

Commerce
Palmer, Chairperson
Burroughs
Priebe

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SENATE FILE 332

By CURTIS

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act authorizing a corporation licensed under chapter
2 five hundred thirty-six A (536A) of the Code to
3 establish, own, operate, utilize, and participate in
4 electronic fund transfer systems.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 332

1 Section 1. Section five hundred twenty-four point eight
2 hundred twenty-one (524.821), subsection one (1), Code 1977,
3 is amended to read as follows:

4 1. A state bank may engage in any transaction incidental
5 to the conduct of the business of banking and otherwise per-
6 mitted by applicable law, by means of either the direct
7 transmission of electronic impulses to or from customers and
8 banks or the recording of electronic impulses or other indicia
9 of a transaction for delayed transmission to a bank. Subject
10 to the provisions of chapter 527, a state bank may utilize,
11 establish or operate, alone or with one or more other banks,
12 savings and loan associations incorporated under the provisions
13 of chapter 534 or the Home Owners' Loan Act of 1933 (12 U.S.C.
14 sections 1461-1463), credit unions incorporated under the
15 provisions of chapter 533 or the federal Credit Union Act
16 (12 U.S.C. sections 1751-1790, corporations licensed under
17 chapter five hundred thirty-six A (536A) of the Code, or third
18 parties, the satellite terminals permitted under chapter 527,
19 by means of which customers and banks may transmit and receive
20 electronic impulses constituting transactions pursuant to
21 this section. However, such utilization, establishment, or
22 operation shall be lawful only when in compliance with chapter
23 527. Nothing in this section shall be construed as authority
24 for any person to engage in transactions not otherwise
25 permitted by applicable law, nor shall anything in this section
26 be deemed to repeal, replace or in any other way affect any
27 applicable law or rule regarding the maintenance of or ac-
28 cess to financial information maintained by any bank.

29 Sec. 2. Section five hundred twenty-seven point two
30 (527.2), subsections four (4), five (5) and six (6), Code
31 1977, are amended to read as follows:

32 4. "Financial institution" means and includes any bank
33 incorporated under the provisions of chapter 524 or under
34 the national banking acts, Title 12, United States Code,
35 sections 21 to 95, any savings and loan association in-

1 corporated under the provisions of chapter 534 or under the
2 Home Owners Loan Act of 1933, Title 12, United States Code,
3 sections 1461 to 1468, and any credit union organized un-
4 der the provisions of chapter 533 or under the federal Credit
5 Union Act, Title 12, United States Code, sections 1751 to
6 1790, and any corporation licensed as an industrial loan
7 company under chapter five hundred thirty-six A (536A) of
8 the Code.

9 5. "Premises" means and includes only those locations
10 where by applicable law financial institutions are authorized
11 to maintain a principal place of business and other offices
12 for the conduct of their respective businesses; provided that
13 with respect to an industrial loan company, "premises" means
14 only a location where business may be conducted under a single
15 license issued to the industrial loan company.

16 6. "Administrator" means and includes ~~both~~ the super-
17 intendent of banking and, the supervisor of savings and loan
18 associations within the office of the auditor of state, and
19 the supervisor of industrial loan companies within the office
20 of the auditor of state. However, the powers of ad-
21 ministration and enforcement of this chapter shall be exer-
22 cised only as provided in section ~~twelve-(12)-of-this-chap-~~
23 ter five hundred twenty-seven point three (527.3) of the Code.

24 Sec. 3. Section five hundred twenty-seven point three
25 (527.3), subsection one (1), Code 1977, is amended to read
26 as follows:

27 1. For purposes of this chapter the superintendent of
28 banking only shall have the power to issue rules applicable
29 to, to accept and approve or disapprove applications or in-
30 formational statements from, to conduct hearings and revoke
31 any approvals relating to, and to exercise all other super-
32 visory authority created by this chapter with respect to banks
33 and credit unions. ~~The~~; the supervisor of savings and loan
34 associations only shall have and exercise such powers and
35 authority with respect to savings and loan associations;

1 and the supervisor of industrial loan companies only shall
2 have and exercise such powers and authority with respect to
3 industrial loan companies.

4 Sec. 4. Section five hundred twenty-seven point four
5 (527.4), Code 1977, is amended to read as follows:

6 527.4 ESTABLISHMENT OF SATELLITE TERMINALS--RESTRICTIONS.

7 1. A satellite terminal shall not be established with-
8 in this state by any financial institution, except one whose
9 principal place of business is located in this state, or one
10 who has a business location licensed in this state under
11 chapter five hundred thirty-six A (536A) of the Code.

12 2. A financial institution whose licensed or principal
13 place of business is located in this state shall not establish
14 a satellite terminal at any location outside of this state.

15 3. a. A financial institution may establish any num-
16 ber of satellite terminals within the boundaries of any
17 municipal corporation, or any urban complex composed of two
18 or more Iowa municipal corporations each of which is con-
19 tiguous to or corners upon at least one of the other muni-
20 cipal corporations within the complex, if the principal place
21 of business or an office of that financial institution is
22 also located within the boundaries of that municipal
23 corporation or urban complex. A financial institution shall
24 not establish a satellite terminal at any other location ex-
25 cept pursuant to an agreement with a financial institution
26 which is authorized by the preceding sentence to establish
27 a satellite terminal at that location and which will uti-
28 lize the satellite terminal so established.

29 b. Paragraph a of this subsection shall not apply to a
30 corporation licensed under chapter five hundred thirty-six
31 A (536A) of the Code. A corporation licensed under that
32 chapter may establish within the boundaries of any municipal
33 corporation, or any urban complex composed of two or more
34 Iowa municipal corporations each of which is contiguous to
35 or corners upon at least one of the other municipal corpora-

1 tions within the complex, any number of satellite terminals
2 which are satellite terminals of a licensed business location
3 of the corporation which is located within the municipal
4 corporation or urban complex. The corporation shall not es-
5 tablish a satellite terminal at any other location except
6 pursuant to an agreement with another financial institution
7 which is authorized by the preceding sentence to establish
8 a satellite terminal at that location and which will uti-
9 lize the satellite terminal so established.

10 Sec. 5. Section five hundred twenty-seven point five
11 (527.5), subsections two (2), eight (8) and nine (9), Code
12 1977, are amended to read as follows:

13 2. The satellite terminal shall be available for use on
14 a nondiscriminatory basis by any other financial institution
15 which has its principal place of business within this state,
16 and by all customers who have been designated by a financial
17 institution using the satellite terminal and who have been
18 provided with a physical object or other method, approved
19 by the administrator, by which to engage in electronic
20 transactions by means of the satellite terminal. No financial
21 institution shall be required to join, be a member or
22 shareholder of, or otherwise participate in any corporation,
23 association, partnership, co-operative or other enterprise
24 as a condition of its utilizing any satellite terminal located
25 within this state. However, for purposes of complying with
26 this subsection, a satellite terminal which is established
27 and controlled by a bank is not required to be available for
28 use by any savings and loan association or credit union or
29 industrial loan company; and one established and controlled
30 by a savings and loan association is not required to be
31 available for use by a bank or credit union or industrial
32 loan company; and one established and controlled by a credit
33 union, is not required to be available for use by a bank or
34 savings and loan association or industrial loan company; and
35 one established by an industrial loan company is not required

1 to be available for use by a bank or savings and loan
2 association or credit union.

3 8. a. A satellite terminal shall not be operated in a
4 manner to permit a person to credit any demand deposit account,
5 savings account, share account, or any other account
6 representing a liability of a financial institution to that
7 person, except transfers between separate accounts of that
8 person with the same financial institution, unless the
9 satellite terminal is located either ~~(a)~~ (1) within the county
10 in which that financial institution maintains its principal
11 place of business or within a county which is contiguous to
12 or corners upon the county in which that financial institution
13 maintains its principal place of business; or ~~(b)~~ (2) within
14 the boundaries of any municipal corporation or any urban
15 complex composed of two or more Iowa municipal corporations
16 each of which is contiguous to or corners upon at least one
17 of the other municipal corporations within the complex, if
18 an office of that financial institution which is not its
19 principal place of business is also located within the
20 boundaries of that municipal corporation or urban complex.

21 b. Paragraph a of this subsection shall not apply to a
22 corporation licensed under chapter five hundred thirty-six
23 A (536A) of the Code. A satellite terminal shall not be
24 operated in a manner to permit a person to credit any demand
25 deposit account, savings account, share account, or any other
26 account representing a liability of a corporation licensed
27 under chapter five hundred thirty-six A (536A) of the Code
28 to that person, except transfers between separate accounts
29 of that person maintained at the same licensed business
30 location of that corporation, unless the satellite terminal
31 is located within the county in which the licensed business
32 location maintaining the account of that person is located.

33 9. a. A satellite terminal shall not be operated in any
34 manner to permit a person to credit any demand deposit ac-
35 count, savings account, share account or any other account

1 representing a liability of a financial institution, if that
2 financial institution is located outside of this state.

3 b. Paragraph a of this subsection shall not apply to a
4 corporation licensed under chapter five hundred thirty-six
5 A (536A) of the Code. A satellite terminal shall not be
6 operated in any manner to permit a person to credit any account
7 representing a liability of a corporation licensed under
8 chapter five hundred thirty-six A (536A) of the Code, if the
9 business location of the corporation where the original records
10 pertaining to the person's account are maintained is located
11 outside of this state.

12 Sec. 6. Section five hundred thirty-three point four
13 (533.4), subsection eighteen (18), Code 1977, is amended to
14 read as follows:

15 18. Engage in any transaction otherwise permitted by this
16 chapter and applicable law, by means of either the direct
17 transmission of electronic impulses to or from the credit
18 union or the recording of electronic impulses or other indicia
19 of a transaction for delayed transmission to the credit union.
20 Subject to the provisions of chapter 527, a credit union may
21 utilize, establish or operate, alone or with one or more other
22 credit unions, banks incorporated under the provisions of
23 chapter 524 or the national banking acts (12 U.S.C. sections
24 21-95), savings and loan associations incorporated under the
25 provisions of chapter 534 or the Home Owners' Loan Act of
26 1933 (12 U.S.C. sections 1461-1468), corporations licensed
27 under chapter five hundred thirty-six A (536A) of the Code,
28 or third parties, the satellite terminals permitted under
29 chapter 527, by means of which the credit union may transmit
30 to or receive from any member electronic impulses constituting
31 transactions pursuant to this subsection. However, such
32 utilization, establishment, or operation shall be lawful only
33 when in compliance with chapter 527. Nothing in this
34 subsection shall be construed as authority for any person
35 to engage in transactions not otherwise permitted by ap-

1 plicable law, nor shall anything in this subsection be deemed
2 to repeal, replace or in any other way affect any applicable
3 law or rule regarding the maintenance of or access to financial
4 information maintained by any credit union.

5 Sec. 7. Section five hundred thirty-four point nineteen
6 (534.19), subsection twenty-one (21), Code 1977, is amended
7 to read as follows:

8 21. ELECTRONIC TRANSACTIONS. Engage in any transaction
9 otherwise permitted by this chapter and applicable law, by
10 means of either the direct transmission of electronic im-
11 pulses to or from the association or the recording of elec-
12 tronic impulses or other indicia of a transaction for de-
13 layed transmission to the association. Subject to the pro-
14 visions of chapter 527, an association may utilize, establish
15 or operate, alone or with one or more other associations,
16 banks incorporated under the provisions of chapter 524 or
17 the national banking acts (12 U.S.C. sections 21-95), credit
18 unions incorporated under the provisions of chapter 533 or
19 the federal Credit Union Act (12 U.S.C. sections 1751-1790),
20 corporations licensed under chapter five hundred thirty-six
21 A (536A) of the Code, or third parties, the satellite terminals
22 permitted under chapter 527, by means of which the association
23 may transmit to or receive from any member electronic impulses
24 constituting transactions pursuant to this subsection.
25 However, such utilization, establishment or operation shall
26 be lawful only when in compliance with chapter 527. Nothing
27 in this subsection shall be construed as authority for any
28 association or other person to engage in transactions not
29 otherwise permitted by applicable law, nor shall anything
30 in this subsection be deemed to repeal, replace or in any
31 other way affect any applicable law or rule regarding the
32 maintenance of or access to financial information maintained
33 by any association.

34 Sec. 8. Chapter five hundred thirty-six A (536A), Code
35 1977, is amended by adding the following new section:

1 NEW SECTION. ELECTRONIC TRANSACTIONS. A licensee may
2 engage in any transaction otherwise permitted by this chap-
3 ter and applicable law, by means of either the direct trans-
4 mission of electronic impulses or other indicia of a trans-
5 action for delayed transmission to the licensee. Subject
6 to the provisions of chapter five hundred twenty-seven (527)
7 of the Code, a licensee may utilize, establish or operate,
8 alone or with one or more other licensees, banks incorporated
9 under the provisions of chapter five hundred twenty-four (524)
10 of the Code or the national banking acts (12 U.S.C. sections
11 21-95), credit unions incorporated under the provisions of
12 chapter five hundred thirty-three (533) of the Code or the
13 Federal Credit Union Act (12 U.S.C. sections 1751-1790), sav-
14 ings and loan associations incorporated under the provisions
15 of chapter five hundred thirty-four (534) of the Code or the
16 Home Owners' Loan Act of 1933 (12 U.S.C. sections 1461-1463),
17 or third parties, the satellite terminals permitted under
18 chapter five hundred twenty-seven (527) of the Code, by means
19 of which the licensee may transmit to or receive from any
20 customer electronic impulses constituting transactions pur-
21 suant to this section. However, such utilization, establish-
22 ment or operation shall be lawful only when in compliance
23 with chapter five hundred twenty-seven (527) of the Code.
24 Nothing in this section shall be construed as authority for
25 any licensee or other person to engage in transactions not
26 otherwise permitted by applicable law, nor shall anything
27 in this section be deemed to repeal, replace or in any other
28 way affect any applicable law or rule regarding the maintenance
29 of or access to financial information maintained by any
30 licensee.

31

EXPLANATION

32 This bill would authorize industrial loan companies li-
33 censed under chapter 536A of the Code to establish, own,
34 operate, utilize, and participate in electronic fund trans-
35 fer systems on the same basis as banks, savings and loan

1 associations and credit unions.

2 Chapter 527 of the Code (1977) authorizes financial
3 institutions to establish electronic equipment off the premises
4 of the institution, by means of which customers of the financial
5 institution may engage in business transactions with the
6 institution which ordinarily would require the presence of
7 the customer at the office of the institution. This bill
8 would amend that chapter to permit industrial loan companies
9 to participate in the same types of electronic business
10 programs.

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