

ASSEMBLY BILL

No. 512

Introduced by Assembly Member Richter

February 17, 1995

An act to add Section 1561.1 to the Financial Code, relating to trust companies.

LEGISLATIVE COUNSEL'S DIGEST

AB 512, as introduced, Richter. Trust companies: investments.

Under existing law, a trust company can invest its contributed capital only in the securities and properties in which a commercial bank can invest its funds, or in loans on real property that commercial banks are permitted to make, as specified.

This bill would provide that a trust company can invest or reinvest in the securities or other interests of any fund for which the trust company or its affiliate is providing specified investment or management services. The trust company must make specified disclosures concerning compensation received for its services.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. It is the intent of the Legislature in
2 enacting this chapter to enable California bank trust
3 departments and California trust companies to achieve

1 competitive equality with out-of-state institutions
2 offering trust services to California residents by enabling
3 banks and trust companies to invest fiduciary accounts in
4 mutual funds to which the bank acts as an investment
5 advisor or provides related investment services. The
6 Legislature finds and declares:

7 (a) This legislation is necessary to achieve parity with
8 47 other states that have enacted similar legislation
9 permitting banks and trust companies to invest fiduciary
10 accounts in mutual funds for which the bank or trust
11 company provides advisory services.

12 (b) Without this legislation, California banks and trust
13 companies cannot offer this investment service to their
14 existing fiduciary companies.

15 (c) It is proper and appropriate to use the investment
16 expertise of California banks and trust companies for the
17 benefit of their fiduciary clients.

18 SEC. 2. Section 1561.1 is added to the Financial Code,
19 to read:

20 1561.1. (a) As used in this section, “fund” means any
21 investment company registered under the Investment
22 Company Act of 1940 (15 U.S.C. Sec. 801-1 et seq.).

23 (b) In addition to all other investments authorized by
24 statute or by the governing instrument, a trust company
25 acting in any capacity under a court trust or private trust
26 may, in the exercise of its investment discretion or at the
27 direction of another person authorized to direct the
28 investment of the trust, invest and reinvest in the
29 securities of or other interests in any fund to which the
30 trust company or its affiliate is providing services as an
31 investment advisor, sponsor, distributor, custodian,
32 agent, registrar, or manager, and for which the trust
33 company or its affiliate receives compensation from the
34 fund.

35 (c) With respect to any court or private trust so
36 invested, the trust company shall disclose to all persons to
37 whom it is required to render statements of account, at
38 least annually by prospectus, statement of account, or
39 other written notice, the method by which the



1 compensation paid on the fund to the trust company or
2 its affiliate is calculated.

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