



**RULE-MAKING ORDER**  
(RCW 34.05.360)

**CR-103** (10/1/89)

Agency: Department of General Administration, Division of Banking

Permanent Rule  
 Emergency Rule

(1) Date of adoption: January 27, 1992

(2) Purpose: Revise WAC 50-12-116(2) to allow banks to invest in qualifying investment companies organized under the Investment Company Act of 1940 other than Massachusetts Business Trusts.

(3) Citation of existing rules affected by this order:  
 Repealed:  
 Amended: WAC 50-12-116(2)  
 Suspended:

(4) Authority for adoption:  
 Statute: RCW 30.08.140(7)  
 Other Authority:

(5.1) PERMANENT RULE ONLY  
 Pursuant to notice filed as WSR 92-01-092 on December 17, 1991 (date).  
 Describe any changes other than editing from proposed to adopted version:

(5.2) EMERGENCY RULE ONLY  
 Pursuant to RCW 34.05.350 the agency for good cause finds:  
 (a) That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.  
 (b) That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.  
 Reasons for this finding:

(5.3) Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?  
 Yes  No If yes, explain:

(6) Effective date of rule:  
**Permanent Rules**                      **Emergency Rules**  
 31 days after filing                       Immediately  
 Other (specify) \_\_\_\_\_ \*                       Later (specify) \_\_\_\_\_  
 \*(If less than 31 days after filing, specific finding in 5.3 under RCW 34.05.380(3) is required)

**CODE REVISER USE ONLY**

CODE REVISER'S OFFICE  
STATE OF WASHINGTON  
FILED

JAN 28 1992

TIME 1:00  
 WSR 92-04-027

NAME (TYPE OR PRINT) John L. Bley  
 SIGNATURE *John L. Bley*  
 TITLE Supervisor of Banking                      DATE 1-28-92

AMENDATORY SECTION (Amending Order 70, filed 9/30/87)

WAC 50-12-116 INVESTMENT SECURITIES--INVESTMENT IN INVESTMENT COMPANIES. A bank or trust company may invest in shares of an investment company provided that all of the following conditions are met:

(1) The investment company must be registered with Securities and Exchange Commission under the Investment Company Act of 1940 and the Securities Act of 1933 or be a privately offered fund sponsored by an affiliated commercial bank.

(2) The shareholder has (~~an equitable~~) a fair and equal proportionate undivided interest in the underlying assets of the investment company calculated pursuant to the Investment Company Act of 1940.

(3) When an investment company's assets consist solely of and are expressly limited to obligations that are eligible for unlimited investment (Type I) as described in WAC 50-12-100, there is no limit on the bank's investment. However, where the investment company's portfolio contains, or is permitted to contain, securities subject to the bank's investment or lending limitations, investment by the bank shall be subject to a twenty percent of capital and surplus limitation.

(4) The shareholders are protected against personal liability for acts or obligations of the investment company.

(5) The bank's investment policy, as formally approved by its board of directors, specifically provides for such investments; prior approval of the board of directors is obtained for initial investments in specific investment companies and recorded in the official board minutes; and procedures, standards, and controls for managing such investments are implemented prior to acquisition of these investments.

(6) If the investment company makes use of futures, forwards, options, repurchase agreements and securities lending arrangements, their use must be consistent with standards adopted for use of such instruments in the bank's portfolio.

(7) Regulatory reporting of holdings in investment companies is consistent with established standards for "marketable equity securities."