

## **IC 28-6.1-10**

### **Chapter 10. Savings Banks Dealing in Investment Securities**

#### **IC 28-6.1-10-1**

##### **Application of limitations**

Sec. 1. The limitations imposed by this chapter do not apply to the following:

- (1) Direct or indirect obligations of the United States.
- (2) Direct obligations of a United States territory or insular possession.
- (3) Direct obligations of the state or a municipal corporation or taxing district in Indiana.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-2**

##### **Total equity capital**

Sec. 2. As used in this section, "total equity capital" means unimpaired capital stock, unimpaired surplus, unimpaired retained earnings, subordinated debt that has been approved by state or federal regulatory agencies, and one hundred percent (100%) of loan reserves.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-3**

##### **Dealing requirements**

Sec. 3. Except as otherwise provided in this article, a savings bank may deal in investment securities only by purchasing and selling securities without recourse, solely upon the order and for the account of customers.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-4**

##### **Dealings for bank's own account**

Sec. 4. Except as otherwise provided in this article, a savings bank may not deal in investment securities for its own account.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-5**

##### **Underwriting or guaranteeing issues of securities**

Sec. 5. A savings bank may not underwrite or guarantee all or a part of an issue of securities other than obligations issued or guaranteed by or on behalf of the state, a political subdivision of the state, or an agency or instrumentality of the state or of a political subdivision.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-6**

##### **Purchase and sale of investment securities for bank's own account under department rules; limitation on investment securities**

Sec. 6. (a) Subject to subsection (b), a savings bank may purchase

for its own account and sell investment securities under limitations and restrictions the department prescribes by regulation, rule, policy, or guidance.

(b) The total amount of the investment securities of any one (1) obligor or maker, purchased or held by any savings bank for its own account may not at any time exceed ten percent (10%) of the amount of the total equity capital of the savings bank.

*As added by P.L.42-1993, SEC.72. Amended by P.L.27-2012, SEC.88.*

#### **IC 28-6.1-10-7**

##### **Purchase and sale of government chartered small business investment company stock**

Sec. 7. A savings bank may purchase for its own account and sell shares of stock in federal or state chartered small business investment companies that have received a permit or license to operate under the federal Small Business Investment Act, subject to the limitations and restrictions the department prescribes by rule.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-8**

##### **Purchase and sale of collateralized mortgage obligations**

Sec. 8. (a) Subject to subsection (b), a savings bank may purchase for its own account and sell obligations, commonly known as collateralized mortgage obligations, that are eligible for purchase and sale by national banking associations.

(b) A savings bank may purchase for its own account and sell the obligations only to the extent that a national banking association can purchase and sell those obligations.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-8.5**

##### **Purchase of speculative securities or securities not rated by a generally recognized security rating service**

Sec. 8.5. (a) A savings bank may not purchase for its own account any bond, note, or other evidence of indebtedness that is commonly designated as a security that is speculative in character or that has speculative characteristics. For the purposes of this subsection, a security is speculative or has speculative characteristics if at the time of purchase the security:

- (1) is rated below the first four (4) rating classes by a generally recognized security rating service;
- (2) is in default; or
- (3) is otherwise considered speculative by the director.

(b) A savings bank may purchase for its own account a security that is not rated by a generally recognized security rating service if:

- (1) the savings bank at the time of purchase obtains financial information that is adequate to document the investment quality of the security; and
- (2) the security is not otherwise considered speculative by the

director.  
*As added by P.L.176-1996, SEC.20. Amended by P.L.89-2011, SEC.46.*

#### **IC 28-6.1-10-9**

##### **Purchase and sale of nonsubsidiary corporation stock**

Sec. 9. (a) Except as otherwise provided by law, a savings bank may not purchase shares of stock of a corporation that is not a subsidiary of that savings bank unless the purchase is considered expedient to prevent loss from a debt previously contracted in good faith.

- (b) A savings bank shall sell shares of stock:
- (1) acquired under subsection (a); and
  - (2) that the savings bank would not otherwise have been permitted to buy;

not more than six (6) months after the date of acquisition unless the director grants an extension of time for the sale.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-10**

##### **Purchase and holding of banker's bank stock**

Sec. 10. (a) As used in this section, "bank" has the meaning set forth in IC 28-2-14-2.

(b) As used in this section, "banker's bank" means a bank that satisfies both of the following:

- (1) The stock of the bank is owned exclusively by:
  - (A) other banks; or
  - (B) a bank holding company, the stock of which is owned exclusively by other banks.
- (2) The bank is engaged exclusively in providing services to other banks and to their officers, directors, and employees.

(c) Notwithstanding any other provision of this article, a savings bank may purchase for its own account shares of stock of a banker's bank insured by the Federal Deposit Insurance Corporation or a holding company that owns or controls a banker's bank insured by the Federal Deposit Insurance Corporation.

(d) A savings bank's holdings of the stock of an insured banker's bank or of a holding company that owns or controls an insured banker's bank may not exceed ten percent (10%) of the capital and surplus of the savings bank.

(e) A savings bank may not purchase the stock of an insured banker's bank or of a holding company that owns or controls an insured banker's bank if, after the purchase, the savings bank would own more than five percent (5%) of any class of voting securities of the banker's bank or holding company.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-11**

##### **Investments in casualty insurance companies**

Sec. 11. (a) Notwithstanding any other provision of this article, a

savings bank may invest in a casualty insurance company organized solely for the purpose of insuring banks, trust companies, and bank holding companies and their officers and directors from and against liabilities, including those covered by bankers' blanket bonds and director and officer liability insurance and other public liability insurance.

(b) An investment under this section must take the form of:

- (1) the purchase for the savings bank's own account of shares of stock of the casualty insurance company or shares of stock of an association of banks organized for the purpose of funding the casualty insurance company; or
- (2) loans to such an association of banks.

(c) The total investment of a savings bank under this subsection may not exceed five percent (5%) of the capital and surplus of the savings bank.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-12**

##### **Establishment and acquisition of subsidiaries**

Sec. 12. A savings bank may establish or acquire a subsidiary that engages in either of the following:

- (1) The sale, distribution, or underwriting of securities issued by investment companies (as defined in Section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3)).
- (2) The underwriting or distribution of securities backed by or representing an interest in mortgages.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-13**

##### **Establishment of trading accounts**

Sec. 13. A savings bank may establish a trading account for the purchase and resale of securities that are otherwise eligible for purchase or resale by the savings bank. The trading account must comply with the requirements established by policy or rule of the department.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-14**

##### **Definition of investment securities**

Sec. 14. The department may define an investment security by department policy or by rule.

*As added by P.L.42-1993, SEC.72.*

#### **IC 28-6.1-10-15**

##### **Purchase records**

Sec. 15. A savings bank that purchases a security for its own account shall maintain sufficient records of the security to allow the security to be properly identified by the department for examination purposes.

*As added by P.L.176-1996, SEC.21.*