

# HOUSE . . . . . No. 5565

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## *The Commonwealth of Massachusetts*

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HOUSE OF REPRESENTATIVES, May 26, 1987.

The committee on Banks and Banking, to whom was referred the petition (accompanied by bill, House, No. 1464) of Francis G. Mara and another relative to modernizing and improving the operation of certain banking laws, reports, in part (section 3), recommending that the accompanying bill (House, No. 5565) ought to pass.

For the committee,

THOMAS M. FINNERAN.

**The Commonwealth of Massachusetts**

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In the Year One Thousand Nine Hundred and Eighty-Seven.

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AN ACT RELATIVE TO A LOAN OR DISCOUNT ON THE SECURITY OF SHARES  
OF CAPITAL STOCK OF BANKS.

1     *Whereas*, The deferred operation of this act would tend to  
2 defeat its purpose which is to immediately permit banks, in  
3 conjunction with their authority to convert to stock form, to  
4 repurchase stocks previously issued, therefore it is hereby declared  
5 to be an emergency law, necessary for the immediate preservation  
6 of the public convenience.

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

1     Chapter 167E of the General Laws, as appearing in the 1984  
2 Official Edition, is hereby amended by striking out section 13 and  
3 inserting in place thereof the following: —  
4     Section 13. No such bank shall directly or indirectly make a  
5 loan or discount on the security of the shares of its own capital  
6 stock or on the security of the shares of capital stock of any  
7 company, fifty percent or more of the assets of which consists of  
8 capital stock of such corporation, unless such security shall be  
9 necessary to prevent loss upon a debt previously contracted in  
10 good faith. Any officer or employee of a bank who knowingly  
11 violates any provision of this section shall be punished by a fine  
12 of not more than five thousand dollars or by imprisonment for  
13 not more than one year, or both.