

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 1086

Short Title: Bank Stock as Collateral.

(Public)

Sponsors: Senator Warren.

Referred to: Commerce

May 4, 1995

A BILL TO BE ENTITLED

1 AN ACT TO ALLOW BANKS TO MAKE LOANS SECURED BY SHARES OF ITS
2 OWN STOCK OR THAT OF ITS PARENT HOLDING COMPANY UNDER
3 CERTAIN CIRCUMSTANCES.
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5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 53-64 reads as rewritten:

7 "**§ 53-64. ~~Unlawful to loan on~~ Loans secured by bank's own stock or stock of parent**
8 **bank holding company.**

9 ~~It shall be unlawful for any bank to make any loan secured by the pledge of its own~~
10 ~~shares of stock or the stock of its parent bank holding company, nor shall any bank be the~~
11 ~~holder as pledgee, or as purchaser, of any portion of its capital stock or of the capital~~
12 ~~stock of its parent bank holding company unless such stock is purchased or pledged to it~~
13 ~~to prevent loss upon a debt previously contracted in good faith. Provided, that whenever~~
14 ~~any bank shall have shares of its own stock or the stock of its parent bank holding~~
15 ~~company sold to, or pledged to it, for the purpose of preventing a loss upon a debt~~
16 ~~previously contracted, it shall dispose of all such shares of stock within a period of six~~
17 ~~months from the date such stock was sold or pledged to it and if not so disposed of, the~~
18 ~~same shall be charged to profit and loss and no longer carried as an asset of the bank.~~

19 (a) It shall be lawful for a bank to make a loan secured by the pledge of its own
20 shares of stock or the stock of its parent holding company; provided that whenever any

1 bank shall exercise its security interest in the shares of the bank or its parent holding
2 company upon a loan default or other transfer, it shall dispose of all of such shares of
3 stock within a period of six months. If such stock has not been disposed of within six
4 months, the same shall be charged to profit and loss and no longer carried as an asset of
5 the bank. The Commissioner may extend the six-month period not to exceed an
6 additional six months.

7 (b) A bank may not make a loan to finance the purchase of or to carry its stock or
8 the stock of its parent holding company.

9 (c) A bank may not purchase any portion of its shares of stock, nor the stock of its
10 parent holding company, unless the same is purchased or pledged to the bank to prevent a
11 loss upon a debt previously contracted in good faith. In the event the bank shall become
12 the owner of its shares, or those of its parent holding company, the bank shall dispose of
13 the same as provided in subsection (a) of this section."

14 Sec. 2. This act becomes effective upon ratification.