

**286.3-100 Investment of bank funds -- Property that may be held -- Accounting standards.**

- (1) A bank may do any or all of the following:
  - (a) Hold personal property that has been transferred to it as collateral for the payment of any debt;
  - (b) Acquire and hold title to real estate if:
    1. The real estate is necessary or appropriate for the transaction of legitimate business; and
    2. Except with prior written approval of the commissioner, the cost of the real estate, including furniture and fixtures, less accumulated depreciation does not exceed forty percent (40%) of the bank's total paid-in capital, unimpaired surplus, and undivided profits determined on accrual basis;
  - (c) Acquire and hold title to real estate if:
    1. The title is held for not longer than ten (10) years; and
    2. The real estate is conveyed to the bank in satisfaction of debts:
      - a. Previously contracted in the course of its business; or
      - b. That it purchases under a judgment in its favor;
  - (d) Invest in obligations issued separately or collectively by or for federal land banks, federal intermediate credit banks, and banks for cooperatives under the Farm Credit Act of 1971, 12 U.S.C. sec. 2001 et seq., as amended;
  - (e) Invest, subject to the approval of the commissioner, in the capital stock or bonds or both of any domestic realty corporation organized or existing for the sole purpose of acquiring and holding title to real property used by the bank, through lease or otherwise, for the transaction of the bank's legitimate business;
  - (f) Purchase, hold, and convey the shares of any open end registered investment company registered under the Investment Company Act of 1940, or a series of the company, whose shares are registered under the Securities Act of 1933 and whose investments are limited to any or all of the following:
    1. Bonds or other interest-bearing obligations of the United States, or those for the payment of the principal and interest on which the faith and credit of the United States is pledged;
    2. Stocks, bonds, or other interest-bearing or dividend-yielding obligations issued or guaranteed as to the payment of principal and interest or dividends by any instrumentality presently or hereafter incorporated by authority of an Act of Congress;
    3. General obligation bonds or revenue bonds issued and guaranteed as to payment of principal and interest by any state, county, or municipal governments legally authorized to issue these instruments of indebtedness; or
    4. Any other obligations in which national banks are permitted to invest in directly;

- (g) Purchase and hold shares of a bank service corporation, as that term is used in the Bank Service Company Act, 12 U.S.C. sec. 1861 et seq., as amended;
- (h) Invest in any or all of the following:
  - 1. Bonds of any federal home loan bank;
  - 2. Bonds or other interest-bearing obligations:
    - a. Of the United States; or
    - b. For the payment of the principal and interest on which the faith and credit of the United States is pledged;
  - 3. Stocks, bonds, or other interest-bearing or dividend-yielding obligations issued or guaranteed as to the payment of principal and interest or dividends by any instrumentality presently or hereafter incorporated by authority of an Act of Congress; or
  - 4. General obligation bonds or revenue bonds issued and guaranteed as to payment of principal and interest by any state, county, or municipal governments legally authorized to issue such instruments of indebtedness;
- (i)
  - 1. Invest in real estate in the bank's generally accepted banking market if the investment does not exceed ten percent (10%) of the bank's actual paid-in capital and surplus, calculated at the time the investment is made, for each real estate investment.
  - 2. As used in this paragraph, "the bank's generally accepted banking market" means the bank's geographic banking market, as determined by the federal reserve bank in the federal reserve district in which the bank is located, at the time the investment is made;
- (j) Invest in other real estate acquired in satisfaction of a debt previously contracted by the bank if:
  - 1. The investment is for the purpose of improving the real estate for sale; and
  - 2. The real estate is disposed of within five (5) years of the date of acquisition, except the commissioner may extend the disposition upon written request of the bank for good cause shown on a year-to-year basis not exceeding an additional five (5) years;
- (k) Own or operate, either through the bank or a bona fide subsidiary of the bank, any or all of the following:
  - 1. A discount brokerage service;
  - 2. A travel agency; or
  - 3. A courier service;
- (l) Invest, with the prior approval of the commissioner, in the capital stock or bonds of a trust company;
- (m) Engage, either through the bank or a bona fide subsidiary of the bank, in the sale of insurance; or
- (n) Except for real estate provided in paragraph (c) of this subsection, acquire and

hold for not more than one (1) year, or for an additional period allowed in writing by the commissioner, any assets taken as security for debts previously contracted in the ordinary course of business.

- (2) Investments made in accordance with subsection (1)(f) or (1)(h)2., 3., or 4. of this section are subject to KRS 286.3-280 and 286.3-290.
- (3)
  - (a) Except as provided in paragraph (b) of this subsection, for purposes of computing the maximum investment of a bank in bonds, notes, and other investments, book value shall be used.
  - (b) For deep discount bonds or zero coupon bonds, accreted book value shall be used.
- (4)
  - (a) Except as provided in paragraph (b) of this subsection, when accounting for real estate acquired under subsection (1)(c) or (j) of this section, a bank shall comply with the other real estate owned, or OREO, accounting standards established under federal law, including federal regulations and other guidance, for national banks.
  - (b) When accounting for real estate acquired under subsection (1)(c) of this section, a bank may, in lieu of complying with paragraph (a) of this subsection, elect to write down the acquisition at ten percent (10%) per year.

**Effective:** July 15, 2024

**History:** Amended 2024 Ky. Acts ch. 152, sec. 19, effective July 15, 2024. -- Amended 2010 Ky. Acts ch. 24, sec. 622, effective July 15, 2010; and ch. 28, sec. 10, effective July 15, 2010. -- Amended 2000 Ky. Acts ch. 279, sec. 3, effective July 14, 2000. -- Amended 1996 Ky. Acts ch. 338, sec. 10, effective July 15, 1996. -- Amended 1992 Ky. Acts ch. 77, sec. 2, effective July 14, 1992. -- Amended 1986 Ky. Acts ch. 351, sec. 1, effective July 15, 1986; ch. 444, sec. 6, effective July 15, 1986; and ch. 472, sec. 2, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 324, sec. 11, effective July 13, 1984. -- Amended 1982 Ky. Acts ch. 251, sec. 7, effective April 1, 1982. -- Amended 1976 Ky. Acts ch. 107, sec. 1. -- Amended 1974 Ky. Acts ch. 382, sec. 1. - - Amended 1970 Ky. Acts ch. 209, sec. 5, effective June 18, 1970. -- Amended 1966 Ky. Acts ch. 77, sec. 1. -- Amended 1960 Ky. Acts ch. 153, sec. 1. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 582.

**Formerly codified as** KRS 287.100.

**Legislative Research Commission Note (7/15/2010).** A reference to the "executive director" of financial institutions in subsection (15) of this section, as amended by 2010 Ky. Acts ch. 28, sec. 10, has been changed in codification to the "commissioner" of financial institutions to reflect the reorganization of certain parts of the Executive Branch, as set forth in Executive Orders 2009-535 and 2009-1086 and confirmed by the General Assembly in 2010 Ky. Acts ch. 24. This change was made by the Reviser of Statutes pursuant to 2010 Ky. Acts ch. 24, sec. 1938.

**Legislative Research Commission Note (7/12/2006).** In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286, and KRS references within this statute have been adjusted to conform with the 2006 renumbering of that code.