and interest is guaranteed by the United States;

19 (3) securities issued or fully guaranteed by the
20 following agencies of the United States or their successors,
21 whether or not guaranteed by the United States:

22 (a) commodity credit corporation;

23 (b) federal intermediate credit banks;

24 (c) federal land bank;

25 (d) bank for cooperatives;

1 (e) federal home loan banks;
2 (f) federal national mortgage association;
3 (g) government national mortgage association;
4 (h) small business administration;
5 (i) federal housing administration; and
6 (j) federal home loan mortgage corporation;
7 (4) general obligation bonds of the state or of any
8 county, city, school district, or other political
9 subdivision of the state;
10 (5) revenue bonds of any county, city, or other
11 political subdivision of the state, when backed by the full
12 faith and credit of such the subdivision or when the
13 revenues pledged to the payment of the bonds are derived
14 from a water or sewer system and the issuer has covenanted
15 to establish and maintain rates and charges for the system
16 in an amount sufficient to produce revenues equal to at
17 least 125% of the average annual principal and interest due
18 on all bonds payable ~~for-such~~ from the revenues during the
19 outstanding term of such the bonds;
20 (6) interest-bearing warrants of the state or of any
21 county, city, school district, or other political
22 subdivision of the state issued in evidence of claims in an
23 amount which, with all other claims on the same fund, do not
24 exceed the amount validly appropriated in the current budget
25 for expenditure from the fund in the year in which they are

1 issued;

2 (7) obligations of housing authorities of the state
3 secured by a pledge of annual contributions or by a loan
4 agreement made by the United States or any agency thereof
5 providing for contributions or a loan sufficient with other
6 funds pledged to pay the principal of and interest on the
7 obligations when due. Subject to rules prescribed by the
8 department of commerce, the bonds and other obligations made
9 eligible for investment in 32-1-424(3)(a) and 7-15-4505 may
10 be used as security for all deposits of public funds or
11 obligations for which depository bonds or any kind of bonds
12 or other securities are required or may by law be deposited
13 as security.

14 (8) general obligation bonds of other states and of
15 municipalities, counties, and school districts of other
16 states;

17 (9) undertaking or guarantees issued by a surety
18 company authorized to do business in the state;

19 (10) first mortgages and trust indentures on real
20 property. The depository shall, on a quarterly basis,
21 certify to the state treasurer that sufficient first
22 mortgages and trust indentures on real property are
23 available and segregated to secure deposits of public funds.
24 The board of investments shall determine the amount of
25 security required.

1 (11) bonds issued pursuant to Title 7, chapter 12,
2 parts 21, 41, and 42;

3 (12) bonds issued pursuant to Title 90, chapter 6, part
4 1;

5 (13) revenue bonds issued by any unit of the university
6 system of the state of Montana;

7 (14) advance refunded bonds secured by direct
8 obligations of the United States treasury held in
9 irrevocable escrow; and

10 (15) linked deposit loan obligations incurred under
11 80-14-203. (Subsection (15) terminates June 30, 1989--sec.
12 6, Ch. 57, L. 1987.)"

13 **Section 2.** Section 32-1-107, MCA, is amended to read:

14 "32-1-107. Trust company defined -- purposes for which
15 may be formed. The term "trust company" means any
16 corporation which that is incorporated under the laws of
17 this state for any one or more of the following purposes:

18 (1) to receive ~~moneys~~ money in trust and to accumulate
19 the ~~same money~~ at such rates of interest as may be obtained
20 or agreed upon or to allow ~~such interest thereon on the~~
21 money as may be agreed upon;

22 (2) to accept and execute all ~~such trusts and perform~~
23 ~~such the duties of every description as may be~~ committed to
24 them by any person ~~or--persons--whatsoever~~ or by any
25 corporations or may be committed or transferred to them by

order of any of the courts of record of this state or any other state or of the United States;

(3) to take and accept by grant, assignment, transfer, devise, or bequest and hold any real or personal estate or trust created in accordance with the laws of this state or any other state or of the United States and execute such the legal trusts in regard to the same on such the terms as may be declared, established, or agreed upon in regard ~~thereto~~ to the estate or trust;

(4) to act as agent for the investment of money for other persons or corporations and as agents for persons and corporations for the purpose of issuing, registering, transferring, or countersigning the certificates of stock, bonds, or other evidence of debt of any corporation, association, municipality, state, or public authority as may be agreed upon;

(5) to accept from and execute trusts for married persons in respect to their individual property, whether real or personal, and act as agents for them in the management of such the property and generally to have and exercise such powers as are usually had and exercised by trust companies;

(6) to act as trustee, assignee, or receiver in all cases where it ~~shall be~~ is lawful for any court of record, officer, corporation, or person to appoint a trustee,

assignee, or receiver and to be appointed a trustee, assignee, or receiver and to be appointed, commissioned, and act as administrator of any estate, executor of any last will and testament of any deceased person, and as guardian of the person and estate of any minor or minors or of the estate of any person of unsound mind, spendthrift, habitual drunkard, or other persons disqualified or unable to manage their estates;

(7) to loan money upon unencumbered real estate, collateral, or personal security and execute and issue notes and debentures payable at a future date and to pledge its mortgages upon real estate and other securities as security therefor for the notes and debentures;

(8) to buy and sell:

(a) government, state, county, municipal, and other bonds. The trust company may invest in United States obligations either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(b) all kinds of negotiable, nonnegotiable, and commercial paper, stocks, and other investment securities; and

(c) gold and silver bullion, foreign coins, bills of exchange, and foreign and domestic exchange;

(9) to accept, receive, and hold money on deposit, payable either on time or on demand, with or without interest, as may be agreed upon with the depositors; to take and receive from any individual or corporation on deposit for safekeeping and storage, gold and silver plate, jewelry, stocks, securities, and other valuable and personal property; to collect coupons, interest, and dividends on ~~said-above-described~~ securities described in this section; and to rent out the use of safes and other receptacles on their premises upon such terms and for such compensation as may be agreed upon."

Section 3. Section 32-1-421, MCA, is amended to read:

"32-1-421. Investment of capital of savings banks. (1)

The term "savings bank" as used in this section ~~shall--mean~~ means any bank organized to do the business specified in 32-1-106.

(2) (a) At least one-half of the paid-in capital of a

savings bank and one-half of the whole amount deposited therein in the savings bank must be invested in bonds or other securities of the United States or any of the states of the United States or any county, city, town, or school district of this state on which interest is regularly payable or federal land bank bonds or loaned or on unencumbered real estate worth at least double the amount to be secured.

(b) The remainder may be invested in ~~the-aforesaid~~ character-of bonds or securities listed in subsection (2)(a) or in approved personal securities. ~~but-no~~ However, a loan must may not be made on personal securities of less than two responsible persons or collateral security to be approved by the directors, and ~~no a~~ loan upon personal security shall ~~may not~~ be made to any one person or partnership to an amount exceeding \$10,000.

(c) Investments in United States government obligations permitted under subsection (2)(a) or (2)(b) may be made either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government

1 obligations and repurchase agreements fully collateralized
 2 by United States government obligations; and

3 (ii) the investment company or investment trust takes
 4 delivery of the collateral for any repurchase agreement,
 5 either directly or through an authorized custodian.

6 (3) No A president, vice-president, director, or other
 7 officer or servant of a savings bank ~~shall~~ may not directly
 8 or indirectly borrow any of the funds of such the bank or of
 9 its deposits or in any manner use the same in his private
 10 affairs or business; ~~nor shall any.~~ A director may not
 11 receive any pay, salary, or emolument until such the
 12 interest as the directors ~~shall~~ have determined to allow
 13 depositors ~~shall have~~ has been provided for in accordance
 14 with the regulations of the corporation.

15 (4) The real estate ~~which-such that the~~ corporation
 16 may lawfully purchase, hold, and convey is the real estate
 17 that is:

18 (a) ~~such-as-may-be~~ necessary for the proper
 19 transaction of its business, not exceeding in value \$50,000;

20 (b) ~~such-as-is~~ mortgaged to it in good faith for
 21 moneys money loaned ~~in-pursuance-of-the-provisions-of~~
 22 pursuant to this chapter or given as security for money
 23 loaned or advanced;

24 (c) ~~such-as-is~~ purchased at the sale on judgment or
 25 decree obtained or rendered on money ~~so~~ loaned or advanced.

1 (5) Savings banks organized under the provisions of
 2 this chapter ~~must~~ may not purchase, hold, or convey real
 3 estate in any other case or for any other purpose than
 4 herein is specified in subsection (4) and ~~shall~~ may not buy
 5 or sell any personal property, except such as may be
 6 necessary for the proper transaction of its business or such
 7 as may have been pledged, mortgaged, or assigned to it to
 8 secure moneys money loaned or advanced."

9 **Section 4.** Section 32-1-424, MCA, is amended to read:

10 "32-1-424. Investments of financial institutions. (1)
 11 Trust and investment companies may lease, purchase, hold,
 12 and convey all real or personal property necessary to carry
 13 on their authorized business, as well as such the real or
 14 personal property ~~as~~ the board of directors considers
 15 necessary to acquire in the enforcement or settlement of any
 16 claims or demands arising out of business transactions and
 17 may execute and issue, in the transaction of their business,
 18 all necessary receipts, certificates, and contracts.

19 (2) The board of directors of ~~any-such a~~ corporation
 20 may invest the capital and assets of the corporation and
 21 keep the same capital and assets invested in securities to
 22 be approved by the board, and the board may make such
 23 investments of its capital and assets and of the funds
 24 accumulated by its business, including money, deposits, or
 25 any part thereof, in negotiable or nonnegotiable notes or

bonds, mortgages on unencumbered real estate, stocks and bonds of corporations, or bonds and warrants of any county, city, town, or school district of this state or any other state of the United States legally authorized to issue the same bonds or warrants, or bonds or obligations of the United States.

(3) Notwithstanding other provisions of the law, it is lawful for a bank, trust company, investment company or other financial institution operating under the laws of this state to invest the funds or money in its custody or possession, eligible for investment, in:

(a) debentures issued by the federal housing administrator and in obligations of national mortgage associations; and

(b) United States government obligations, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes

delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(4) An investment in United States government obligations as provided in subsection (3)(b) may not be made for a term longer than 5 years."

Section 5. Section 32-2-406, MCA, is amended to read:

"32-2-406. Investments. (1) A building and loan association may invest the money of the association in:

(a) the bonds and securities of the United States, bonds and other obligations guaranteed as to interest and principal by the United States, and the stocks, bonds, debentures, and other securities and obligations of any federal home loan bank created under the laws of the United States, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian;

1 (b) the bonds and warrants of any state and of any
2 county, city, or school district of the state of Montana;

3 (c) the obligations of the federal savings and loan
4 insurance corporation lawfully issued pursuant to Title IV
5 of the National Housing Act;

6 (d) improved real estate which that has been sold
7 under contract, including suburban homes but not including
8 farm lands or mining property. However, the total amount
9 remaining ~~so~~ invested in real estate, excluding real estate
10 otherwise acquired, may not exceed 15% of its assets. The
11 amount ~~so~~ invested in real estate may not exceed 85% of the
12 price stipulated in the contract of sale or 85% of the value
13 of the property ~~so~~ purchased, whichever is the lesser.

14 (e) other bonds, securities, and investments, not to
15 exceed 10% of the association assets.

16 (2) Not over 10% of the assets of an association may
17 be invested in home office buildings, furniture, and
18 fixtures. Other real property acquired in any manner or for
19 any purpose may not be held for more than 5 years, except by
20 permission of the department.

21 (3) Notwithstanding other provisions of the law, it is
22 lawful for a building and loan association or other
23 financial institution operating under the laws of this state
24 to invest the funds or money in its custody or possession,
25 eligible for investment, in debentures issued by the federal

1 housing administrator and in obligations of national
2 mortgage associations."

3 NEW SECTION. **Section 6.** Extension of authority. Any
4 existing authority to make rules on the subject of the
5 provisions of [this act] is extended to the provisions of
6 [this act].

-End-

1 *HOUSE* BILL NO. *430*
 2 INTRODUCED BY *Donley Blaylock*
 3 *Stacy Simon Petera Mordecai Zindler*
 4 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING CERTAIN
 5 FINANCIAL INSTITUTIONS TO INVEST FUNDS IN UNITED STATES
 6 OBLIGATIONS EITHER DIRECTLY OR IN THE FORM OF SECURITIES OF
 7 OR OTHER INTERESTS IN CERTAIN INVESTMENT COMPANIES OR
 8 INVESTMENT TRUSTS; AND AMENDING SECTIONS 17-6-103, 32-1-107,
 9 32-1-421, 32-1-424, AND 32-2-406, MCA."

10

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

12 **Section 1.** Section 17-6-103, MCA, is amended to read:

13 "17-6-103. Security for deposits of public funds. The
 14 following kinds of securities may be pledged or guarantees
 15 may be issued to secure deposits of public funds:

16 (1) direct obligations of the United States;

17 (2) securities as to which the payment of principal
 18 and interest is guaranteed by the United States;

19 (3) securities issued or fully guaranteed by the
 20 following agencies of the United States or their successors,
 21 whether or not guaranteed by the United States:

22 (a) commodity credit corporation;

23 (b) federal intermediate credit banks;

24 (c) federal land bank;

25 (d) bank for cooperatives;

1 (e) federal home loan banks;
 2 (f) federal national mortgage association;
 3 (g) government national mortgage association;
 4 (h) small business administration;
 5 (i) federal housing administration; and
 6 (j) federal home loan mortgage corporation;
 7 (4) general obligation bonds of the state or of any
 8 county, city, school district, or other political
 9 subdivision of the state;
 10 (5) revenue bonds of any county, city, or other
 11 political subdivision of the state, when backed by the full
 12 faith and credit of such the subdivision or when the
 13 revenues pledged to the payment of the bonds are derived
 14 from a water or sewer system and the issuer has covenanted
 15 to establish and maintain rates and charges for the system
 16 in an amount sufficient to produce revenues equal to at
 17 least 125% of the average annual principal and interest due
 18 on all bonds payable ~~for-such~~ from the revenues during the
 19 outstanding term of such the bonds;
 20 (6) interest-bearing warrants of the state or of any
 21 county, city, school district, or other political
 22 subdivision of the state issued in evidence of claims in an
 23 amount which, with all other claims on the same fund, do not
 24 exceed the amount validly appropriated in the current budget
 25 for expenditure from the fund in the year in which they are

1 issued;

2 (7) obligations of housing authorities of the state
3 secured by a pledge of annual contributions or by a loan
4 agreement made by the United States or any agency thereof
5 providing for contributions or a loan sufficient with other
6 funds pledged to pay the principal of and interest on the
7 obligations when due. Subject to rules prescribed by the
8 department of commerce, the bonds and other obligations made
9 eligible for investment in 32-1-424(3)(a) and 7-15-4505 may
10 be used as security for all deposits of public funds or
11 obligations for which depository bonds or any kind of bonds
12 or other securities are required or may by law be deposited
13 as security.

14 (8) general obligation bonds of other states and of
15 municipalities, counties, and school districts of other
16 states;

17 (9) undertaking or guarantees issued by a surety
18 company authorized to do business in the state;

19 (10) first mortgages and trust indentures on real
20 property. The depository shall, on a quarterly basis,
21 certify to the state treasurer that sufficient first
22 mortgages and trust indentures on real property are
23 available and segregated to secure deposits of public funds.
24 The board of investments shall determine the amount of
25 security required.

1 (11) bonds issued pursuant to Title 7, chapter 12,
2 parts 21, 41, and 42;

3 (12) bonds issued pursuant to Title 90, chapter 6, part
4 1;

5 (13) revenue bonds issued by any unit of the university
6 system of the state of Montana;

7 (14) advance refunded bonds secured by direct
8 obligations of the United States treasury held in
9 irrevocable escrow; and

10 (15) linked deposit loan obligations incurred under
11 80-14-203. (Subsection (15) terminates June 30, 1989--sec.
12 6, Ch. 57, L. 1987.)"

13 **Section 2.** Section 32-1-107, MCA, is amended to read:
14 "32-1-107. Trust company defined -- purposes for which
15 may be formed. The term "trust company" means any
16 corporation which that is incorporated under the laws of
17 this state for any one or more of the following purposes:

18 (1) to receive moneys money in trust and to accumulate
19 the same money at such rates of interest as may be obtained
20 or agreed upon or to allow such interest thereon on the
21 money as may be agreed upon;

22 (2) to accept and execute all such trusts and perform
23 such the duties of every description as may be committed to
24 them by any person or--persons--whatsoever or by any
25 corporations or may be committed or transferred to them by

1 order of any of the courts of record of this state or any
2 other state or of the United States;

3 (3) to take and accept by grant, assignment, transfer,
4 devise, or bequest and hold any real or personal estate or
5 trust created in accordance with the laws of this state or
6 any other state or of the United States and execute such the
7 legal trusts in regard to the same on such the terms as may
8 be declared, established, or agreed upon in regard thereto
9 to the estate or trust;

10 (4) to act as agent for the investment of money for
11 other persons or corporations and as agents for persons and
12 corporations for the purpose of issuing, registering,
13 transferring, or countersigning the certificates of stock,
14 bonds, or other evidence of debt of any corporation,
15 association, municipality, state, or public authority as may
16 be agreed upon;

17 (5) to accept from and execute trusts for married
18 persons in respect to their individual property, whether
19 real or personal, and act as agents for them in the
20 management of such the property and generally to have and
21 exercise such powers as are usually had and exercised by
22 trust companies;

23 (6) to act as trustee, assignee, or receiver in all
24 cases where it ~~shall be~~ is lawful for any court of record,
25 officer, corporation, or person to appoint a trustee,

1 assignee, or receiver and to be appointed a trustee,
2 assignee, or receiver and to be appointed, commissioned, and
3 act as administrator of any estate, executor of any last
4 will and testament of any deceased person, and as guardian
5 of the person and estate of any minor or minors or of the
6 estate of any person of unsound mind, spendthrift, habitual
7 drunkard, or other persons disqualified or unable to manage
8 their estates;

9 (7) to loan money upon unencumbered real estate,
10 collateral, or personal security and execute and issue notes
11 and debentures payable at a future date and to pledge its
12 mortgages upon real estate and other securities as security
13 therefor for the notes and debentures;

14 (8) to buy and sell:

15 (a) government, state, county, municipal, and other
16 bonds; The trust company may invest in United States
17 obligations either directly or in the form of securities of
18 or other interests in an open-end or closed-end management
19 type investment company or investment trust registered under
20 the Investment Company Act of 1940 (15 U.S.C. 80a-1 through
21 80a-64), as amended, if:

22 (i) the portfolio of the investment company or
23 investment trust is limited to United States government
24 obligations and repurchase agreements fully collateralized
25 by United States government obligations; and

1 (ii) the investment company or investment trust takes
 2 delivery of the collateral for any repurchase agreement,
 3 either directly or through an authorized custodian.

4 (b) all kinds of negotiable, nonnegotiable, and
 5 commercial paper, stocks, and other investment securities;
 6 and

7 (c) gold and silver bullion, foreign coins, bills of
 8 exchange, and foreign and domestic exchange;

9 (9) to accept, receive, and hold money on deposit,
 10 payable either on time or on demand, with or without
 11 interest, as may be agreed upon with the depositors; to take
 12 and receive from any individual or corporation on deposit
 13 for safekeeping and storage, gold and silver plate, jewelry,
 14 stocks, securities, and other valuable and personal
 15 property; to collect coupons, interest, and dividends on
 16 ~~said-above-described~~ securities described in this section;
 17 and to rent out the use of safes and other receptacles on
 18 their premises upon such terms and for such compensation as
 19 may be agreed upon."

20 **Section 3.** Section 32-1-421, MCA, is amended to read:

21 "32-1-421. Investment of capital of savings banks. (1)

22 The term "savings bank" as used in this section ~~shall--mean~~
 23 means any bank organized to do the business specified in
 24 32-1-106.

25 (2) (a) At least one-half of the paid-in capital of a

1 savings bank and one-half of the whole amount deposited
 2 therein in the savings bank must be invested in bonds or
 3 other securities of the United States or any of the states
 4 of the United States or any county, city, town, or school
 5 district of this state on which interest is regularly
 6 payable or federal land bank bonds or loaned ~~or on~~
 7 unencumbered real estate worth at least double the amount to
 8 be secured.

9 (b) The remainder may be invested in ~~the-aforesaid~~
 10 ~~character-of~~ bonds or securities listed in subsection (2)(a)
 11 or in approved personal securities, ~~but-no~~ However, a loan
 12 must may not be made on personal securities of less than two
 13 responsible persons or collateral security to be approved by
 14 the directors, and ~~no a~~ loan upon personal security ~~shall~~
 15 may not be made to any one person or partnership to an
 16 amount exceeding \$10,000.

17 (c) Investments in United States government
 18 obligations permitted under subsection (2)(a) or (2)(b) may
 19 be made either directly or in the form of securities of or
 20 other interests in an open-end or closed-end management type
 21 investment company or investment trust registered under the
 22 Investment Company Act of 1940 (15 U.S.C. 80a-1 through
 23 80a-64), as amended, if:

24 (i) the portfolio of the investment company or
 25 investment trust is limited to United States government

obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(3) No A president, vice-president, director, or other officer or servant of a savings bank shall may not directly or indirectly borrow any of the funds of such the bank or of its deposits or in any manner use the same in his private affairs or business;--nor--shall--any. A director may not receive any pay, salary, or emolument until such the interest as the directors shall have determined to allow depositors shall-have has been provided for in accordance with the regulations of the corporation.

(4) The real estate which-such that the corporation may lawfully purchase, hold, and convey is the real estate that is:

(a) such---as---may---be necessary for the proper transaction of its business, not exceeding in value \$50,000;

(b) such-as-is mortgaged to it in good faith for moneys money loaned in--pursuance--of--the--provisions-of pursuant to this chapter or given as security for money loaned or advanced;

(c) such--as--is purchased at the sale on judgment or decree obtained or rendered on money so loaned or advanced.

(5) Savings banks organized under the provisions of this chapter must may not purchase, hold, or convey real estate in any other case or for any other purpose than herein is specified in subsection (4) and shall may not buy or sell any personal property, except such as may be necessary for the proper transaction of its business or such as may have been pledged, mortgaged, or assigned to it to secure moneys money loaned or advanced."

Section 4. Section 32-1-424, MCA, is amended to read:

"32-1-424. Investments of financial institutions. (1) Trust and investment companies may lease, purchase, hold, and convey all real or personal property necessary to carry on their authorized business, as well as such the real or personal property as the board of directors considers necessary to acquire in the enforcement or settlement of any claims or demands arising out of business transactions and may execute and issue, in the transaction of their business, all necessary receipts, certificates, and contracts.

(2) The board of directors of any-such a corporation may invest the capital and assets of the corporation and keep the same capital and assets invested in securities to be approved by the board, and the board may make such investments of its capital and assets and of the funds accumulated by its business, including money, deposits, or any part thereof, in negotiable or nonnegotiable notes or

bonds, mortgages on unencumbered real estate, stocks and bonds of corporations, or bonds and warrants of any county, city, town, or school district of this state or any other state of the United States legally authorized to issue the same bonds or warrants, or bonds or obligations of the United States.

(3) Notwithstanding other provisions of the law, it is lawful for a bank, trust company, investment company or other financial institution operating under the laws of this state to invest the funds or money in its custody or possession, eligible for investment, in:

(a) debentures issued by the federal housing administrator and in obligations of national mortgage associations; and

(b) United States government obligations, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes

delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(4) An investment in United States government obligations as provided in subsection (3)(b) may not be made for a term longer than 5 years."

Section 5. Section 32-2-406, MCA, is amended to read:

"32-2-406. Investments. (1) A building and loan association may invest the money of the association in:

(a) the bonds and securities of the United States, bonds and other obligations guaranteed as to interest and principal by the United States, and the stocks, bonds, debentures, and other securities and obligations of any federal home loan bank created under the laws of the United States, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian;

1 (b) the bonds and warrants of any state and of any
2 county, city, or school district of the state of Montana;

3 (c) the obligations of the federal savings and loan
4 insurance corporation lawfully issued pursuant to Title IV
5 of the National Housing Act;

6 (d) improved real estate ~~which~~ that has been sold
7 under contract, including suburban homes but not including
8 farm lands or mining property. However, the total amount
9 remaining ~~so invested in real estate~~, excluding real estate
10 otherwise acquired, may not exceed 15% of its assets. The
11 amount ~~so invested in real estate~~ may not exceed 85% of the
12 price stipulated in the contract of sale or 85% of the value
13 of the property ~~so purchased~~, whichever is the lesser.

14 (e) other bonds, securities, and investments, not to
15 exceed 10% of the association assets.

16 (2) Not over 10% of the assets of an association may
17 be invested in home office buildings, furniture, and
18 fixtures. Other real property acquired in any manner or for
19 any purpose may not be held for more than 5 years, except by
20 permission of the department.

21 (3) Notwithstanding other provisions of the law, it is
22 lawful for a building and loan association or other
23 financial institution operating under the laws of this state
24 to invest the funds or money in its custody or possession,
25 eligible for investment, in debentures issued by the federal

1 housing administrator and in obligations of national
2 mortgage associations."

3 NEW SECTION. **Section 6.** Extension of authority. Any
4 existing authority to make rules on the subject of the
5 provisions of [this act] is extended to the provisions of
6 [this act].

-End-

1 HOUSE BILL NO. 430

2 INTRODUCED BY GRADY, BLAYLOCK, MAZUREK,

3 STORY, SIMON, PATTERSON, MERCER, QUILICI, HARPER

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT PERMITTING CERTAIN
6 FINANCIAL INSTITUTIONS TO INVEST FUNDS IN UNITED STATES
7 OBLIGATIONS EITHER DIRECTLY OR IN THE FORM OF SECURITIES OF
8 OR OTHER INTERESTS IN CERTAIN INVESTMENT COMPANIES OR
9 INVESTMENT TRUSTS; AND AMENDING SECTIONS 17-6-103, 32-1-107,
10 32-1-421, 32-1-424, AND 32-2-406, MCA."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Section 17-6-103, MCA, is amended to read:

14 "17-6-103. Security for deposits of public funds. The
15 following kinds of securities may be pledged or guarantees
16 may be issued to secure deposits of public funds:

17 (1) direct obligations of the United States;

18 (2) securities as to which the payment of principal
19 and interest is guaranteed by the United States;20 (3) securities issued or fully guaranteed by the
21 following agencies of the United States or their successors,
22 whether or not guaranteed by the United States:

23 (a) commodity credit corporation;

24 (b) federal intermediate credit banks;

25 (c) federal land bank;

1 (d) bank for cooperatives;

2 (e) federal home loan banks;

3 (f) federal national mortgage association;

4 (g) government national mortgage association;

5 (h) small business administration;

6 (i) federal housing administration; and

7 (j) federal home loan mortgage corporation;

8 (4) general obligation bonds of the state or of any
9 county, city, school district, or other political
10 subdivision of the state;11 (5) revenue bonds of any county, city, or other
12 political subdivision of the state, when backed by the full
13 faith and credit of ~~such~~ the subdivision or when the
14 revenues pledged to the payment of the bonds are derived
15 from a water or sewer system and the issuer has covenanted
16 to establish and maintain rates and charges for the system
17 in an amount sufficient to produce revenues equal to at
18 least 125% of the average annual principal and interest due
19 on all bonds payable ~~for-such~~ from the revenues during the
20 outstanding term of ~~such~~ the bonds;21 (6) interest-bearing warrants of the state or of any
22 county, city, school district, or other political
23 subdivision of the state issued in evidence of claims in an
24 amount which, with all other claims on the same fund, do not
25 exceed the amount validly appropriated in the current budget

1 for expenditure from the fund in the year in which they are
2 issued;

3 (7) obligations of housing authorities of the state
4 secured by a pledge of annual contributions or by a loan
5 agreement made by the United States or any agency thereof
6 providing for contributions or a loan sufficient with other
7 funds pledged to pay the principal of and interest on the
8 obligations when due. Subject to rules prescribed by the
9 department of commerce, the bonds and other obligations made
10 eligible for investment in 32-1-424(3)(a) and 7-15-4505 may
11 be used as security for all deposits of public funds or
12 obligations for which depository bonds or any kind of bonds
13 or other securities are required or may by law be deposited
14 as security.

15 (8) general obligation bonds of other states and of
16 municipalities, counties, and school districts of other
17 states;

18 (9) undertaking or guarantees issued by a surety
19 company authorized to do business in the state;

20 (10) first mortgages and trust indentures on real
21 property. The depository shall, on a quarterly basis,
22 certify to the state treasurer that sufficient first
23 mortgages and trust indentures on real property are
24 available and segregated to secure deposits of public funds.
25 The board of investments shall determine the amount of

1 security required.

2 (11) bonds issued pursuant to Title 7, chapter 12,
3 parts 21, 41, and 42;

4 (12) bonds issued pursuant to Title 90, chapter 6, part
5 1;

6 (13) revenue bonds issued by any unit of the university
7 system of the state of Montana;

8 (14) advance refunded bonds secured by direct
9 obligations of the United States treasury held in
10 irrevocable escrow; and

11 (15) linked deposit loan obligations incurred under
12 80-14-203. (Subsection (15) terminates June 30, 1989--sec.
13 6, Ch. 57, L. 1987.)"

14 **Section 2.** Section 32-1-107, MCA, is amended to read:

15 "32-1-107. Trust company defined -- purposes for which
16 may be formed. The term "trust company" means any
17 corporation which that is incorporated under the laws of
18 this state for any one or more of the following purposes:

19 (1) to receive moneys money in trust and to accumulate
20 the same money at such rates of interest as may be obtained
21 or agreed upon or to allow such interest thereon on the
22 money as may be agreed upon;

23 (2) to accept and execute all such trusts and perform
24 such the duties of-every-description-as-may-be committed to
25 them by any person or--persons--whatsoever or by any

1 corporations or may be committed or transferred to them by
2 order of any of the courts of record of this state or any
3 other state or of the United States;

4 (3) to take and accept by grant, assignment, transfer,
5 devise, or bequest and hold any real or personal estate or
6 trust created in accordance with the laws of this state or
7 any other state or of the United States and execute such the
8 legal trusts in regard to the same on such the terms as may
9 be declared, established, or agreed upon in regard thereto
10 to the estate or trust;

11 (4) to act as agent for the investment of money for
12 other persons or corporations and as agents for persons and
13 corporations for the purpose of issuing, registering,
14 transferring, or countersigning the certificates of stock,
15 bonds, or other evidence of debt of any corporation,
16 association, municipality, state, or public authority as may
17 be agreed upon;

18 (5) to accept from and execute trusts for married
19 persons in respect to their individual property, whether
20 real or personal, and act as agents for them in the
21 management of such the property and generally to have and
22 exercise such powers as are usually had and exercised by
23 trust companies;

24 (6) to act as trustee, assignee, or receiver in all
25 cases where it ~~shall be~~ is lawful for any court of record,

1 officer, corporation, or person to appoint a trustee,
2 assignee, or receiver and to be appointed a trustee,
3 assignee, or receiver and to be appointed, commissioned, and
4 act as administrator of any estate, executor of any last
5 will and testament of any deceased person, and as guardian
6 of the person and estate of any minor or minors or of the
7 estate of any person of unsound mind, spendthrift, habitual
8 drunkard, or other persons disqualified or unable to manage
9 their estates;

10 (7) to loan money upon unencumbered real estate,
11 collateral, or personal security and execute and issue notes
12 and debentures payable at a future date and to pledge its
13 mortgages upon real estate and other securities as security
14 therefor for the notes and debentures;

15 (8) to buy and sell:

16 (a) government, state, county, municipal, and other
17 bonds; The trust company may invest in United States
18 obligations either directly or in the form of securities of
19 or other interests in an open-end or closed-end management
20 type investment company or investment trust registered under
21 the Investment Company Act of 1940 (15 U.S.C. 80a-1 through
22 80a-64), as amended, if:

23 (i) the portfolio of the investment company or
24 investment trust is limited to United States government
25 obligations and repurchase agreements fully collateralized

by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(b) all kinds of negotiable, nonnegotiable, and commercial paper, stocks, and other investment securities; and

(c) gold and silver bullion, foreign coins, bills of exchange, and foreign and domestic exchange;

(9) to accept, receive, and hold money on deposit, payable either on time or on demand, with or without interest, as may be agreed upon with the depositors; to take and receive from any individual or corporation on deposit for safekeeping and storage, gold and silver plate, jewelry, stocks, securities, and other valuable and personal property; to collect coupons, interest, and dividends on said-above-described securities described in this section; and to rent out the use of safes and other receptacles on their premises upon such terms and for such compensation as may be agreed upon."

Section 3. Section 32-1-421, MCA, is amended to read:

"32-1-421. Investment of capital of savings banks. (1)

The term "savings bank" as used in this section shall--mean means any bank organized to do the business specified in 32-1-106.

(2) (a) At least one-half of the paid-in capital of a savings bank and one-half of the whole amount deposited therein in the savings bank must be invested in bonds or other securities of the United States or any of the states of the United States or any county, city, town, or school district of this state on which interest is regularly payable or federal land bank bonds or loaned or on unencumbered real estate worth at least double the amount to be secured.

(b) The remainder may be invested in the-aforesaid character-of bonds or securities listed in subsection (2)(a) or in approved personal securities. ~~but no~~ However, a loan must may not be made on personal securities of less than two responsible persons or collateral security to be approved by the directors, and no a loan upon personal security shall may not be made to any one person or partnership to an amount exceeding \$10,000.

(c) Investments in United States government obligations permitted under subsection (2)(a) or (2)(b) may be made either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or

1 investment trust is limited to United States government
 2 obligations and repurchase agreements fully collateralized
 3 by United States government obligations; and

4 (ii) the investment company or investment trust takes
 5 delivery of the collateral for any repurchase agreement,
 6 either directly or through an authorized custodian.

7 (3) No A president, vice-president, director, or other
 8 officer or servant of a savings bank ~~shall may not~~ directly
 9 or indirectly borrow any of the funds of ~~such the~~ bank or of
 10 its deposits or in any manner use the same in his private
 11 affairs or business; ~~nor shall any.~~ A director may not
 12 receive any pay, salary, or emolument until ~~such the~~
 13 interest as the directors ~~shall~~ have determined to allow
 14 depositors ~~shall have~~ has been provided for in accordance
 15 with the regulations of the corporation.

16 (4) The real estate ~~which such that the~~ corporation
 17 may lawfully purchase, hold, and convey is the real estate
 18 that is:

19 (a) ~~such as may be~~ necessary for the proper
 20 transaction of its business, not exceeding in value \$50,000;

21 (b) ~~such as is~~ mortgaged to it in good faith for
 22 moneys money loaned ~~in--pursuance--of--the--provisions--of~~
 23 pursuant to this chapter or given as security for money
 24 loaned or advanced;

25 (c) ~~such as is~~ purchased at the sale on judgment or

1 decree obtained or rendered on money ~~so~~ loaned or advanced.

2 (5) Savings banks organized under the provisions of
 3 this chapter ~~must~~ may not purchase, hold, or convey real
 4 estate in any other case or for any other purpose than
 5 herein is specified in subsection (4) and ~~shall may~~ not buy
 6 or sell any personal property, except such as may be
 7 necessary for the proper transaction of its business or ~~such~~
 8 as may have been pledged, mortgaged, or assigned to it to
 9 secure ~~moneys money~~ loaned or advanced."

10 **Section 4.** Section 32-1-424, MCA, is amended to read:

11 "32-1-424. Investments of financial institutions. (1)
 12 Trust and investment companies may lease, purchase, hold,
 13 and convey all real or personal property necessary to carry
 14 on their authorized business, as well as ~~such the~~ real or
 15 personal property ~~as~~ the board of directors considers
 16 necessary to acquire in the enforcement or settlement of any
 17 claims or demands arising out of business transactions and
 18 may execute and issue, in the transaction of their business,
 19 all necessary receipts, certificates, and contracts.

20 (2) The board of directors of ~~any such a~~ corporation
 21 may invest the capital and assets of the corporation and
 22 keep the ~~same~~ capital and assets invested in securities to
 23 be approved by the board, and the board may make ~~such~~
 24 investments of its capital and assets and of the funds
 25 accumulated by its business, including money, deposits, or

any part thereof, in negotiable or nonnegotiable notes or bonds, mortgages on unencumbered real estate, stocks and bonds of corporations, or bonds and warrants of any county, city, town, or school district of this state or any other state of the United States legally authorized to issue the same bonds or warrants, or bonds or obligations of the United States.

(3) Notwithstanding other provisions of the law, it is lawful for a bank, trust company, investment company or other financial institution operating under the laws of this state to invest the funds or money in its custody or possession, eligible for investment, in:

(a) debentures issued by the federal housing administrator and in obligations of national mortgage associations; and

(b) United States government obligations, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

(4) An investment in United States government obligations as provided in subsection (3)(b) may not be made for a term longer than 5 years."

Section 5. Section 32-2-406, MCA, is amended to read:

"32-2-406. Investments. (1) A building and loan association may invest the money of the association in:

(a) the bonds and securities of the United States, bonds and other obligations guaranteed as to interest and principal by the United States, and the stocks, bonds, debentures, and other securities and obligations of any federal home loan bank created under the laws of the United States, either directly or in the form of securities of or other interests in an open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as amended, if:

(i) the portfolio of the investment company or investment trust is limited to United States government obligations and repurchase agreements fully collateralized by United States government obligations; and

(ii) the investment company or investment trust takes delivery of the collateral for any repurchase agreement,

1 either directly or through an authorized custodian;

2 (b) the bonds and warrants of any state and of any
3 county, city, or school district of the state of Montana;

4 (c) the obligations of the federal savings and loan
5 insurance corporation lawfully issued pursuant to Title IV
6 of the National Housing Act;

7 (d) improved real estate ~~which~~ that has been sold
8 under contract, including suburban homes but not including
9 farm lands or mining property. However, the total amount
10 remaining ~~so~~ invested in real estate, excluding real estate
11 otherwise acquired, may not exceed 15% of its assets. The
12 amount ~~so~~ invested in real estate may not exceed 85% of the
13 price stipulated in the contract of sale or 85% of the value
14 of the property ~~so~~ purchased, whichever is the lesser.

15 (e) other bonds, securities, and investments, not to
16 exceed 10% of the association assets.

17 (2) Not over 10% of the assets of an association may
18 be invested in home office buildings, furniture, and
19 fixtures. Other real property acquired in any manner or for
20 any purpose may not be held for more than 5 years, except by
21 permission of the department.

22 (3) Notwithstanding other provisions of the law, it is
23 lawful for a building and loan association or other
24 financial institution operating under the laws of this state
25 to invest the funds or money in its custody or possession,

1 eligible for investment, in debentures issued by the federal
2 housing administrator and in obligations of national
3 mortgage associations."

4 NEW SECTION. Section 6. Extension of authority. Any
5 existing authority to make rules on the subject of the
6 provisions of [this act] is extended to the provisions of
7 [this act].

-End-