

R.S. 17:9A - 131.28

June 25, 1970

LEGISLATIVE NOTES ON R.S. 17:9A-131.28
(Capital notes - maturity limitation)

COPY NO. 1

L. 1969, Chapter 270 - S551

March 10 - Introduced by Dumont.

April 10 - Passed in Senate, amended.

December 1 - Passed in Assembly.

January 12 - Approved, Chapter 270.

Amended during passage (copy enclosed of original bill
and amendment).

Bill had statement (copy enclosed).

JH/PC

CHAPTER 270

ACT 1-12-70

69

[OFFICIAL COPY REPRINT]

SENATE, No. 551

STATE OF NEW JERSEY

INTRODUCED MARCH 10, 1969

By Senator DUMONT

Referred to Committee on Banking and Insurance

AN ACT to amend "An act to provide for the issuance by banks of convertible and nonconvertible capital notes and debentures, and supplementing 'An act concerning banking and banking institutions (Revision of 1948),' approved April 29, 1948 (P. L. 1948, c. 47)," approved September 6, 1966 (P. L. 1966, c. 272).

1 BE IT ENACTED by the Senate and General Assembly of the State
2 of New Jersey:

1 1. Section 9 of P. L. 1966, chapter 272 (C. 17:9A-131.28) is
2 amended to read as follows:

3 9. No capital notes shall be issued unless they and any agreement
4 to which they are subject are approved by the commissioner. Such
5 capital notes and such agreements may contain such provisions, not
6 inconsistent with the provisions of this act, as are customarily
7 made in connection with similar evidences of indebtedness issued
8 by corporations other than banks, including, but not limited to,
9 provisions respecting maturities, interest rates, conversion ratios,
10 rates of amortization of principal, prepayment privileges, reserves,
11 sinking funds, and the like, except that no capital notes shall be
12 issued which provide for interest at a rate **[higher than 6%]** per
13 annum *higher than the maximum rate authorized pursuant to section*
14 *31:1-1 of the Revised Statutes at the time when such notes are*
15 *issued* or provide for conversion at a rate per share less than the
16 par value of the shares issued on such conversion. Unless special
17 cause is shown to the satisfaction of the commissioner, (a) no capital
18 notes shall be issued by a bank at a time when the principal amount
19 owing on all outstanding capital notes of the bank exceeds 50% of
20 the bank's capital funds, or if such issue would cause such amount
21 to exceed 50% of the bank's capital funds; and (b) no payment shall
22 be made on account of the principal of any such note otherwise than

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

23 as provided in such note or in any agreement to which such note is
24 subject***[.]*****[.]**; and (c) no capital notes shall mature in more than
25 25 years from their dates.**.]***; and (c) *no capital notes shall mature*
26 *in more than 25 years from their dates.** The commissioner may
27 withhold his approval of any capital notes containing provisions
28 which, in his opinion, are prejudicial to the interests of the bank's
29 depositors or other creditors, or are inconsistent with sound
30 financing or with the maintenance by the bank of a sound capital
31 structure.

1 2. This act shall take effect immediately.

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23 as provided in such note or in any agreement to which such note is
24 subject.【; and (c) no capital notes shall mature in more than 25
25 years from their dates.】 The commissioner may withhold his ap-
26 proval of any capital notes containing provisions which, in his
27 opinion, are prejudicial to the interests of the bank's depositors
28 or other creditors, or are inconsistent with sound financing or with
29 the maintenance by the bank of a sound capital structure.

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STATEMENT

The purposes of this bill are (1) to make the act of which this bill is amendatory consistent with the Usury Law (R. S. 31:1-1) as amended in 1968; and (2) to remove the limitation on the maturity of capital notes issued by banks. There would appear to be no reason for such limitation, especially since no such notes may be issued without the prior approval of the Commissioner of Banking and Insurance.

SENATE COMMITTEE AMENDMENTS TO
SENATE, No. 551

STATE OF NEW JERSEY

ADOPTED APRIL 2, 1969

Amend page 2, section 1, line 24, omit the “.”.

Amend page 2, section 1, line 25, after the “**I**”, insert “; and (c) no capital notes shall mature in more than 25 years from their date.”.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.