

**IB55****Investment in a Subsidiary** [Section 11-105-304(7), C.R.S.]

## A. General Limitations

A state industrial bank may invest in a subsidiary corporation or limited liability company (LLC) that engages in activities in which the parent industrial bank may engage, subject to the same limitations the parent industrial bank would be subject to if it were engaged in the activity, provided that the parent industrial bank holds at least an 80 percent ownership interest in the subsidiary corporation or LLC.

## B. Additional Limitations

The subsidiary of a state industrial bank may invest in a subsidiary corporation or LLC at less than an 80 percent ownership level provided that each of the following conditions are met:

1. The activities of the subsidiary corporation or LLC in which the investment is made are limited to activities that are part of, or incidental to, the business of banking;
2. The industrial bank is able to prevent the subsidiary corporation or LLC from engaging in activities that do not meet the foregoing standard;
3. The industrial bank's loss exposure is limited, as both a legal and accounting matter, and the bank does not have open-ended liability for the obligations of the subsidiary corporation or LLC; and
4. The investment is convenient or useful to the industrial bank in carrying out its business and not a mere passive investment unrelated to the industrial bank's business.

Amended Effective March 1, 2004

Statutory reference amendment to conform Rule to recodified statutes; update terminology to conform to recodified statutes; formatting changes to comply with Colorado Secretary of State guidelines.

Amended effective September 30, 1996

Amendment to paragraph (A); addition of paragraph (B).

Amended effective January 30, 1996

Amendment to maintain parity with national banks.