

R.S. 17:9A-180.5

LEGISLATIVE FACT SHEET

ON

N.J.R.S. 17:9A-180.5 (*Sav. Banks - Investments*)
(1966 Amendment)

LAWS OF 1966

CHAPTER 275

SENATE

ASSEMBLY 285

INTRODUCED *Jan. 31, 1966*

BY *Brady, Tanyman*

STATEMENT

YES

NO

AMENDED DURING PASSAGE

YES

NO

HEARING

VETO

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A 285 (1966)

4

STATEMENT

The purpose of this bill is to permit a savings bank to invest in the common stock of a national banking association or trust company, notwithstanding the fact that the national banking association or trust company has senior securities (including preferred stock) outstanding, and in addition, reduce the capitalization test for such investment in said banks located in the State of New Jersey from \$40,000,000.00 to \$10,000,000.00.

CHAPTER 215 LAWS OF N. J. 1966

APPROVED 7/6/66

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ASSEMBLY, No. 285

STATE OF NEW JERSEY

INTRODUCED JANUARY 31, 1966

By Assemblymen BRADY and TANZMAN

Referred to Committee on Business Affairs

AN ACT to amend "An act to supplement 'An act concerning banking and banking institutions (Revision of 1948),' approved April 29, 1948 (P. L. 1948, c. 67)," approved April 9, 1953 (P. L. 1953, c. 78).

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

1 1. Section 1 of the act of which this act is amendatory is amended to
2 read as follows:

3 1. A savings bank may, in addition to other investments, presently or
4 from time to time hereafter authorized by law, invest in

5 (1) stocks, preferred or common, issued or guaranteed by a corporation
6 created or existing under the laws of the United States or any State, district
7 or territory thereof, provided

8 (a) that for a period of 5 fiscal years for which the necessary statistical
9 data are available next preceding the date of investment by such savings
10 bank such corporation as disclosed by its published fiscal annual statements
11 shall have had an average annual net income plus its average annual fixed
12 charges (as herein used, fixed charges shall mean interest on funded or un-
13 funded debt, contingent interest charges, amortization of debt discount and
14 expense and rentals for leased property and, in the case of consolidated earn-
15 ings statements of parent and subsidiary corporations (which must be used
16 if available) shall include all such fixed charges and the preferred dividend
17 requirement, if any, of such subsidiaries) at least equal to 1½ times the sum

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

18 of its average annual dividend requirement for preferred stock and its aver-
19 age annual fixed charges for the same period; and

20 (b) during neither of the last 2 years of such period shall the sum of
21 its annual net income and its annual fixed charges have been less than 1½
22 times the sum of its dividend requirement for preferred stock and its fixed
23 charges for the same period; and

24 (c) such corporation shall have no arrears of dividends on its preferred
25 stock; and

26 (d) as to the common stock of any corporation that

27 i. such common stock is registered on a national securities exchange
28 as provided in an Act of Congress of the United States entitled "Securi-
29 ties Exchange Act of 1934," approved June 6, 1934, as amended; and

30 ii. such corporation shall have paid a cash dividend on its common
31 stock in each year of the 10-year period next preceding the date of in-
32 vestment by such savings bank and the aggregate net earnings available
33 for dividends on the common stock of such corporation for the whole of
34 such period shall have been at least equal to the amount of such dividends
35 paid.

36 (e) in applying the earnings test under this act to any issuing, assuming
37 or guaranteeing corporation, where such corporation shall have acquired its
38 property or any substantial part thereof within such 5-year period immedi-
39 ately preceding the date of investment by consolidation or merger, or by the
40 purchase of all or a substantial portion of the property of any other corpora-
41 tion or corporations, or shall have acquired the assets of any unincorporated
42 business enterprise by purchase or otherwise, net income, fixed charges and
43 preferred dividends of the several predecessor or constituent corporations or
44 enterprises shall be consolidated and adjusted so as to ascertain whether or
45 not the applicable requirements of this act have been complied with;

46 (2) stock or shares of a corporation which is an investment company as
47 defined by, and which is registered under, an Act of Congress entitled "In-
48 vestment Company Act of 1940," approved August 22, 1940, as amended;
49 provided

50 (a) all the stock and shares of such investment company are or are to
51 be owned by savings banks of this State; and

52 (b) such company may invest only in such investments as are eligible
53 for savings banks of this State including investments made eligible for sav-
54 ings banks by this act; and

55 (c) the amount of stock of any corporation which may be held by such
56 investment company shall not exceed at the time of investment by such com-
57 pany, 5% of the number of shares of stock of such corporation then outstand-
58 ing or 3% of the assets of such investment company, whichever amount is
59 the lesser.

60 (3) common stock¹, provided there are no senior securities (including
61 preferred stock) outstanding,² of a national banking association or trust
62 company doing business anywhere within the United States which is a mem-
63 ber of the Federal Reserve System and which, at the date of its last published
64 statement preceding the date of investment, had a combined total of capital
65 stock, surplus, reserve for contingencies and undivided profits equal to at
66 least \$40,000,000.00 *³ *for any such bank located outside of this State and*
67 *\$10,000,000.00 for any such bank located in the State of New Jersey* * and also
68 equal to at least 6% of its aggregate deposit liability and which, in each of
69 the 5 fiscal years preceding the date of investment, paid dividends in cash
70 of not less than 4% on its common stock without having reduced the aggre-
71 gate par value thereof within such 5-year period;

72 (4) common stock of an insurance company, authorized to transact busi-
73 ness in New Jersey, which has combined capital stock, surplus and special
74 surplus funds (based on consolidated statements of parent and subsidiary
75 companies, if any) at least equal to \$20,000,000.00 and which has paid cash
76 dividends on its common stock in each of its 5 fiscal years next preceding the
77 date of investment.

1 2. This act shall take effect immediately.