

January 19, 1973

SPEAKER: Senator Hasebroock.

SENATOR HASEBROOCK: Mr. President and members of the legislature, LB 143 increases the amount of rediscounts and bills payable at a bank shall be allowed at any one time from an amount equal to it's paid up capital and surplus to an amount equal to its paid up capital and surplus and any capital notes and debentures that it might issue. Capital notes and debentures are considered a part of the capital of the bank and are subordinate to all liabilities of a bank except capital and surplus itself. This section also deals with the amount of so called risk capital, loans and investments that a bank will be permitted at any time, the present formula that none will be (inaudible) in excess of fifteen times the amount of paid up capital and surplus. This bill also adds capital notes and debentures which are really a capital accounts to be used in computing this risk as such. This bill makes it possible for state banks to come, be more competitive with national banks, national banks are, make it possible to use their undivided profits as a capital structure and that's not possible in state banks, so this would allow them to increase the, borrows to meet the day cash reserve requirements, now they can borrow an equal amount to the capital and surplus under this bill. An amount equal to the capital and surplus notes and debentures, so it's just (inaudible) to bring the state banks into more of a equal status with the national banks.

SPEAKER: Is there any discussion? Senator Kelly.

SENATOR KELLY: Mr. President and members of the legislature, will Senator Hasebroock yield to a question?

SENATOR HASEBROOCK: Yes.

SENATOR KELLY: Does this lower the state banks liquidity ratio?

SENATOR HASEBROOCK: I didn't hear you Senator.

SENATOR KELLY: Will this lower the state banks liquidity ratio?

SENATOR HASEBROOCK: No it will not. It still says that they have to, it will increase their capital stock but it will not lower their liquidity, no.

SENATOR KELLY: Capital notes, are a liability though aren't they?

SENATOR HASEBROOCK: Yes there a liability, but they, it wont in any way -

SPEAKER: Senator Hasebroock, could you talk into the microphone we are having a little trouble hearing you.

SENATOR HASEBROOCK: Okay, I guess I should stand and look at you instead of looking around. No I shouldn't, it won't lower the liquidity, because these are well, will not in anyway affect the liquidity of the bank.

SENATOR KELLY: Well then are the capital notes specifically subordinate, say like the deposits.

SENATOR HASEBROOCK: Yes.

SENATOR KELLY: I thank you.

SPEAKER: Is there any further discussion? Now Senator Hasebroock what will you do with the bill?