

**7-3-3.2 Securities business permitted -- Activities conducted by subsidiary -- Disclosure statements required.**

- (1) A bank has all necessary and incidental powers to engage in the business of purchasing, selling, underwriting, and dealing in securities, whether as a principal for its own account or as agent or broker for a customer, subject to the limitations in this section.
- (2) The securities business that a bank may conduct as a principal for its own account is limited to the activities specified in Subsections (2)(a) through (d). A bank does not otherwise have power to enter securities underwriting or act as a principal in issuance or marketing of securities.
  - (a) A bank may purchase for investment and subsequently resell those types of securities authorized by statute or rule of the commissioner, including, without limitation, shares purchased in accordance with Section 7-3-21 and government or other securities lawfully acquired for the investment or trading portfolio of the bank or any of its subsidiaries or affiliates in accordance with any limitation established by any other federal or state statute, regulation, or rule.
  - (b) A bank may sell securities of any kind acquired in the ordinary course of business, including, without limitation, through foreclosure on pledged securities.
  - (c) A bank may underwrite or deal in securities issued by a municipality, county, or other local governmental entity or an agency of any such governmental entity, securities issued by a state or any of its agencies, or securities issued by the federal government or any of its agencies.
  - (d) A bank may establish or underwrite the securities of registered investment companies that are limited to operating or investing in money market funds or other short-term government or corporate debt instruments.
- (3) This section may not be interpreted to alter the traditional rights and powers of banks to issue deposit instruments or similar instruments that acknowledge receipt of money for customers, even though the instruments may for some purposes be considered securities.
- (4) Securities activities under this section, except those activities described in Subsections (2) (a) and (b), shall be conducted only through a subsidiary. Any such subsidiary shall be established pursuant to rules that the commissioner may adopt after notice and hearing. Any such rules shall further define the standards by which a securities subsidiary of a bank may be established and operated, including the requirement for registration, if required, as a broker-dealer with state, federal, and self-regulatory agencies. In addition to other standards that may be established by these rules, a bank may not invest more than 10% of its total capital in a securities subsidiary. For purposes of that determination, total capital shall be calculated in accordance with all other applicable statutes and rules of the commissioner, including the effect of loans from the bank to the subsidiary, together with capital standards established by the Federal Deposit Insurance Corporation. Every loan made by the bank to a securities subsidiary shall comply with applicable state and federal laws. In all cases, each subsidiary shall maintain separate corporate and financial records.
- (5) Notwithstanding Subsection (4), a bank may enter into a networking agreement with a registered broker-dealer for the provision of brokerage services to the bank's customers on the bank's premises without the need to comply with Subsection (4), (6), or (7).
- (6) The securities activities authorized by this section may be conducted from an authorized banking office or from a separate office of a subsidiary, and may be offered to customers in this state or in any other state, territory, or country, except to the extent such activities are limited or prohibited by the laws of the other state, territory, or country.

- (7) Before undertaking any of the direct or indirect securities activities permitted under this section, except those authorized by Subsection (2)(a), a bank shall apply to the commissioner. The commissioner shall render a decision of approval, conditional approval, or disapproval within 60 days from the date of receiving the application. Public notice is not required for any hearing on the application that may be held. The commissioner shall satisfy himself before approving the application that the bank possesses the managerial and financial resources necessary to conduct the securities activities safely and soundly.
- (8) In conducting securities activities, a bank shall in all respects comply, and cause its securities subsidiary to comply, with the Utah Uniform Securities Act, the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, and other applicable statutes, regulations, and rules.
- (9) In connection with each customer for which a bank or its securities subsidiary shall act as agent or broker, the bank or the subsidiary, as applicable, shall give a written disclosure to its customer prior to closing any single transaction or establishment of an account contemplating a series of transactions. The disclosure statement shall be in legible print and shall be in substantially the form shown in Subsection (9)(a) with respect to the bank and in Subsection (9)(b) with respect to any securities subsidiary.

(a)

DISCLOSURE STATEMENT

The services offered by the securities department of this bank are offered to its customers without regard to any other banking relationship. By signing below the customer acknowledges receipt of this Disclosure Statement and agrees that any contract for securities services is completely voluntary, and the selection of this bank for securities services has not been required by any other business relationship or account with the bank.

\_\_\_\_\_ (month/day/year).

CUSTOMER:

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(b)

DISCLOSURE STATEMENT

\_\_\_\_\_ (name of securities agency subsidiary) is a subsidiary of \_\_\_\_\_ (name of bank). The services offered by \_\_\_\_\_ (name of subsidiary) are offered to its customers without regard to any separate banking relationship with \_\_\_\_\_ (name of bank). By signing below the customer acknowledges receipt of this Disclosure Statement and agrees that any contract for services with \_\_\_\_\_ (name of subsidiary) is completely voluntary and the selection of \_\_\_\_\_ (name of subsidiary) for securities services has not been required by any business relationship with its parent bank.

\_\_\_\_\_ (month/day/year).

CUSTOMER:

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Amended by Chapter 75, 2000 General Session