

HOUSE No. 3481

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES, March 10, 1965.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, House, No. 1253) of the Savings Banks Association of Massachusetts for legislation to regulate certain investments by savings banks, report the accompanying bill (House, No. 3481).

For the committee,

JOHN JANAS.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Sixty-Five

AN ACT REGULATING CERTAIN INVESTMENTS BY SAVINGS BANKS.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 4 of chapter 283 of the acts of 1945, as
2 most recently amended by chapter 219 of the acts of 1960, is
3 hereby further amended by striking out the second paragraph
4 of clause (d) thereof.

1 SECTION 2. Paragraph 3 of section 47 of chapter 168 of the
2 General Laws, as appearing in section 1 of chapter 432 of the
3 acts of 1955, is hereby amended by striking out clause (a) thereof
4 and inserting in place thereof the following clause:—

5 (a) *Aggregate Investment.*— No such corporation shall invest
6 additional funds in stocks of such companies or associations (a)
7 if the cost thereof added to the amount already invested in
8 such stocks and in fire insurance stocks referred to in section
9 forty-eight shall exceed sixty-six and two-thirds per cent of
10 the total of the guaranty fund and surplus of such corporation,
11 referred to in section fifty-seven, appearing immediately follow-
12 ing the payment or provision for payment of its next preceding
13 dividend or (b) if the cost thereof added to the amount already
14 invested in such stocks, in such fire insurance stocks, in shares
15 of beneficial interest of the Savings Bank Investment Fund
16 referred to in paragraph one of section forty-nine and in pre-
17 ferred stocks referred to in paragraph one A of section forty-
18 nine shall exceed seventy-six and two-thirds per cent of the
19 total of such guaranty fund and surplus.

1 SECTION 3. Paragraph 7 of section 48 of said chapter 168,
2 as so appearing, is hereby amended by striking out clause (b)
3 thereof and inserting in place thereof the following clause:—

4 (b) *Aggregate Investment Limit.*— No insurance stock shall
5 be purchased (a) if the cost thereof added to the cost of insur-

6 and stocks and bank stocks already owned, shall exceed sixty-
7 six and two-thirds per cent of the total of the guaranty fund and
8 surplus of such corporation, referred to in section fifty-seven,
9 appearing as provided in paragraph three (a) of section forty-
10 seven or (b) if the cost thereof added to the cost of insurance
11 stocks and bank stocks, of shares of beneficial interest of the
12 Savings Bank Investment Fund and of preferred stocks referred
13 to in paragraph one A of section forty-nine, already owned,
14 shall exceed seventy-six and two-thirds per cent of the total of
15 such guaranty fund and surplus.

1 SECTION 4. Paragraph 1 of section 49 of said chapter 168, as
2 so appearing, is hereby amended by striking out said paragraph
3 and inserting in place thereof the following paragraph: —

4 1. *Shares of Savings Bank Investment Fund.* — Shares of bene-
5 ficial interest of the Savings Bank Investment Fund; provided
6 that no such corporation shall invest in such shares (a) if the
7 cost thereof added to the cost of such shares already owned shall
8 exceed twenty-five per cent of the total of the guaranty fund
9 and surplus of such corporation, referred to in section fifty-
10 seven, appearing as provided in paragraph three (a) of section
11 forty-seven or (b) if the cost thereof added to the amount already
12 invested in such shares, in bank and insurance stocks and in pre-
13 ferred stocks shall exceed seventy-six and two-thirds per cent of
14 the total of such guaranty fund and surplus.

1 SECTION 5. Section 49 of chapter 168 of the General Laws is
2 hereby amended by adding after paragraph 1 of said section the
3 following new paragraph: —

4 A. *Preferred Stocks.* — Nonconvertible, fully cumulative pre-
5 ferred stocks of any company described in subdivision A or
6 subdivision B of section forty-six the mortgage bonds of which
7 can qualify for investment under the provisions of said subdivi-
8 sions, provided that, in each of the five fiscal years next pre-
9 ceding the date of investment, the after tax net operating in-
10 come, as hereinafter defined, of such company, as shown by its
11 annual reports or other sworn returns to the Federal Power
12 Commission or to a state public service or other similar com-
13 mission, shall have been not less than twice the sum of the
14 amount necessary to pay the interest for the same periods on all
15 of its outstanding indebtedness and of the amount required to

16 pay dividends on all of its preferred stock. As used in this sub-
17 section the term — after tax net operating income — shall
18 mean the amount available for payment of interest and divi-
19 dend charges after deduction from total operating revenues of
20 all operating expenses, including current maintenance, provision
21 for depreciation, all taxes including federal income taxes, rentals
22 and guaranteed interest or dividends. No such corporation shall
23 invest in such stocks (a) if the cost thereof added to the cost of
24 such stocks already owned shall exceed twenty-five per cent of
25 the total of the guaranty fund and surplus of such corporation
26 referred to in section fifty-seven, appearing as provided in para-
27 graph three (a) of section forty-seven or (b) if the cost thereof
28 added to the amount already invested in such stocks, in bank
29 and insurance stocks and in shares of beneficial interest of said
30 Savings Bank Investment Fund shall exceed seventy-six and two-
31 thirds per cent of the total of such guaranty fund and surplus;
32 and provided, that no such corporation shall invest more than
33 one-fifth of one per cent of its deposits in the preferred stock of
34 any one such company.