



**STATE OF ALABAMA**  
**STATE BANKING DEPARTMENT**

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May 3, 1994

**MEMORANDUM**

TO: Chief Executive Officers of  
State Chartered Banks

FROM: Kenneth R. McCartha *KRM*  
Acting Superintendent of Banks

SUBJECT: Investment in a Bank or Bank Holding Company

Section 5-5A-27 of the Alabama Banking Code prohibits a state bank from owning capital stock in any other bank except stock obtained in the usual course of business in payment of an indebtedness. Bank stock obtained in payment of an indebtedness, or in order to prevent a loss on a debt owing to the bank, may be held for one year only unless this time period is extended by the Superintendent of Banks.

The Alabama Equal Powers Act, which is § 5-5A-18.1 of the Alabama Banking Code, entitles state banks to exercise the same powers and privileges as if they were federally chartered banks operating in Alabama. However, any increase in powers or privileges over that allowed by the Alabama Banking Code is subject to the prior approval of the Superintendent of Banks. Section 24 of the National Banking Act provides that a national bank may purchase stock of a bank insured by the Federal Deposit Insurance Corporation or a holding company which owns or controls such insured bank and such bank and all subsidiaries thereof are engaged exclusively in providing services for other depository institutions, their officers, directors and employees. But in no event shall the total of such stock held by the national bank in any bank or holding company exceed at any time 10 per centum of the national bank's capital stock and paid in surplus and in no event shall the purchase of such stock result in the national bank acquiring more than 5 per centum of any class of voting securities of such bank or holding company.

Effective this date, I am authorizing state chartered banks to purchase stock in a bank or holding company of such bank that is engaged exclusively in providing services for other depository institutions, their officers, directors and employees. This investment by state chartered banks will be subject to the same limitations imposed on national banks by the National Banking Act.