

7 pital licensed for operation in this state, based upon the alleged negli-
 8 gence of the practitioner in the practice of the profession or
 9 occupation, or upon the alleged negligence of the hospital in patient
 10 care, the amount of money damages demanded shall not be stated in
 11 the petition, or original notice, or in any counterclaim or cross peti-
 12 tion.

Approved June 30, 1975

CHAPTER 240

ELECTRONIC BANKING

S. F. 536

AN ACT relating to the use of electronic facilities and electronic transfers of funds by banks, credit unions and savings and loan associations.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred twenty-four point eight hundred
 2 three (524.803), subsection one (1), Code 1975, is amended by adding
 3 the following new paragraph:

4 NEW PARAGRAPH. Subject to the prior approval of the superinten-
 5 dent, acquire and hold shares in a corporation engaged in providing
 6 and operating facilities through which banks and customers may en-
 7 gage, by means of either the direct transmission of electronic impulses
 8 to and from a bank or the recording of electronic impulses or other in-
 9 dicia of a transaction for delayed transmission to a bank, in transac-
 10 tions in which such banks are otherwise permitted to engage pursuant
 11 to applicable law.

1 SEC. 2.

2 1. Except as provided in subsection two (2) of this section, public
 3 funds which are required by section four hundred fifty-three point one
 4 (453.1) of the Code to be deposited in banks shall not be deposited with
 5 any state or federal bank which utilizes a satellite facility as defined in
 6 section six (6) of this Act if that satellite facility is located at a place
 7 other than either the principal place of business or a lawful business of-
 8 fice of that bank. Upon a determination by the treasurer of state that
 9 any state or federal depository bank is in violation of this subsection,
 10 the treasurer of state shall notify the affected governing bodies speci-
 11 fied in section four hundred fifty-three point one (453.1) of the Code,
 12 and each governing body shall forthwith approve and order the trans-
 13 fer of public funds to another bank.

14 2. The prohibition contained in subsection one (1) of this section
 15 shall not apply to any bank participating in an experimental plan ap-
 16 proved by the superintendent of banking. The superintendent of bank-
 17 ing or the supervisor of state chartered savings and loan associations
 18 may approve a limited number of experimental plans submitted by one
 19 or more banks, savings and loan associations or credit unions, or any
 20 combination thereof, for the experimental operation on a limited scope
 21 of satellite facilities as defined in section six (6) of this Act which are
 22 located at places other than the principal places of business and busi-
 23 ness offices of such financial institutions. A plan may not be approved
 24 by the superintendent of banking to permit the operation of such satel-

25 lite facilities after the first day of January, 1976. Each bank wishing to
 26 participate in such a plan shall agree as a condition of that participa-
 27 tion to disclose to the superintendent of banking upon request any in-
 28 formation obtained by that bank as a result of that participation which
 29 the superintendent of banking deems useful to a determination of the
 30 feasibility of authorizing the use of satellite facilities in this state on a
 31 general basis.

32 3. The superintendent of banking shall submit to the general assem-
 33 bly not later than the first day of February, 1976, a report of the oper-
 34 ation of any experimental satellite facilities pursuant to subsection two
 35 (2) of this section, which report shall include findings and recommen-
 36 dations of the superintendent with respect to the potential uses of sat-
 37 ellite facilities in this state.

38 4. This section is repealed effective the first day of July, 1976.

1 SEC. 3. It shall be unlawful for any person other than a bank, sav-
 2 ings and loan association or credit union incorporated or chartered un-
 3 der the laws of this state or of the United States to possess, maintain or
 4 permit on premises occupied by that person any terminal or installa-
 5 tion of a satellite facility as defined in section six (6) of this Act if by
 6 means of that facility customers of that person or of a bank, savings
 7 and loan association or credit union utilizing that satellite facility are
 8 enabled to engage in transactions constituting or incidental to the con-
 9 duct of the business of a bank, savings and loan association or credit
 10 union. This section shall not apply to any person who has received ex-
 11 press approval from the superintendent of banking to possess, main-
 12 tain, use or permit the use of a satellite facility pursuant to an
 13 experimental plan of operation approved by the superintendent. The
 14 superintendent of banking or the supervisor of state chartered savings
 15 and loan associations may approve a limited number of experimental
 16 plans submitted by one or more banks, savings and loan associations or
 17 credit unions, or any combination thereof, for the experimental opera-
 18 tion on a limited scope of satellite facilities as defined in section six (6)
 19 of this Act which are located at places other than the principal places
 20 of business and business offices of such financial institutions. A plan
 21 may not be approved by the superintendent of banking to permit the
 22 operation of such satellite facilities after the first day of January, 1976.
 23 This section is repealed effective the first day of July, 1976.

1 SEC. 4. Chapter five hundred twenty-four (524), Code 1975, is
 2 amended by adding to division eight (VIII) the following new section:

3 NEW SECTION. **Electronic transmission of funds—restrictions.**

4 1. A state bank may engage in any transaction incidental to the con-
 5 duct of the business of banking and otherwise permitted by applicable
 6 law, by means of either the direct transmission of electronic impulses
 7 to or from customers and banks or the recording of electronic impulses
 8 or other indicia of a transaction for delayed transmission to a bank.
 9 Subject to the provisions of sections eight (8) through twelve (12) of this
 10 Act, a state bank may utilize, establish or operate, alone or with one or
 11 more other banks, savings and loan associations incorporated under the
 12 provisions of chapter five hundred thirty-four (534) of the Code or the
 13 Home Owners' Loan Act of 1933 (12 U.S.C. sections 1461-1468), credit
 14 unions incorporated under the provisions of chapter five hundred thirty-
 15 three (533) of the Code or the Federal Credit Union Act (12 U.S.C.
 16 sections 1751-1790), or third parties, terminals or other facilities adapt-
 17 able to shared usage by means of which customers and banks may
 18 transmit and receive electronic impulses constituting transactions pur-
 19 suant to this section. No terminal or other facility utilized pursuant to

20 this section shall be designed in such a manner as to be capable of pro-
21 viding a user thereof, other than a bank, with information concerning
22 the account of any person with the bank, unless such information is es-
23 sential to complete or prevent the completion of the transaction then
24 being engaged in through the use of that terminal or facility. Nothing
25 in this section shall be construed as authority for any person to engage
26 in transactions not otherwise permitted by applicable law, nor shall
27 anything in this section be deemed to repeal, replace or in any other
28 way affect any applicable law or rule regarding the maintenance of or
29 access to financial information maintained by any bank.

30 2. A state bank which offers its customers, or any of them, the op-
31 portunity to engage in transactions with or through the bank in the
32 manner authorized by subsection one (1) of this section shall not re-
33 quire any customer to deal with or through the bank in that manner in
34 lieu of writing checks in the usual manner upon a conventional check-
35 ing account, nor impose any extraordinary charge upon customers who
36 choose to write checks in the usual manner upon a conventional check-
37 ing account maintained at that bank.

1 SEC. 5. Section five hundred twenty-four point nine hundred one
2 (524.901), subsection three (3), paragraph d, Code 1975, is amended to
3 read as follows:

4 d. Shares in a corporation which the state bank is authorized to ac-
5 quire and hold pursuant to section 524.803, subsection 1, paragraphs
6 "c" and, "d" and section one (1) of this Act.

1 SEC. 6. Section five hundred twenty-four point one thousand two
2 hundred four (524.1204), Code 1975, is amended by striking the section
3 and inserting in lieu thereof the following:

4 **524.1204 Certain terms defined.** As used in sections eight (8)
5 through thirteen (13) of this Act:

6 1. "Satellite facility" means a terminal or other facility or installa-
7 tion, attended or unattended, which is not located at the principal
8 place of business or at an office of a bank and through which customers
9 and banks may engage, by means of either the direct transmission of
10 electronic impulses to and from a bank or the recording of electronic
11 impulses or other indicia of a transaction for delayed transmission to a
12 bank, in transactions which are incidental to the conduct of the busi-
13 ness of banking and which are otherwise permitted by law. The term
14 "satellite facility" also includes all equipment, regardless of location,
15 which is interconnected with a satellite facility, as described in this
16 subsection, and which is necessary to transmit, route and process elec-
17 tronic impulses in order to enable the satellite facility to perform any
18 function for which it is designed.

19 2. "Iowa bank" means a state bank as defined in section five
20 hundred twenty-four point one hundred three (524.103), subsection
21 nineteen (19) of the Code, or a national bank which has its principal
22 place of business within this state.

1 SEC. 7. Chapter five hundred twenty-four (524), Code 1975, is
2 amended by adding to division twelve (XII) sections eight (8) through
3 thirteen (13) of this Act.

1 SEC. 8. NEW SECTION. **Location of satellite facilities.** Any state
2 bank may utilize a satellite facility at any location within this state,
3 and at any other location permitted by applicable law. A satellite fa-
4 cility authorized by sections eight (8) through twelve (12) of this Act
5 shall not be subject to the restrictions on location or number set forth
6 in section five hundred twenty-four point one thousand two hundred

7 two (524.1202) of the Code, and shall not require the prior approval of
8 the superintendent, except to the extent required by section ten (10) of
9 this Act. Any transaction engaged in through the use of a satellite fa-
10 cility shall be deemed to take place at the principal place of business
11 of a bank whose accounts and records are affected by the transaction.

1 SEC. 9. NEW SECTION. **Utilization of satellite facilities.** A satel-
2 lite facility, located so as to be generally accessible to persons other
3 than employees of a bank or an affiliate of a bank, may not be utilized
4 within this state by a bank other than an Iowa bank, except that any
5 other bank may utilize a satellite facility which is so located with the
6 consent of an Iowa bank which is concurrently utilizing the same satel-
7 lite facility.

1 SEC. 10. NEW SECTION. **Satellite facility requirements.** A satel-
2 lite facility may be utilized by one or more banks as authorized by sec-
3 tions eight (8) through twelve (12) of this Act only if the satellite
4 facility is maintained in compliance with applicable rules promulgated
5 by the superintendent and meets all of the following requirements:

6 1. The satellite facility is available for use, on a nondiscriminatory
7 basis, by any Iowa bank and by all customers designated by any bank
8 which uses the satellite facility.

9 2. An informational statement has been filed and is maintained on a
10 current basis with the superintendent by the owner or bank establishing
11 any satellite facility which will be available for use by customers of
12 any bank, setting forth all of the following:

13 a. The name and business address of the owner;

14 b. The name of each bank utilizing the satellite facility;

15 c. The location of the satellite facility;

16 d. A schedule of the charges which will be required to be paid by
17 any bank utilizing the satellite facility; and

18 e. An agreement with the superintendent that the owner or bank fil-
19 ing the statement will comply with the provisions of this section with
20 respect to the satellite facility.

21 3. The satellite facility, if it is in a location generally accessible to
22 persons other than employees of a bank or an affiliate of a bank, is not
23 at any time operated by an employee of any bank or of an affiliate of
24 any bank except for the purpose of instructing customers, on a tempo-
25 rary basis, in the use of the satellite facility, for the purpose of testing
26 the facility, or for the purpose of transacting business with the bank or
27 another customer on the employee's own behalf.

28 4. The satellite facility, if it is in a location accessible to persons
29 other than employees of a bank or an affiliate of a bank, bears a sign
30 or label identifying each bank or group of banks utilizing the terminal
31 or other facility, with the identification of each such bank or group of
32 banks being substantially similar in size and clarity.

33 5. The charges required to be paid by any bank which utilizes the
34 satellite facility shall not exceed a pro rata portion of the costs, deter-
35 mined in accordance with generally accepted accounting principles, of
36 establishing, operating and maintaining the satellite facility, plus a
37 reasonable return on these costs to the owner of the satellite facility.

38 6. If the superintendent finds grounds, under any applicable law or
39 rule, for denying utilization of a satellite facility in accordance with
40 the arrangement described in an informational statement or amend-
41 ment thereto filed in accordance with subsection two (2) of this section,
42 he shall notify the person filing the informational statement or amend-
43 ment, within thirty days of the filing thereof, of the existence of such
44 grounds. If such notification is not given by the superintendent, he

45 shall be considered to have expressly approved the utilization and ar-
 46 rangement described in the informational statement or amendment,
 47 and utilization of the satellite facility in accordance therewith may
 48 commence on or after the thirtieth day following such filing.

49 7. The superintendent shall have the power to adopt and promul-
 50 gate rules pursuant to chapter seventeen A (17A) of the Code as in his
 51 opinion will be necessary to properly and effectively carry out and en-
 52 force the provisions of sections eight (8) through twelve (12) of this Act.

53 In adopting, amending and repealing rules the superintendent shall
 54 take into consideration any rules maintained by federal agencies which
 55 are applicable to the operation of satellite facilities by national banks,
 56 and may maintain uniformity of Iowa rules with those federal rules,
 57 except to the extent uniformity would be inconsistent with the purpos-
 58 es, policies and provisions of this Act.

1 SEC. 11. NEW SECTION. **Records maintained.** All transactions
 2 engaged in through a satellite facility utilized pursuant to sections
 3 eight (8) through twelve (12) of this Act shall be recorded in a form
 4 from which it will be possible to produce a humanly readable record of
 5 any transaction, and these recordings shall be retained by the utilizing
 6 bank for the periods required by law. A written record of any transac-
 7 tion shall be provided by any bank which is a party to the transaction
 8 upon the request of a customer who is a party to the transaction or
 9 upon the request of the superintendent, provided that, unless the su-
 10 perintendent is entitled by a rule or law other than this section to ob-
 11 tain a written record of a transaction, he or she shall not be provided
 12 with such a written record without the written consent of a customer
 13 who is a party to the transaction.

14 The superintendent may provide by rule for the recording and main-
 15 tenance by any bank utilizing a satellite facility of any amounts in-
 16 volved in a transaction engaged in through the satellite facility which
 17 are of a known tax consequence to the customer initiating the transac-
 18 tion. For the purposes of this paragraph "known tax consequences"
 19 means and includes but shall not be limited to the following:

20 (1) An amount directly or indirectly received from a customer and
 21 applied to a loan account of the customer which represents interest
 22 paid by the customer to the bank.

23 (2) In any transaction where the total amount involved is deducted
 24 from funds in a customer's account and is simultaneously paid either
 25 directly or indirectly by the bank to the account of a third party, any
 26 portion of the transaction amount which represents a sales or other tax
 27 imposed upon or included within the transaction and collected by that
 28 third party from the customer, or any portion of the transaction
 29 amount which represents interest paid to the third party by the cus-
 30 tomer.

31 (3) Any other transaction which the superintendent determines to
 32 have direct tax consequences to the customer. The superintendent also
 33 may provide for the periodic distribution to customers of summaries of
 34 transactions having known tax consequences.

1 SEC. 12. NEW SECTION. **What deemed affiliates.** For the purpos-
 2 es of sections eight (8) through twelve (12) of this Act, a corporation,
 3 trust, estate, association or other similar organization shall be consid-
 4 ered an affiliate of any bank of which it would be an affiliate under
 5 section five hundred twenty-four point one thousand one hundred one
 6 (524.1101) of the Code if that bank were a state bank.

1 SEC. 13. **NEW SECTION. Privileges extended to national**
2 **banks.** The privileges extended to state banks by sections five
3 hundred twenty-four point one thousand two hundred one (524.1201),
4 five hundred twenty-four point one thousand two hundred two
5 (524.1202) of the Code, and sections eight (8) through twelve (12) of this
6 Act shall be available on the same conditions to national banks to the
7 extent that they are so authorized by federal law.

1 SEC. 14. Chapter five hundred twenty-four (524), Code 1975, is
2 amended by adding to division twelve (XII) the following new section:

3 **NEW SECTION.** A bank shall be liable to each of its customers for all
4 losses incurred by such customer as a result of the transmission or re-
5 cording of electronic impulses as a part of a transaction not authorized
6 by such customer or to which the customer was not a party, provided,
7 however, that liability pursuant to this section shall be limited to losses
8 in excess of fifty dollars in the event the bank has provided the cus-
9 tomer with a physical object or other method of engaging in a transac-
10 tion utilizing electronic impulses which is unique to the customer, and
11 the physical object or other method of engagement has been lost,
12 stolen or otherwise compromised without the customer having notified
13 the bank of such loss, theft or compromise prior to the time of the
14 transaction causing the loss to the customer.

1 SEC. 15. Section five hundred thirty-three point four (533.4), Code
2 1975, is amended by adding the following new subsections:

3 **NEW SUBSECTION.** Subject to the prior approval of the superinten-
4 dent, acquire and hold shares in a corporation engaged in providing
5 and operating facilities through which a credit union and its members
6 may engage, by means of either the direct transmission of electronic
7 impulses to and from the credit union or the recording of electronic im-
8 pulses or other indicia of a transaction for delayed transmission to the
9 credit union, in transactions in which such credit union is otherwise
10 permitted to engage pursuant to applicable law.

11 **NEW SUBSECTION.** Engage in any transaction otherwise permitted by
12 this chapter and applicable law, by means of either the direct transmis-
13 sion of electronic impulses to or from the credit union or the recording
14 of electronic impulses or other indicia of a transaction for delayed
15 transmission to the credit union. Subject to such rules as may be pro-
16 mulgated by the superintendent, a credit union may utilize, establish
17 or operate, alone or with one or more other credit unions, banks incor-
18 porated under the provisions of chapter five hundred twenty-four (524)
19 of the Code or the national banking acts (12 U.S.C. sections 21-95),
20 savings and loan associations incorporated under the provisions of
21 chapter five hundred thirty-four (534) of the Code or the Home Own-
22 ers' Loan Act of 1933 (12 U.S.C. sections 1461-1468) or third parties, ter-
23 minals or other facilities adaptable to shared usage, by means of which
24 the credit union may transmit to or receive from any member electron-
25 ic impulses constituting transactions pursuant to this subsection. No
26 terminal or other facility utilized pursuant to this subsection shall be
27 designed in such a manner as to be capable of providing a user thereof,
28 other than a savings and loan association, with information concerning
29 the account of any person with the savings and loan association, unless
30 such information is essential to complete or prevent the completion of
31 the transaction then being engaged in through the use of that terminal
32 or facility. Nothing in this subsection shall be construed as authority
33 for any person to engage in transactions not otherwise permitted by
34 applicable law, nor shall anything in this subsection be deemed to re-
35 peal, replace or in any other way affect any applicable law or rule re-

36 guarding the maintenance of or access to financial information
37 maintained by any savings and loan association.

38 NEW SUBSECTION. A savings and loan association shall be liable to
39 each of its customers for all losses incurred by such customer as a result
40 of the transmission or recording of electronic impulses as a part of a
41 transaction not authorized by such customer or to which the customer
42 was not a party, provided, however, that liability pursuant to this sub-
43 section shall be limited to losses in excess of fifty dollars in the event
44 the savings and loan association has provided the customer with a
45 physical object or other method of engaging in a transaction utilizing
46 electronic impulses which is unique to the customer and the physical
47 object or other method of engagement has been lost, stolen or other-
48 wise compromised without the customer having notified the savings
49 and loan association of such loss, theft or compromise prior to the time
50 of the transaction causing the loss to the customer.

1 SEC. 16. Section five hundred thirty-four point seventeen (534.17),
2 Code 1975, is amended by adding the following new subsection:

3 NEW SUBSECTION. Subject to the prior approval of the supervisor, in
4 shares in a corporation engaged solely in providing and operating fac-
5 ilities through which an association and its members may engage, by
6 means of either the direct transmission of electronic impulses to and
7 from the association or the recording of electronic impulses or other in-
8 dicia of a transaction for delayed transmission to the association, in
9 transactions in which such association is otherwise permitted to engage
10 pursuant to applicable law.

1 SEC. 17. Section five hundred thirty-four point nineteen (534.19),
2 Code 1975, is amended by adding the following new subsections:

3 NEW SUBSECTION. Engage in any transaction otherwise permitted by
4 this chapter and applicable law, by means of either the direct transmis-
5 sion of electronic impulses to or from the association or the recording
6 of electronic impulses or other indicia of a transaction for delayed
7 transmission to the association. Subject to such rules as may be pro-
8 mulgated by the supervisor, an association may utilize, establish or op-
9 erate, alone or with one or more other associations, banks incorporated
10 under the provisions of chapter five hundred twenty-four (524) of the
11 Code or the national banking acts (12 U.S.C. sections 21-95), credit
12 unions incorporated under the provisions of chapter five hundred thirty-
13 three (533) of the Code or the Federal Credit Union Act (12 U.S.C.
14 sections 1751-1790) or third parties, terminals or other facilities adapt-
15 able to shared usage, by means of which the association may transmit
16 to or receive from any member electronic impulses constituting transac-
17 tions pursuant to this subsection. No terminal or other facility utilized
18 pursuant to this subsection shall be designed in such a manner as to be
19 capable of providing a user thereof, other than a credit union, with in-
20 formation concerning the account of any person with the credit union,
21 unless such information is essential to complete or prevent the comple-
22 tion of the transaction then being engaged in through the use of that
23 terminal or facility. Nothing in this subsection shall be construed as
24 authority for any association or other person to engage in transactions
25 not otherwise permitted by applicable law, nor shall anything in this
26 subsection be deemed to repeal, replace or in any other way affect any
27 applicable law or rule regarding the maintenance of or access to finan-
28 cial information maintained by any credit union.

29 NEW SUBSECTION. A credit union shall be liable to each of its cus-
30 tomers for all losses incurred by such customer as a result of the trans-
31 mission or recording of electronic impulses as a part of a transaction

32 not authorized by such customer or to which the customer was not a
 33 party, provided, however, that liability pursuant to this subsection
 34 shall be limited to losses in excess of fifty dollars in the event the cred-
 35 it union has provided the customer with a physical object or other
 36 method of engaging in a transaction utilizing electronic impulses which
 37 is unique to the customer and the physical object or other method of
 38 engagement has been lost, stolen or otherwise compromised without the
 39 customer having notified the credit union of such loss, theft or compro-
 40 mise prior to the time of the transaction causing the loss to the custom-
 41 er.

Approved June 27, 1975

CHAPTER 241

CREDIT UNIONS

S. F. 39

AN ACT relating to the organization, powers and duties of credit unions.

Be It Enacted by the General Assembly of the State of Iowa:

1 SECTION 1. Section five hundred thirty-three point one (533.1), sub-
 2 section one (1), paragraph c, Code 1975, is amended to read as follows:
 3 c. The par value of the shares of the credit union which shall be
 4 ~~five dollars each~~ *not exceed twenty-five dollars each and shall be es-*
 5 *tablished by the board of directors. A credit union may have more*
 6 *than one class of shares.*

1 SEC. 2. Section five hundred thirty-three point two (533.2), Code
 2 1975, is amended to read as follows:
 3 **533.2 Amendments.** The articles of incorporation or the bylaws
 4 may be amended by a favorable vote of ~~three-fourths~~ *a majority* of
 5 the members present at any meeting, which number must constitute a
 6 quorum provided the proposed amendment was contained in the notice
 7 of the meeting. Any and all such amendments must be approved by
 8 the superintendent of banking before they become effective.

1 SEC. 3. Section five hundred thirty-three point four (533.4), Code
 2 1975, is amended by striking paragraphs g and h of subsection five (5)
 3 and inserting in lieu thereof the following:
 4 g. Capital shares, obligations, or preferred stock issues of an agency
 5 or association organized either as a stock company, mutual association,
 6 or membership corporation, if the membership or stockholdings, as the
 7 case may be, of the agency or association are primarily confined or re-
 8 stricted to credit unions or organizations of credit unions, and if the
 9 purposes for which the agency or association is organized are primarily
 10 designed to provide services to credit unions. However, the aggregate
 11 amount invested pursuant to this subsection shall not exceed twenty
 12 percent of the unimpaired legal reserve account of the credit union.

1 SEC. 4. Section five hundred thirty-three point four (533.4), Code
 2 1975, is amended by adding the following new subsections:
 3 NEW SUBSECTION. Upon the approval of the superintendent of bank-
 4 ing, serve an employee group having an insufficient number of mem-
 5 bers to form or conduct the affairs of a separate credit union.