

SUBSTITUTE FOR
SENATE BILL NO. 750

A bill to amend 1999 PA 276, entitled
"Banking code of 1999,"
by amending section 4301 (MCL 487.14301).

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 4301. (1) A bank may purchase, sell, underwrite, and hold
2 investment securities that are obligations in the form of bonds,
3 notes, or debentures of a type and to the extent permitted by this
4 act.

5 (2) A bank may hold, without limit, any of the following:

6 (a) Obligations of the United States, ~~or~~ obligations that are
7 guaranteed fully as to principal and interest by the United States,
8 or any general obligations of any state or of any political
9 subdivision of a state.

(b) Obligations issued ~~under authority of the farm credit act of 1971, Public Law 92-181, 85 Stat. 583.~~ **BY AN ENTITY OF THE
FEDERALLY CHARTERED FARM CREDIT SYSTEM.**

(c) Obligations issued by banks for cooperatives.

(d) Obligations issued by the federal home loan banks.

(e) Obligations insured by the secretary under title IX of the national housing act, ~~chapter 847, 65 Stat. 295, 12 U.S.C. 1750, 1750b to 1750e, and 1750e~~ **12 USC 1750** to 1750g.

(f) Obligations insured by the secretary under section 207 of title II of the national housing act, ~~chapter 847, 48 Stat. 1252, 12 U.S.C.~~ **12 USC 1713**, if the debentures to be issued in payment of the insured obligations are guaranteed as to principal and interest by the United States.

(g) Obligations, participations, or other instruments of or issued by the ~~federal national mortgage association~~ **FEDERAL
NATIONAL MORTGAGE ASSOCIATION** or the ~~government national mortgage association~~ **GOVERNMENT NATIONAL MORTGAGE ASSOCIATION.**

(h) Mortgages, obligations, or other securities that are or ever have been sold by the ~~federal home loan mortgage corporation~~ **FEDERAL HOME LOAN MORTGAGE CORPORATION** under ~~12 U.S.C.~~ **USC 1454** or 1455.

(i) Obligations of a public housing agency, as defined in section 1437a of the United States housing act of 1937, ~~chapter 896, 88 Stat. 654, 42 U.S.C.~~ **42 USC 1437a.**

(j) Obligations of a local public agency, as defined in former ~~42 U.S.C.~~ **USC 1460(h)**, secured by a loan agreement between the local public agency and the secretary of the United States

~~department of housing and urban development.~~**DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT.**

(k) Any other investment security authorized by order or declaratory ruling of the ~~commissioner.~~**DIRECTOR.**

(3) Subject to the exercise of prudent banking judgment, a bank may engage in the underwriting of any of the following investment securities:

(a) Obligations of the United States or any political subdivision of the United States.

(b) Obligations of any state or ~~any~~**A** political subdivision thereof.**OF ANY STATE.**

(c) Obligations of the ~~international bank for reconstruction and development.~~**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT.**

(d) Obligations of the ~~inter American development bank.~~**INTER-AMERICAN DEVELOPMENT BANK.**

(e) Obligations of the Asian ~~development bank.~~**DEVELOPMENT BANK.**

(f) Obligations of the Tennessee ~~valley authority.~~**VALLEY AUTHORITY.**

(g) Obligations issued by any state or political subdivision or agency of a state or political subdivision for housing, university, or dormitory purposes.

(h) Obligations of the African ~~development bank.~~**DEVELOPMENT BANK.**

(i) Obligations of the ~~international finance corporation.~~**INTERNATIONAL FINANCE CORPORATION.**

(j) Other obligations listed in subsection (2).

(k) Other obligations authorized by order or declaratory ruling of the ~~commissioner~~**DIRECTOR**.

(4) A bank may purchase for its own account other investment securities, but the total amount of investment securities of any 1 obligor or maker, held by a bank under this subsection, shall not exceed at any time 25% of its capital and surplus.

(5) The statutory limitation on the amount of investment securities of any 1 obligor or maker that may be held by a bank ~~shall be~~**IS** determined on the basis of ~~the par or face value of the securities~~**GENERALLY ACCEPTED ACCOUNTING PRINCIPLES UNLESS OTHERWISE DIRECTED OR PERMITTED IN WRITING BY THE DIRECTOR FOR SAFETY AND SOUNDNESS REASONS.**

(6) A bank shall not purchase investment securities convertible into stock at the option of the issuer.

(7) The restrictions and limitations of this section with respect to a bank acquiring and holding securities for its own account do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim or to avoid a loss in connection with a debt previously contracted. This section does not limit the investment authority of a bank granted by any other section of this act.

(8) IF A BANK INVESTS FUNDS IN A SECURITY, OBLIGATION, OR OTHER INSTRUMENT THAT AT THE TIME IS PERMITTED UNDER THIS PART, THE INVESTMENT SUBSEQUENTLY BECOMES IMPERMISSIBLE BECAUSE OF A CHANGE IN CIRCUMSTANCES OR LAW, AND THE DIRECTOR FINDS THAT CONTINUING TO HOLD THE INVESTMENT WILL HAVE AN ADVERSE EFFECT ON THE SAFETY AND

1 SOUNDNESS OF THE BANK, THE DIRECTOR MAY REQUIRE THAT THE BANK
2 DEVELOP A REASONABLE PLAN FOR THE DIVESTITURE OF THE INVESTMENT.

3 Enacting section 1. This amendatory act takes effect 90 days
4 after the date it is enacted into law.

5 Enacting section 2. This amendatory act does not take effect
6 unless all of the following bills of the 98th Legislature are
7 enacted into law:

8 (a) Senate Bill No. 748.

9 (b) Senate Bill No. 749.