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SENATE FILE 461  
BY COMMITTEE ON COMMERCE  
(formerly SSB 222)  
*Approved (S. 790)*

Passed Senate, Date 4-3-87 (4/16/70) Passed House, Date \_\_\_\_\_  
Vote: Ayes 44 Nays 5 Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to electronic funds transfers by providing for  
2 limiting liability of financial institutions for unauthorized  
3 electronic funds transfers involving the customer's account,  
4 altering restrictions on the establishment, location, and use  
5 of satellite terminals, adding definitions, and requiring that  
6 all satellite terminals in this state or their data processing  
7 centers be directly connected to a central routing unit.

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

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*SF 461*

1 Section 1. Section 527.2, subsection 2, Code 1987, is  
2 amended to read as follows:

3 2. "Data processing center" means a facility, wherever  
4 located, at which electronic impulses or other indicia of a  
5 transaction originating at a satellite terminal are received  
6 and are processed in order to enable the satellite terminal to  
7 perform any function for which it is designed. However, "data  
8 processing center" does not include a facility which is  
9 directly connected to a satellite terminal and which performs  
10 only the functions of direct transmission of all requested  
11 transactions from that terminal to a data processing facility  
12 without performing any review of the requested transactions  
13 for the purpose of categorizing, separating, or routing.

14 Sec. 2. Section 527.2, Code 1987, is amended by adding the  
15 following new subsections:

16 NEW SUBSECTION. 8. "Municipal corporation" means an  
17 incorporated city.

18 NEW SUBSECTION. 9. "Unincorporated area" means a location  
19 within this state not within the boundaries of a municipal  
20 corporation.

21 NEW SUBSECTION. 10. "On-line real time basis" means the  
22 immediate and instantaneous delivery or return of an  
23 individual message through transmission of electronic  
24 impulses.

25 NEW SUBSECTION. 11. "Batch basis" means the periodic  
26 delivery of an accumulation of messages representing  
27 electronic funds transfer transactions authorized or rejected  
28 by the customer's financial institution at a prior time.

29 Sec. 3. Section 527.4, subsection 3, paragraph a, Code  
30 1987, is amended by striking the paragraph and inserting in  
31 lieu thereof the following:

32 3. a. A financial institution may establish any number of  
33 satellite terminals in any of the following locations:

34 (1) Within the boundaries of a municipal corporation if  
35 the principal place of business or an office of the financial

1 institution is also located within the boundaries of the  
2 municipal corporation.

3 (2) Within an urban complex composed of two or more Iowa  
4 municipal corporations each of which is contiguous to or  
5 corners upon at least one of the other municipal corporations  
6 within the complex if the principal place of business or an  
7 office of the financial institution is also located in the  
8 urban complex.

9 (3) Within the unincorporated area of a county in which  
10 the financial institution has its principal place of business  
11 or an office.

12 (4) Within a municipal corporation located in the same  
13 county as the principal place of business or an office of the  
14 financial institution if another financial institution has not  
15 located its principal place of business or an office within  
16 the municipal corporation.

17 A financial institution shall not establish a satellite  
18 terminal at any other location except pursuant to an agreement  
19 with a financial institution which is authorized by this  
20 paragraph "a" to establish a satellite terminal at that  
21 location and which will utilize the satellite terminal at that  
22 location. This paragraph "a" does not amend, modify, or  
23 supersede any provision of chapter 524 regulating the number  
24 or locations of bank offices of a state or national bank, or  
25 authorize the establishment by a financial institution of any  
26 offices or other facilities except satellite terminals at  
27 locations permitted by this paragraph "a".

28 Sec. 4. Section 527.5, subsection 1, Code 1987, is amended  
29 to read as follows:

30 1. Each A satellite terminal in this state shall be  
31 established and controlled by a single financial institution  
32 which shall ~~have the duty of maintaining~~ maintain the  
33 location, use, and operation of the satellite terminal,  
34 wherever located, in compliance with this chapter. The use  
35 and operation of each a satellite terminal shall be governed

1 by a written agreement between the controlling financial  
2 institution and the person controlling the physical location  
3 at which the satellite terminal is placed. The written  
4 agreement shall specify all of the terms and conditions,  
5 including any fees and charges, under which ~~a~~ the satellite  
6 terminal is placed at that location. ~~In-the-event-a~~ If the  
7 satellite terminal is a multiple use terminal, the written  
8 agreement shall specify, and may limit, the specific types of  
9 transactions incidental to the conduct of the business of a  
10 financial institution which may be engaged in through that  
11 terminal.

12 Sec. 5. Section 527.5, subsection 3, Code 1987, is amended  
13 to read as follows:

14 3. An informational statement shall be filed and shall be  
15 maintained on a current basis with the administrator by the  
16 financial institution controlling ~~the~~ a satellite terminal in  
17 this state, which sets forth all of the following:

18 a. The name and business address of the controlling  
19 financial institution;.

20 b. The location of the satellite terminal;.

21 c. A schedule of the charges which will be required to be  
22 paid by ~~any~~ a financial institution utilizing the satellite  
23 terminal; ~~and~~.

24 d. An agreement with the administrator that the financial  
25 institution controlling the satellite terminal will maintain  
26 that satellite terminal in compliance with ~~the provisions of~~  
27 this chapter.

28 The informational statement shall be accompanied by a copy  
29 of the written agreement required by subsection 1. The  
30 informational statement also shall be accompanied by a  
31 statement or copy of any agreement, whether oral or in  
32 writing, between the controlling financial institution and ~~any~~  
33 a data processing center or ~~any~~ a central routing unit, unless  
34 operated by or solely on behalf of the controlling financial  
35 institution, by which transactions originating at that

1 terminal will be received.

2 Sec. 6. Section 527.5, subsection 4, Code 1987, is amended  
3 to read as follows:

4 4. ~~The~~ A satellite terminal in this state shall not be  
5 attended or operated at any time by an employee of ~~any~~ a  
6 financial institution or an affiliate of a financial  
7 institution, except for the purpose of instructing customers,  
8 on a temporary basis, in the use of the satellite terminal,  
9 for the purpose of testing the terminal, or for the purpose of  
10 transacting business on the employee's own behalf.

11 Sec. 7. Section 527.5, subsection 5, Code 1987, is amended  
12 to read as follows:

13 5. ~~The~~ A satellite terminal in this state shall bear a  
14 sign or label identifying each type of financial institution  
15 utilizing the terminal. A satellite terminal location in this  
16 state shall not be used to advertise individual financial  
17 institutions or ~~any~~ a group of financial institutions.  
18 However, if a satellite terminal is located inside or  
19 consolidated into the wall of the principal place of business  
20 or any other authorized office of the financial institution  
21 which has established the terminal, the satellite terminal may  
22 bear a sign or other advertisement of the establishing  
23 institution. The administrator ~~is empowered to~~ may authorize  
24 ~~such~~ methods of identification as the administrator deems  
25 necessary to enable the general public to determine the  
26 accessibility of the a satellite terminal.

27 Sec. 8. Section 527.5, subsection 8, paragraph a, Code  
28 1987, is amended to read as follows:

29 8. a. A satellite terminal in this state shall not be  
30 operated in ~~any~~ a manner to permit a person to credit ~~any~~ a  
31 demand deposit account, savings account, share account, or any  
32 other account representing a liability of a financial  
33 institution, if that financial institution is located outside  
34 of this state.

35 Sec. 9. Section 527.5, Code 1987, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 9. a. Satellite terminals located in  
3 this state shall be directly connected to either of the  
4 following:

5 (1) A central routing unit licensed pursuant to this  
6 chapter.

7 (2) A data processing center which is directly connected  
8 to a central routing unit licensed pursuant to this chapter.

9 b. If a data processing center which is directly connected  
10 to a satellite terminal located in this state does not  
11 authorize a transaction originated at that terminal, the  
12 transaction shall be immediately transmitted by the data  
13 processing center to a central routing unit licensed pursuant  
14 to this chapter, unless one of the following applies:

15 (1) The transaction is not authorized because of a  
16 mechanical failure of the data processing center or satellite  
17 terminal.

18 (2) The transaction does not affect a deposit account held  
19 by a financial institution with its principal office in this  
20 state.

21 c. This subsection does not limit the authority of a data  
22 processing center to authorize or reject transactions  
23 requested by customers of a financial institution pursuant to  
24 an agreement whereby the data processing center authorizes or  
25 rejects requested transactions on behalf of the financial  
26 institution and provides to the financial institution, on a  
27 batch basis and not on an on-line real time basis, information  
28 concerning authorized or rejected transactions of customers of  
29 the financial institution.

30 Sec. 10. Section 527.8, subsection 1, Code 1987, is  
31 amended to read as follows:

32 1. As a condition of exercising the privilege of utilizing  
33 a satellite terminal, a financial institution ~~shall be~~ is  
34 liable to each of its customers for all losses incurred by  
35 ~~such~~ the customer as a result of the transmission or recording

1 of electronic impulses as a part of a transaction not  
2 authorized by such the customer or to which the customer was  
3 not a party. However, ~~in-the-event~~ if the financial  
4 institution has provided the customer with a physical object  
5 or other method of engaging in a transaction at a satellite  
6 terminal which is unique to the customer, and losses are  
7 incurred by the customer as a result of the theft, loss or  
8 other compromise of that physical object or other method of  
9 engagement, the liability of the financial institution  
10 pursuant to this section shall not include the first fifty  
11 dollars of any losses incurred prior to the time the customer  
12 notifies the financial institution of such the theft, loss or  
13 compromise.

14 Sec. 11. Section 527.9, subsection 2, Code 1987, is  
15 amended by adding the following new lettered paragraph:

16 NEW LETTERED PARAGRAPH. f. A representation and  
17 undertaking that the proposed central routing unit is directly  
18 connected to every data processing center that is directly  
19 connected to a satellite terminal located in this state, and  
20 that the proposed central routing unit will provide for direct  
21 connection in the future with any data processing center that  
22 becomes directly connected to a satellite terminal located in  
23 this state.

24 Sec. 12. Section 527.9, Code 1987, is amended by adding  
25 the following new subsection:

26 NEW SUBSECTION. 5. a. Effective July 1, 1987, a person  
27 owning or operating a central routing unit authorized under  
28 this section shall include public representation on any board  
29 setting policy for the central routing unit. Four public  
30 members shall be appointed to the board in the following  
31 manner:

32 (1) Two members shall be appointed by the superintendent  
33 of banking.

34 (2) One member shall be appointed by the administrator of  
35 the credit union department.

1 (3) One member shall be appointed by the supervisor of  
2 savings and loan associations.

3 b. The superintendent of banking, administrator of the  
4 credit union department, and the supervisor of savings and  
5 loan associations shall form a committee to set, in  
6 conjunction with the entity owning or operating the central  
7 routing unit, the term of office, the rate of compensation,  
8 and the rate of reimbursement for each public member.  
9 However, the public members shall be entitled to reasonable  
10 compensation and reimbursement from the board.

11 c. Each public member is entitled to all the rights of  
12 participation and voting as any other member of the board.  
13 The public members are to represent the interest of consumers  
14 and the business and agricultural communities in establishing  
15 policies for the central routing unit.

16 d. It is the intention of the general assembly that the  
17 ratio of public members to the overall membership of the board  
18 shall not be less than one public member for each seven  
19 members of the board. If the number of members on the board  
20 is increased, then the number of members appointed pursuant to  
21 paragraph "a" shall be increased to maintain the minimum  
22 ratio. In this event, a committee composed of the  
23 superintendent of banking, the administrator of the credit  
24 union department, and the supervisor of savings and loan  
25 associations shall appoint additional public members in order  
26 to maintain the minimum ratio.

27 e. An individual shall not be appointed as a public member  
28 pursuant to this subsection if the individual is directly  
29 employed by a financial institution doing business in this  
30 state.

31 EXPLANATION

32 This bill alters the restrictions on satellite terminal  
33 location and advertising. This bill also provides for certain  
34 geographic operating restrictions on satellite terminals,  
35 expands the definition of a "data processing center" and adds

1 other definitions. It contains a requirement that all  
2 satellite terminals in this state or their data processing  
3 centers be directly connected to a central routing unit  
4 licensed pursuant to chapter 527, and provides for a policy-  
5 setting board for a central routing unit.

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SSB # 222  
Commerce

Near  
SF 461

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
COMMERCE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to electronic funds transfers by providing for  
2 limiting liability of financial institutions for unauthorized  
3 electronic funds transfers involving the customer's account,  
4 altering restrictions on the establishment, location, and use  
5 of satellite terminals, adding definitions, and requiring that  
6 all satellite terminals in this state or their data processing  
7 centers be directly connected to a central routing unit.

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

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1 Section 1. Section 527.2, subsection 2, Code 1987, is  
2 amended to read as follows:

3 2. "Data processing center" means a facility, wherever  
4 located, at which electronic impulses or other indicia of a  
5 transaction originating at a satellite terminal are received  
6 and are processed in order to enable the satellite terminal to  
7 perform any function for which it is designed. However, "data  
8 processing center" does not include a facility which is  
9 directly connected to a satellite terminal and which performs  
10 only the functions of direct transmission of all requested  
11 transactions from that terminal to a data processing facility  
12 without performing any review of the requested transactions  
13 for the purpose of categorizing, separating, or routing.

14 Sec. 2. Section 527.2, Code 1987, is amended by adding the  
15 following new subsections:

16 NEW SUBSECTION. 8. "Municipal corporation" means an  
17 incorporated city.

18 NEW SUBSECTION. 9. "Unincorporated area" means a location  
19 within this state not within the boundaries of a municipal  
20 corporation.

21 NEW SUBSECTION. 10. "On-line real time basis" means the  
22 immediate and instantaneous delivery or return of an  
23 individual message through transmission of electronic  
24 impulses.

25 NEW SUBSECTION. 11. "Batch basis" means the periodic  
26 delivery of an accumulation of messages representing  
27 electronic funds transfer transactions authorized or rejected  
28 by the customer's financial institution at a prior time.

29 Sec. 3. Section 527.4, subsection 3, paragraph a, Code  
30 1987, is amended by striking the paragraph and inserting in  
31 lieu thereof the following:

32 3. a. A financial institution may establish any number of  
33 satellite terminals in any of the following locations:

34 (1) Within the boundaries of a municipal corporation if  
35 the principal place of business or an office of the financial

1 institution is also located within the boundaries of the  
2 municipal corporation.

3 (2) Within an urban complex composed of two or more Iowa  
4 municipal corporations each of which is contiguous to or  
5 corners upon at least one of the other municipal corporations  
6 within the complex if the principal place of business or an  
7 office of the financial institution is also located in the  
8 urban complex.

9 (3) Within the unincorporated area of a county in which  
10 the financial institution has its principal place of business  
11 or an office.

12 (4) Within a municipal corporation located in the same  
13 county as the principal place of business or an office of the  
14 financial institution if another financial institution has not  
15 located its principal place of business or an office within  
16 the municipal corporation.

17 A financial institution shall not establish a satellite  
18 terminal at any other location except pursuant to an agreement  
19 with a financial institution which is authorized by this  
20 paragraph "a" to establish a satellite terminal at that  
21 location and which will utilize the satellite terminal at that  
22 location. This paragraph "a" does not amend, modify, or  
23 supersede any provision of chapter 524 regulating the number  
24 or locations of bank offices of a state or national bank, or  
25 authorize the establishment by a financial institution of any  
26 offices or other facilities except satellite terminals at  
27 locations permitted by this paragraph "a".

28 Sec. 4. Section 527.5, subsection 1, Code 1987, is amended  
29 to read as follows:

30 1. Each A satellite terminal in this state shall be  
31 established and controlled by a single financial institution  
32 which shall ~~have-the-duty-of-maintaining~~ maintain the  
33 location, use, and operation of the satellite terminal,  
34 wherever located, in compliance with this chapter. The use  
35 and operation of each a satellite terminal shall be governed

1 by a written agreement between the controlling financial  
2 institution and the person controlling the physical location  
3 at which the satellite terminal is placed. The written  
4 agreement shall specify all of the terms and conditions,  
5 including any fees and charges, under which a the satellite  
6 terminal is placed at that location. ~~In-the-event-a~~ If the  
7 satellite terminal is a multiple use terminal, the written  
8 agreement shall specify, and may limit, the specific types of  
9 transactions incidental to the conduct of the business of a  
10 financial institution which may be engaged in through that  
11 terminal.

12 Sec. 5. Section 527.5, subsection 3, Code 1987, is amended  
13 to read as follows:

14 3. An informational statement shall be filed and shall be  
15 maintained on a current basis with the administrator by the  
16 financial institution controlling the a satellite terminal in  
17 this state, which sets forth all of the following:

18 a. The name and business address of the controlling  
19 financial institution~~;~~.

20 b. The location of the satellite terminal~~;~~.

21 c. A schedule of the charges which will be required to be  
22 paid by ~~any~~ a financial institution utilizing the satellite  
23 terminal~~;~~-and.

24 d. An agreement with the administrator that the financial  
25 institution controlling the satellite terminal will maintain  
26 that satellite terminal in compliance with ~~the-provisions-of~~  
27 this chapter.

28 The informational statement shall be accompanied by a copy  
29 of the written agreement required by subsection 1. The  
30 informational statement also shall be accompanied by a  
31 statement or copy of any agreement, whether oral or in  
32 writing, between the controlling financial institution and ~~any~~  
33 a data processing center or ~~any~~ a central routing unit, unless  
34 operated by or solely on behalf of the controlling financial  
35 institution, by which transactions originating at that

1 terminal will be received.

2 Sec. 6. Section 527.5, subsection 4, Code 1987, is amended  
3 to read as follows:

4 4. ~~The~~ A satellite terminal in this state shall not be  
5 attended or operated at any time by an employee of ~~any~~ a  
6 financial institution or an affiliate of a financial  
7 institution, except for the purpose of instructing customers,  
8 on a temporary basis, in the use of the satellite terminal,  
9 for the purpose of testing the terminal, or for the purpose of  
10 transacting business on the employee's own behalf.

11 Sec. 7. Section 527.5, subsection 5, Code 1987, is amended  
12 to read as follows:

13 5. ~~The~~ A satellite terminal in this state shall bear a  
14 sign or label identifying each type of financial institution  
15 utilizing the terminal. A satellite terminal location in this  
16 state shall not be used to advertise individual financial  
17 institutions or ~~any~~ a group of financial institutions.  
18 However, if a satellite terminal is located inside or  
19 consolidated into the wall of the principal place of business  
20 or any other authorized office of the financial institution  
21 which has established the terminal, the satellite terminal may  
22 bear a sign or other advertisement of the establishing  
23 institution. The administrator ~~is-empowered-to~~ may authorize  
24 ~~such~~ methods of identification ~~as~~ the administrator deems  
25 necessary to enable the general public to determine the  
26 accessibility of ~~the~~ a satellite terminal.

27 Sec. 8. Section 527.5, subsection 8, paragraph a, Code  
28 1987, is amended to read as follows:

29 8. a. A satellite terminal in this state shall not be  
30 operated in ~~any~~ a manner to permit a person to credit ~~any~~ a  
31 demand deposit account, savings account, share account, or any  
32 other account representing a liability of a financial  
33 institution, if that financial institution is located outside  
34 of this state.

35 Sec. 9. Section 527.5, Code 1987, is amended by adding the

1 following new subsection:

2 NEW SUBSECTION. 9. a. Satellite terminals located in  
3 this state shall be directly connected to either of the  
4 following:

5 (1) A central routing unit licensed pursuant to this  
6 chapter.

7 (2) A data processing center which is directly connected  
8 to a central routing unit licensed pursuant to this chapter.

9 b. If a data processing center which is directly connected  
10 to a satellite terminal located in this state does not  
11 authorize a transaction originated at that terminal, the  
12 transaction shall be immediately transmitted by the data  
13 processing center to a central routing unit licensed pursuant  
14 to this chapter, unless one of the following applies:

15 (1) The transaction is not authorized because of a  
16 mechanical failure of the data processing center or satellite  
17 terminal.

18 (2) The transaction does not affect a deposit account held  
19 by a financial institution with its principal office in this  
20 state.

21 c. This subsection does not limit the authority of a data  
22 processing center to authorize or reject transactions  
23 requested by customers of a financial institution pursuant to  
24 an agreement whereby the data processing center authorizes or  
25 rejects requested transactions on behalf of the financial  
26 institution and provides to the financial institution, on a  
27 batch basis and not on an on-line real time basis, information  
28 concerning authorized or rejected transactions of customers of  
29 the financial institution.

30 Sec. 10. Section 527.8, subsection 1, Code 1987, is  
31 amended to read as follows:

32 1. As a condition of exercising the privilege of utilizing  
33 a satellite terminal, a financial institution ~~shall be~~ is  
34 liable to each of its customers for all losses incurred by  
35 such the customer as a result of the transmission or recording

1 of electronic impulses as a part of a transaction not  
2 authorized by ~~such~~ the customer or to which the customer was  
3 not a party. However, ~~in-the-event~~ if the financial  
4 institution has provided the customer with a physical object  
5 or other method of engaging in a transaction at a satellite  
6 terminal which is unique to the customer, and losses are  
7 incurred by the customer as a result of the theft, loss or  
8 other compromise of that physical object or other method of  
9 engagement, the liability of the financial institution  
10 pursuant to this section shall not include the first fifty  
11 dollars of any losses incurred prior to the time the customer  
12 notifies the financial institution of ~~such~~ the theft, loss or  
13 compromise.

14 Sec. 11. Section 527.9, subsection 2, Code 1987, is  
15 amended by adding the following new lettered paragraph:

16 NEW LETTERED PARAGRAPH. f. A representation and  
17 undertaking that the proposed central routing unit is directly  
18 connected to every data processing center that is directly  
19 connected to a satellite terminal located in this state, and  
20 that the proposed central routing unit will provide for direct  
21 connection in the future with any data processing center that  
22 becomes directly connected to a satellite terminal located in  
23 this state.

24 Sec. 12. Section 527.9, Code 1987, is amended by adding  
25 the following new subsection:

26 NEW SUBSECTION. 5. a. Effective July 1, 1987, a person  
27 owning or operating a central routing unit authorized under  
28 this section shall include public representation on any board  
29 setting policy for the central routing unit. Four public  
30 members shall be appointed to the board in the following  
31 manner:

32 (1) Two members shall be appointed by the superintendent  
33 of banking.

34 (2) One member shall be appointed by the administrator of  
35 the credit union department.

1 (3) One member shall be appointed by the supervisor of  
2 savings and loan associations.

3 b. The superintendent of banking, administrator of the  
4 credit union department, and the supervisor of savings and  
5 loan associations shall form a committee to set, in  
6 conjunction with the entity owning or operating the central  
7 routing unit, the term of office, the rate of compensation,  
8 and the rate of reimbursement for each public member.

9 However, the public members shall be entitled to reasonable  
10 compensation and reimbursement from the board.

11 c. Each public member is entitled to all the rights of  
12 participation and voting as any other member of the board.  
13 The public members are to represent the interest of consumers  
14 and the business and agricultural communities in establishing  
15 policies for the central routing unit.

16 d. It is the intention of the general assembly that the  
17 ratio of public members to the overall membership of the board  
18 shall not be less than one public member for each seven  
19 members of the board. If the number of members on the board  
20 is increased, then the number of members appointed pursuant to  
21 paragraph "a" shall be increased to maintain the minimum  
22 ratio. In this event, a committee composed of the  
23 superintendent of banking, the administrator of the credit  
24 union department, and the supervisor of savings and loan  
25 associations shall appoint additional public members in order  
26 to maintain the minimum ratio.

27 e. An individual shall not be appointed as a public member  
28 pursuant to this subsection if the individual is directly  
29 employed by a financial institution doing business in this  
30 state.

31 EXPLANATION

32 This bill alters the restrictions on satellite terminal  
33 location and advertising. This bill also provides for certain  
34 geographic operating restrictions on satellite terminals,  
35 expands the definition of a "data processing center" and adds

272

1 other definitions. It contains a requirement that all  
2 satellite terminals in this state or their data processing  
3 centers be directly connected to a central routing unit  
4 licensed pursuant to chapter 527, and provides for a policy-  
5 setting board for a central routing unit.

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SENATE FILE 461

3341

1 Amend Senate File 461 as follows:

2 1. Page 1, line 13, by inserting after the word  
3 "routing." the following: "Categorizing" means the  
4 process of reviewing and grouping of requested  
5 electronic funds transfer transactions according to  
6 the source or nature of the requested transaction.  
7 "Separating" means the process of interpreting and  
8 segregating requested electronic funds transfer  
9 transactions, or portions of such transactions, to  
10 provide for processing of information relating to such  
11 requested transactions or portions of such  
12 transactions. "Routing" means the process of  
13 interpreting and transmitting requested electronic  
14 funds transfer transactions to a destination selected  
15 at the time of interpretation and transmission from  
16 two or more alternative destinations."

17 2. Page 2, by striking lines 30 through 31 and  
18 inserting the following:

19 "1. Each A satellite terminal shall in this state  
20 may be established and-controlled by a-single one or  
21 more financial institution institutions. The  
22 establishing financial institutions shall designate a  
23 single controlling financial institution".

24 3. Page 3, by inserting after line 11 the  
25 following:

26 "Sec. \_\_\_\_ . Section 527.5, subsection 2, Code 1987,  
27 is amended to read as follows:

28 2. The satellite terminal shall be available for  
29 use on a nondiscriminatory basis by any other  
30 financial institution which has its principal place of  
31 business within this state, and by all customers who  
32 have been designated by a financial institution using  
33 the satellite terminal and who have been provided with  
34 a physical object or other method, approved by the  
35 administrator, by which to engage in electronic  
36 transactions by means of the satellite terminal. No  
37 financial institution shall be required to join, be a  
38 member or shareholder of, or otherwise participate in  
39 any corporation, association, partnership, co-  
40 operative or other enterprise as a condition of its  
41 utilizing any satellite terminal located within this  
42 state. ~~However, for purposes of complying with this~~  
43 ~~subsection, a satellite terminal which is established~~  
44 ~~and-controlled-by-a-bank-is-not-required-to-be~~  
45 ~~available-for-use-by-any-savings-and-loan-association~~  
46 ~~or-credit-union-or-industrial-loan-company, and one~~  
47 ~~established-and-controlled-by-a-savings-and-loan~~  
48 ~~association-is-not-required-to-be-available-for-use-by~~  
49 ~~a-bank-or-credit-union-or-industrial-loan-company, and~~  
50 ~~one-established-and-controlled-by-a-credit-union, is~~

1 ~~not required to be available for use by a bank or~~  
 2 ~~savings and loan association or industrial loan~~  
 3 ~~company, and one established by an industrial loan~~  
 4 ~~company is not required to be available for use by a~~  
 5 ~~bank or savings and loan association or credit union."~~  
 6 4. Page 4, by striking lines 18 through 23, and  
 7 inserting the following: "However, a satellite  
 8 terminal shall bear a sign or label no larger than  
 9 three inches by two inches identifying the name,  
 10 address, and telephone number of the owner of the  
 11 satellite terminal. The administrator is empowered to  
 12 may authorize".

3 13 5. Page 4, by striking lines 29 through 34 and  
 14 inserting the following:  
 15 "~~8--a--A satellite terminal shall not be operated~~  
 16 ~~in any manner to permit a person to credit any demand~~  
 17 ~~deposit account, savings account, share account or any~~  
 18 ~~other account representing a liability of a financial~~  
 19 ~~institution, if that financial institution is located~~  
 20 ~~outside of this state."~~

A 21 6. Page 5, line 5, by striking the word  
 22 "licensed" and inserting the following: "approved".

23 7. Page 5, line 8, by striking the word  
 24 "licensed" and inserting the following: "approved".

25 8. Page 5, line 11, by inserting after the word  
 26 "authorize" the following: "or reject".

27 9. Page 5, line 13, by striking the word  
 28 "licensed" and inserting the following: "approved".

29 10. Page 6, line 29 by inserting after the word  
 30 "Four" the following: "or five".

31 11. Page 7, by inserting after line 2 the  
 32 following:

33 "(4) If an industrial loan company is connected to  
 34 the central routing unit, one member shall be  
 35 appointed by the superintendent of banking."

36 12. Page 7, line 28 by inserting after the  
 37 "individual" the following: "is a director of a  
 38 financial institution or".

39 13. By renumbering as necessary.

S-3341

Filed March 31, 1987

BY EDGAR H. HOLDEN

A-Adopted, B-Lord 4/3 (p. 1069) SENATE FILE 461

S-3339

A 1 Amend Senate File 461 as follows:

2 1. Page 1, line 34, by striking the words  
 3 "municipal corporation" and inserting the following:  
 4 "county".

5 2. Page 2, line 2, by striking the words  
 6 "municipal corporation" and inserting the following:  
 7 "county".

B 8 3. Page 2, by striking lines 3 through 22 and  
 9 inserting the following:  
 10 "(2) Within a county which is contiguous to or  
 11 corners upon a county in which the principal place of  
 12 business or an office of the financial institution is  
 13 located.

14 This lettered paragraph does not amend, modify,  
 15 or".

S-3339

Filed March 31, 1987

BY EDGAR H. HOLDEN

A-Lord, B-placed 4/3 (p. 1070)

April 2, 1987

SENATE FILE 461

3350

1 Amend Senate File 461 as follows:

2 1. Page 1, by inserting after line 28 the  
3 following:

4 "Sec. \_\_\_\_\_. Section 527.3, Code 1987, is amended by  
5 adding the following new subsection:

6 NEW SUBSECTION. 5. An administrator may conduct  
7 hearings and exercise any other appropriate authority  
8 conferred by this chapter regarding the operation or  
9 control of a satellite terminal upon the written  
10 request of a person, including but not limited to, a  
11 retailer, financial institution, or consumer."

12 2. Page 2, by inserting after line 16 the  
13 following:

14 "(5) At any location within this state if the  
15 satellite terminal is not designed or configured to  
16 accept deposits or dispense cash, script, or other  
17 negotiable instruments, and if the satellite terminal  
18 is utilized for the purpose of making payment to a  
19 retailer for goods or services purchased at the  
20 location of the satellite terminal."

21 3. Page 7, by inserting after line 30 the  
22 following:

23 "Sec. \_\_\_\_\_. Section 527.10, Code 1987, is amended  
24 by adding the following new unnumbered paragraph:

25 NEW UNNUMBERED PARAGRAPH. A financial institution,  
26 data processing center, central routing unit, or other  
27 person shall not disseminate any information relating  
28 to the use of a multiple use terminal without the  
29 written authorization of the owner or operator of the  
30 terminal or the financial institution controlling the  
31 terminal. This section shall not, however, prohibit  
32 or restrict the use of information received in the  
33 processing, authorization, or rejection of a requested  
34 electronic funds transfer transaction, where such use  
35 is necessary or incidental to the processing,  
36 authorization, or rejection, or to reconciling  
37 disputes or resolving questions raised by a retailer,  
38 financial institution, consumer, or any other person  
39 regarding the transaction."

40 4. By renumbering as necessary.

S-3350

Filed April 1, 1987

BY PATICK J. DELUHERY

*(Adopted as amended by 3377 4/3 (p. 1076))*

SENATE FILE 461

879

Amend Senate File 461 as follows:

1. Page 1, by inserting before line 1 the following:

"Section 1. Section 527.2, subsection 1, Code 1987, is amended to read as follows:

1. "Satellite terminal", commonly referred to as an automatic teller machine, means and includes any machine or device located off the premises of a financial institution, whether attended or unattended, by means of which the financial institution and its customers may engage through either the immediate transmission of electronic impulses to or from the financial institution or the recording of electronic impulses or other indicia of a transaction for delayed transmission to the financial institution, in transactions, including, but not limited to, accepting moneys for deposit, dispensing cash withdrawn from an account, transferring moneys between accounts, and other transactions, which are incidental to the conduct of the business of the financial institution and which otherwise are specifically permitted by applicable law. However, the term "satellite terminal" does not include any such machine or device, wherever located, if that machine or device is not generally accessible to persons other than employees of a financial institution or an affiliate of a financial institution.

2. Page 1, by inserting after line 13 the following:

"Sec. \_\_\_\_ . Section 527.2, subsection 7, Code 1987, is amended to read as follows:

7. "Multiple use terminal" means any machine or device where use and operation is independent of a satellite terminal to which all of the following are applicable:

a. The machine or device is owned or operated by a person who primarily engages in a service, business or enterprise, including but not limited to the retail sale of goods or services, but who is not organized under the laws of this state or under federal law as a bank, savings and loan association, or credit union.

b. The machine or device is used by the person by whom it is owned or operated in some capacity other than as a satellite terminal, ~~and.~~

c. A financial institution proposes to contract or has contracted to utilize that machine or device as a satellite terminal in a manner similar to a satellite terminal, except that the machine or device shall not accept deposits or dispense cash, script, or other negotiable instruments, and if the multiple use

A

A 1 terminal is utilized for the purpose of making payment  
2 to a retailer for goods or services purchased at the  
3 location of the multiple use terminal." A

B 4 3. Page 2, by inserting after line 27 the  
5 following:

6 "This lettered paragraph shall not be construed to  
7 limit the location of a multiple use terminal." B

A 8 4. Page 3, line 7, by striking the word  
9 "satellite" and inserting the following: "satellite". H

10 5. By renumbering as necessary.

S-3379

Filed April 2, 1987

BY EDGAR H. HOLDEN

A - LOST(1059) B - LOST(f.1059)

SENATE FILE 461

S-3377

1 Amend the amendment S-3350 to Senate File 461 as  
2 follows:

3 1. Page 1, by striking lines 23 through 39 and  
4 inserting the following:

5 "Sec. \_\_\_\_ . Section 527.10, Code 1987, is amended  
6 to read as follows:

7 527.10 CONFIDENTIALITY.

8 A satellite terminal, multiple use terminal, data  
9 processing center, or central routing unit shall not  
10 be operated in any manner to permit any a person to  
11 obtain information concerning the account of any a  
12 person with a financial institution, or the amount,  
13 number, or kind of transactions by a merchant, unless  
14 such information is essential to complete or prevent  
15 the completion of a transaction then being engaged in  
16 through the use of that facility."

S-3377

Filed April 2, 1987

BY EDGAR H. HOLDEN

*Adopted 4/3 (p.1670)*

SENATE FILE 461

S-3378

1 Amend Senate File 461 as follows:

2 1. Page 7, by inserting after line 30, the  
3 following:

4 "Sec. \_\_\_\_ . Section 527.10, Code 1987, is amended  
5 to read as follows:

6 527.10 CONFIDENTIALITY.

7 A satellite terminal, multiple use terminal, data  
8 processing center, or central routing unit shall not  
9 be operated in any manner to permit any a person to  
10 obtain information concerning the account of any a  
11 person with a financial institution, or the amount,  
12 number, or kind of transactions by a merchant, unless  
13 such information is essential to complete or prevent  
14 the completion of a transaction then being engaged in  
15 through the use of that facility."

S-3378

Filed April 2, 1987

BY EDGAR H. HOLDEN

*7/D 4/3 (p.1670)*



1 Section 1. Section 527.2, subsection 2, Code 1987, is  
2 amended to read as follows:

3 2. "Data processing center" means a facility, wherever  
4 located, at which electronic impulses or other indicia of a  
5 transaction originating at a satellite terminal are received  
6 and are processed in order to enable the satellite terminal to  
7 perform any function for which it is designed. However, "data  
8 processing center" does not include a facility which is  
9 directly connected to a satellite terminal and which performs  
10 only the functions of direct transmission of all requested  
11 transactions from that terminal to a data processing facility  
12 without performing any review of the requested transactions  
13 for the purpose of categorizing, separating, or routing.

14 "Categorizing" means the process of reviewing and grouping of  
15 requested electronic funds transfer transactions according to  
16 the source or nature of the requested transaction.

17 "Separating" means the process of interpreting and segregating  
18 requested electronic funds transfer transactions, or portions  
19 of such transactions, to provide for processing of information  
20 relating to such requested transactions or portions of such  
21 transactions. "Routing" means the process of interpreting and  
22 transmitting requested electronic funds transfer transactions  
23 to a destination selected at the time of interpretation and  
24 transmission from two or more alternative destinations.

25 Sec. 2. Section 527.2, Code 1987, is amended by adding the  
26 following new subsections:

27 NEW SUBSECTION. 8. "Municipal corporation" means an  
28 incorporated city.

29 NEW SUBSECTION. 9. "Unincorporated area" means a location  
30 within this state not within the boundaries of a municipal  
31 corporation.

32 NEW SUBSECTION. 10. "On-line real time basis" means the  
33 immediate and instantaneous delivery or return of an  
34 individual message through transmission of electronic  
35 impulses.

1 NEW SUBSECTION. 11. "Batch basis" means the periodic  
2 delivery of an accumulation of messages representing  
3 electronic funds transfer transactions authorized or rejected  
4 by the customer's financial institution at a prior time.

5 Sec. 3. Section 527.3, Code 1987, is amended by adding the  
6 following new subsection:

7 NEW SUBSECTION. 5. An administrator may conduct hearings  
8 and exercise any other appropriate authority conferred by this  
9 chapter regarding the operation or control of a satellite  
10 terminal upon the written request of a person, including but  
11 not limited to, a retailer, financial institution, or  
12 consumer.

13 Sec. 4. Section 527.4, subsection 3, paragraph a, Code  
14 1987, is amended by striking the paragraph and inserting in  
15 lieu thereof the following:

16 3. a. A financial institution may establish any number of  
17 satellite terminals in any of the following locations:

18 (1) Within the boundaries of a municipal corporation if  
19 the principal place of business or an office of the financial  
20 institution is also located within the boundaries of the  
21 municipal corporation.

22 (2) Within an urban complex composed of two or more Iowa  
23 municipal corporations each of which is contiguous to or  
24 corners upon at least one of the other municipal corporations  
25 within the complex if the principal place of business or an  
26 office of the financial institution is also located in the  
27 urban complex.

28 (3) Within the unincorporated area of a county in which  
29 the financial institution has its principal place of business  
30 or an office.

31 (4) Within a municipal corporation located in the same  
32 county as the principal place of business or an office of the  
33 financial institution if another financial institution has not  
34 located its principal place of business or an office within  
35 the municipal corporation.

1       (5) At any location within this state if the satellite  
2 terminal is not designed or configured to accept deposits or  
3 dispense cash, script, or other negotiable instruments, and if  
4 the satellite terminal is utilized for the purpose of making  
5 payment to a retailer for goods or services purchased at the  
6 location of the satellite terminal.

7       A financial institution shall not establish a satellite  
8 terminal at any other location except pursuant to an agreement  
9 with a financial institution which is authorized by this  
10 paragraph "a" to establish a satellite terminal at that  
11 location and which will utilize the satellite terminal at that  
12 location. This paragraph "a" does not amend, modify, or  
13 supersede any provision of chapter 524 regulating the number  
14 or locations of bank offices of a state or national bank, or  
15 authorize the establishment by a financial institution of any  
16 offices or other facilities except satellite terminals at  
17 locations permitted by this paragraph "a".

18       Sec. 5. Section 527.5, subsection 1, Code 1987, is amended  
19 to read as follows:

20       1. Each A satellite terminal shall in this state may be  
21 established and-controlled by a-single one or more financial  
22 institution institutions. The establishing financial  
23 institutions shall designate a single controlling financial  
24 institution which shall have-the-duty-of-maintaining maintain  
25 the location, use, and operation of the satellite terminal,  
26 wherever located, in compliance with this chapter. The use  
27 and operation of each a satellite terminal shall be governed  
28 by a written agreement between the controlling financial  
29 institution and the person controlling the physical location  
30 at which the satellite terminal is placed. The written  
31 agreement shall specify all of the terms and conditions,  
32 including any fees and charges, under which a the satellite  
33 terminal is placed at that location. ~~In-the-event-a~~ If the  
34 satellite terminal is a multiple use terminal, the written  
35 agreement shall specify, and may limit, the specific types of

1 transactions incidental to the conduct of the business of a  
2 financial institution which may be engaged in through that  
3 terminal.

4 Sec. 6. Section 527.5, subsection 2, Code 1987, is amended  
5 to read as follows:

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

30 Sec. 7. Section 527.5, subsection 3, Code 1987, is amended  
31 to read as follows:

32 3. An informational statement shall be filed and shall be  
33 maintained on a current basis with the administrator by the  
34 financial institution controlling the a satellite terminal in  
35 this state, which sets forth all of the following:

- 1 a. The name and business address of the controlling
- 2 financial institution~~;~~.
- 3 b. The location of the satellite terminal~~;~~.
- 4 c. A schedule of the charges which will be required to be
- 5 paid by any a financial institution utilizing the satellite
- 6 terminal~~;~~~~and~~.
- 7 d. An agreement with the administrator that the financial
- 8 institution controlling the satellite terminal will maintain
- 9 that satellite terminal in compliance with ~~the provisions of~~
- 10 this chapter.

11 The informational statement shall be accompanied by a copy  
12 of the written agreement required by subsection 1. The  
13 informational statement also shall be accompanied by a  
14 statement or copy of any agreement, whether oral or in  
15 writing, between the controlling financial institution and any  
16 a data processing center or any a central routing unit, unless  
17 operated by or solely on behalf of the controlling financial  
18 institution, by which transactions originating at that  
19 terminal will be received.

20 Sec. 8. Section 527.5, subsection 4, Code 1987, is amended  
21 to read as follows:

22 4. The A satellite terminal in this state shall not be  
23 attended or operated at any time by an employee of any a  
24 financial institution or an affiliate of a financial  
25 institution, except for the purpose of instructing customers,  
26 on a temporary basis, in the use of the satellite terminal,  
27 for the purpose of testing the terminal, or for the purpose of  
28 transacting business on the employee's own behalf.

29 Sec. 9. Section 527.5, subsection 5, Code 1987, is amended  
30 to read as follows:

31 5. The A satellite terminal in this state shall bear a  
32 sign or label identifying each type of financial institution  
33 utilizing the terminal. A satellite terminal location in this  
34 state shall not be used to advertise individual financial  
35 institutions or any a group of financial institutions.

1 However, a satellite terminal shall bear a sign or label no  
2 larger than three inches by two inches identifying the name,  
3 address, and telephone number of the owner of the satellite  
4 terminal. The administrator ~~is empowered to~~ may authorize  
5 such methods of identification as the administrator deems  
6 necessary to enable the general public to determine the  
7 accessibility of the a satellite terminal.

8 Sec. 10. Section 527.5, subsection 8, paragraph a, Code  
9 1987, is amended to read as follows:

10 8. a. A satellite terminal in this state shall not be  
11 operated in any a manner to permit a person to credit any a  
12 demand deposit account, savings account, share account, or any  
13 other account representing a liability of a financial  
14 institution, if that financial institution is located outside  
15 of this state.

16 Sec. 11. Section 527.5, Code 1987, is amended by adding  
17 the following new subsection:

18 NEW SUBSECTION. 9. a. Satellite terminals located in  
19 this state shall be directly connected to either of the  
20 following:

21 (1) A central routing unit approved pursuant to this  
22 chapter.

23 (2) A data processing center which is directly connected  
24 to a central routing unit approved pursuant to this chapter.

25 b. If a data processing center which is directly connected  
26 to a satellite terminal located in this state does not  
27 authorize or reject a transaction originated at that terminal,  
28 the transaction shall be immediately transmitted by the data  
29 processing center to a central routing unit approved pursuant  
30 to this chapter, unless one of the following applies:

31 (1) The transaction is not authorized because of a  
32 mechanical failure of the data processing center or satellite  
33 terminal.

34 (2) The transaction does not affect a deposit account held  
35 by a financial institution with its principal office in this

1 state.

2 c. This subsection does not limit the authority of a data  
3 processing center to authorize or reject transactions  
4 requested by customers of a financial institution pursuant to  
5 an agreement whereby the data processing center authorizes or  
6 rejects requested transactions on behalf of the financial  
7 institution and provides to the financial institution, on a  
8 batch basis and not on an on-line real time basis, information  
9 concerning authorized or rejected transactions of customers of  
10 the financial institution.

11 Sec. 12. Section 527.8, subsection 1, Code 1987, is  
12 amended to read as follows:

13 1. As a condition of exercising the privilege of utilizing  
14 a satellite terminal, a financial institution ~~shall be~~ is  
15 liable to each of its customers for all losses incurred by  
16 ~~such~~ the customer as a result of the transmission or recording  
17 of electronic impulses as a part of a transaction not  
18 authorized by ~~such~~ the customer or to which the customer was  
19 not a party. However, ~~in-the-event~~ if the financial  
20 institution has provided the customer with a physical object  
21 or other method of engaging in a transaction at a satellite  
22 terminal which is unique to the customer, and losses are  
23 incurred by the customer as a result of the theft, loss or  
24 other compromise of that physical object or other method of  
25 engagement, the liability of the financial institution  
26 pursuant to this section shall not include the first fifty  
27 dollars of any losses incurred prior to the time the customer  
28 notifies the financial institution of ~~such~~ the theft, loss or  
29 compromise.

30 Sec. 13. Section 527.9, subsection 2, Code 1987, is  
31 amended by adding the following new lettered paragraph:

32 NEW LETTERED PARAGRAPH. f. A representation and  
33 undertaking that the proposed central routing unit is directly  
34 connected to every data processing center that is directly  
35 connected to a satellite terminal located in this state, and

1 that the proposed central routing unit will provide for direct  
2 connection in the future with any data processing center that  
3 becomes directly connected to a satellite terminal located in  
4 this state.

5 Sec. 14. Section 527.9, Code 1987, is amended by adding  
6 the following new subsection:

7 NEW SUBSECTION. 5. a. Effective July 1, 1987, a person  
8 owning or operating a central routing unit authorized under  
9 this section shall include public representation on any board  
10 setting policy for the central routing unit. Four or five  
11 public members shall be appointed to the board in the  
12 following manner:

13 (1) Two members shall be appointed by the superintendent  
14 of banking.

15 (2) One member shall be appointed by the administrator of  
16 the credit union department.

17 (3) One member shall be appointed by the supervisor of  
18 savings and loan associations.

19 (4) If an industrial loan company is connected to the  
20 central routing unit, one member shall be appointed by the  
21 superintendent of banking.

22 b. The superintendent of banking, administrator of the  
23 credit union department, and the supervisor of savings and  
24 loan associations shall form a committee to set, in  
25 conjunction with the entity owning or operating the central  
26 routing unit, the term of office, the rate of compensation,  
27 and the rate of reimbursement for each public member.

28 However, the public members shall be entitled to reasonable  
29 compensation and reimbursement from the board.

30 c. Each public member is entitled to all the rights of  
31 participation and voting as any other member of the board.  
32 The public members are to represent the interest of consumers  
33 and the business and agricultural communities in establishing  
34 policies for the central routing unit.

35 d. It is the intention of the general assembly that the

1 ratio of public members to the overall membership of the board  
2 shall not be less than one public member for each seven  
3 members of the board. If the number of members on the board  
4 is increased, then the number of members appointed pursuant to  
5 paragraph "a" shall be increased to maintain the minimum  
6 ratio. In this event, a committee composed of the  
7 superintendent of banking, the administrator of the credit  
8 union department, and the supervisor of savings and loan  
9 associations shall appoint additional public members in order  
10 to maintain the minimum ratio.

11 e. An individual shall not be appointed as a public member  
12 pursuant to this subsection if the individual is a director of  
13 a financial institution or is directly employed by a financial  
14 institution doing business in this state.

15 Sec. 15. Section 527.10, Code 1987, is amended to read as  
16 follows:

17 527.10 CONFIDENTIALITY.

18 A satellite terminal, multiple use terminal, data  
19 processing center, or central routing unit shall not be  
20 operated in any manner to permit any a person to obtain  
21 information concerning the account of any a person with a  
22 financial institution, or the amount, number, or kind of  
23 transactions by a merchant, unless such information is  
24 essential to complete or prevent the completion of a  
25 transaction then being engaged in through the use of that  
26 facility.

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SENATE FILE 461

H-3715

- 1 Amend Senate File 461 as amended, passed, and  
2 reprinted by the Senate, as follows:  
3 1. Page 3, by striking lines 1 through 6.  
4 2. Page 6, by striking lines 1 through 4 and  
5 inserting the following: "However, if a satellite  
6 terminal is located inside or consolidated into the  
7 wall of the principal place of business or any other  
8 authorized office of the financial institution which  
9 has established the terminal, the satellite terminal  
10 may bear a sign or other advertisement of the  
11 establishing institution. The administrator is  
12 empowered-to may authorize".  
13 3. Page 7, line 29 by inserting after the word  
14 "compromise" the following: "except that the  
15 financial institution shall have no liability if the  
16 losses are a result of the customer's fraudulent acts  
17 or omissions".  
18 4. Page 9, by striking lines 15 through 26 and  
19 inserting the following:  
20 "Sec. \_\_\_\_ . Section 527.10, Code 1987, is amended  
21 by adding the following new unnumbered paragraph:  
22 NEW UNNUMBERED PARAGRAPH. A financial institution,  
23 data processing center, central routing unit, or other  
24 person shall not disseminate any information relating  
25 to the use of a multiple use terminal without the  
26 written authorization of the owner or operator of the  
27 terminal or the financial institution controlling the  
28 terminal. This section shall not, however, prohibit  
29 or restrict the use of information received in the  
30 processing, authorization, or rejection of a requested  
31 electronic funds transfer transaction, where such use  
32 is necessary or incidental to the processing,  
33 authorization, or rejection, or to reconciling  
34 disputes or resolving questions raised by a retailer,  
35 financial institution, consumer, or any other person  
36 regarding the transaction."  
37 5. By renumbering as necessary.

BY COMMITTEE ON SMALL  
BUSINESS AND COMMERCE

H-3715 FILED APRIL 10, 1987

*Adopted 4/14/87 (p 1377)*

## SENATE FILE 461

H-3744

1 Amend Senate File 461, as amended, passed, and  
2 reprinted by the Senate as follows:

3 1. Page 1, by inserting before line 1 the  
4 following:

5 "Section 1. Section 476.1, Code 1987, is amended  
6 by adding the following subsection:

7 NEW SUBSECTION. 4. Furnishing approved central  
8 routing services for electronic funds transfers  
9 pursuant to chapter 527.

10 Sec. 2. Section 476.4, unnumbered paragraph 1,  
11 Code 1987, is amended to read as follows:

12 Every public utility shall file with the board  
13 tariffs showing the rates and charges for its public  
14 utility services and the rules and regulations under  
15 which such services were furnished, on April 1, 1963,  
16 except a central routing unit, which shall file the  
17 same information as of July 1, 1986, which rates and  
18 charges shall be subject to investigation by the board  
19 as provided in section 476.3, and upon such  
20 investigation the burden of establishing the  
21 reasonableness of such rates and charges shall be upon  
22 the public utility filing the same. These filings  
23 shall be made under such rules as the board may  
24 prescribe within such time and in such form as the  
25 board may designate. In prescribing rules and  
26 regulations with respect to the form of tariffs, the  
27 board shall, in the case of public utilities subject  
28 to regulation by any federal agency, give due regard  
29 to any corresponding rules and regulations of such  
30 federal agency, to the end that unnecessary  
31 duplication of effort and expense may be avoided so  
32 far as reasonably possible. Each public utility shall  
33 keep copies of its tariffs open to public inspection  
34 under such rules as the board may prescribe."

35 2. Page 8, line 6 by striking the word  
36 "subsection" and inserting the following:  
37 "subsections".

38 3. Page 9, by inserting after line 14 the  
39 following:

40 "NEW SUBSECTION. 6. A central routing unit  
41 authorized under this section is subject to the  
42 regulation of the utilities board within the utilities  
43 division of the department of commerce."

44 4. Renumber as necessary.

H-3744 FILED APRIL 14, 1987 BY SCHNEKLOTH of Scott

*Law 4/21 (p. 1550)*

SENATE AMENDMENT TO HOUSE AMENDMENT TO SENATE FILE 461  
H-4155

1 Amend the House amendment, S-3751, to Senate File  
2 461 as amended, passed, and reprinted by the Senate,  
3 as follows:

4 1. Page 1, line 3 by inserting after the word and  
5 figure "through 6" the following: "and by inserting  
6 the following:

7 "(5) At any retail sales location in this state if  
8 any of the following apply:

9 (a) The satellite terminal is not designed,  
10 configured, or operated to accept deposits or to  
11 dispense script or other negotiable instruments.

12 (b) The satellite terminal is not designed,  
13 configured, or operated to dispense cash except when  
14 operated by the retailer as part of a retail sales  
15 transaction.

16 (c) The satellite terminal is utilized for the  
17 purpose of making payment to the retailer for goods or  
18 services purchased at the location of the satellite  
19 terminal.

20 (d) The financial institution controls a satellite  
21 terminal described under subparagraph part (c) at a  
22 location of the retailer established pursuant to  
23 subparagraph (1), (2), (3), or (4)."

24 2. Page 1, by striking lines 4 through 12.

25 3. Page 1, line 26 by inserting after the word  
26 "authorization" the following: "of the retailer on  
27 whose premises the terminal is located, or".

28 4. By renumbering, relettering, or redesignating  
29 and correcting internal references as necessary.

H-4155 FILED MAY 4, 1987

RECEIVED FROM THE SENATE

*House concurred 5/4/87 (p. 2257)*

HOUSE AMENDMENT TO  
SENATE FILE 461

S-3751

1 Amend Senate File 461 as amended, passed, and  
2 reprinted by the Senate, as follows:

3 1. Page 3, by striking lines 1 through 6.

4 2. Page 6, by striking lines 1 through 4 and  
5 inserting the following: "However, if a satellite  
6 terminal is located inside or consolidated into the  
7 wall of the principal place of business or any other  
8 authorized office of the financial institution which  
9 has established the terminal, the satellite terminal  
10 may bear a sign or other advertisement of the  
11 establishing institution. The administrator is  
12 empowered-to may authorize".

13 3. Page 7, line 29 by inserting after the word  
14 "compromise" the following: "except that the  
15 financial institution shall have no liability if the  
16 losses are a result of the customer's fraudulent acts  
17 or omissions".

18 4. Page 9, by striking lines 15 through 26 and  
19 inserting the following:

20 "Sec. \_\_\_\_ . Section 527.10, Code 1987, is amended  
21 by adding the following new unnumbered paragraph:  
22 NEW UNNUMBERED PARAGRAPH. A financial institution,  
23 data processing center, central routing unit, or other  
24 person shall not disseminate any information relating  
25 to the use of a multiple use terminal without the  
26 written authorization of the owner or operator of the  
27 terminal or the financial institution controlling the  
28 terminal. This section shall not, however, prohibit  
29 or restrict the use of information received in the  
30 processing, authorization, or rejection of a requested  
31 electronic funds transfer transaction, where such use  
32 is necessary or incidental to the processing,  
33 authorization, or rejection, or to reconciling  
34 disputes or resolving questions raised by a retailer,  
35 financial institution, consumer, or any other person  
36 regarding the transaction."

37 5. By renumbering as necessary.

S-3751

Filed April 23, 1987

RECEIVED FROM THE HOUSE

*Senate concurred & amended by*  
3889, 3912 4/30/87 (J 1617)

SENATE FILE 461

S-3889

1 Amend the House amendment, S-3751, to Senate File  
2 461 as amended, passed, and reprinted by the Senate,  
3 as follows:

4 1. Page 1, line 3 by inserting after the word and  
5 figure "through 6" the following: "and by inserting  
6 the following:

7 "(5) At any retail sales location in this state if  
8 any of the following apply:

9 (a) The satellite terminal is not designed,  
10 configured, or operated to accept deposits or to  
11 dispense script or other negotiable instruments.

12 (b) The satellite terminal is not designed,  
13 configured, or operated to dispense cash except when  
14 operated by the retailer as part of a retail sales  
15 transaction.

16 (c) The satellite terminal is utilized for the  
17 purpose of making payment to the retailer for goods or  
18 services purchased at the location of the satellite  
19 terminal.

20 (d) The financial institution controls a satellite  
21 terminal described under subparagraph part (c) at a  
22 location of the retailer established pursuant to  
23 subparagraph (1), (2), (3), or (4)."

24 2. Page 1, line 26 by inserting after the word  
25 "authorization" the following: "of the retailer on  
26 whose premises the terminal is located, or".

S-3889

Filed April 28, 1987

BY PATRICK J. DELUHERY

*Adopted 4/29/87  
(p. 1598)*

DALE L. TIEDEN

RICHARD F. DRAKE

WILLIAM W. DIELEMAN

WILLIAM D. PALMER

JOHN W. JENSEN

SENATE FILE 461

S-3912

1 Amend the House amendment S-3751 to Senate File  
2 461 as amended, passed and reprinted by the Senate  
3 as follows:

4 1. Page 1, by striking lines 4 through 12.

S-3912

Filed April 29, 1987

BY EDGAR H. HOLDEN

*Adopted 4/29/87 (p. 1598)  
Motion to reconsider - 4/16/87  
" w/a 4/30 (p. 1617)*

SENATE FILE 461

AN ACT

RELATING TO ELECTRONIC FUNDS TRANSFERS BY PROVIDING FOR LIMITING LIABILITY OF FINANCIAL INSTITUTIONS FOR UNAUTHORIZED ELECTRONIC FUNDS TRANSFERS INVOLVING THE CUSTOMER'S ACCOUNT, ALTERING RESTRICTIONS ON THE ESTABLISHMENT, LOCATION, AND USE OF SATELLITE TERMINALS, ADDING DEFINITIONS, AND REQUIRING THAT ALL SATELLITE TERMINALS IN THIS STATE OR THEIR DATA PROCESSING CENTERS BE DIRECTLY CONNECTED TO A CENTRAL ROUTING UNIT.

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

Section 1. Section 527.2, subsection 2, Code 1987, is amended to read as follows:

2. "Data processing center" means a facility, wherever located, at which electronic impulses or other indicia of a transaction originating at a satellite terminal are received and are processed in order to enable the satellite terminal to perform any function for which it is designed. However, "data processing center" does not include a facility which is directly connected to a satellite terminal and which performs only the functions of direct transmission of all requested transactions from that terminal to a data processing facility without performing any review of the requested transactions for the purpose of categorizing, separating, or routing. "Categorizing" means the process of reviewing and grouping of requested electronic funds transfer transactions according to the source or nature of the requested transaction. "Separating" means the process of interpreting and segregating requested electronic funds transfer transactions, or portions of such transactions, to provide for processing of information relating to such requested transactions or portions of such transactions. "Routing" means the process of interpreting and

transmitting requested electronic funds transfer transactions to a destination selected at the time of interpretation and transmission from two or more alternative destinations.

Sec. 2. Section 527.2, Code 1987, is amended by adding the following new subsections:

NEW SUBSECTION. 8. "Municipal corporation" means an incorporated city.

NEW SUBSECTION. 9. "Unincorporated area" means a location within this state not within the boundaries of a municipal corporation.

NEW SUBSECTION. 10. "On-line real time basis" means the immediate and instantaneous delivery or return of an individual message through transmission of electronic impulses.

NEW SUBSECTION. 11. "Batch basis" means the periodic delivery of an accumulation of messages representing electronic funds transfer transactions authorized or rejected by the customer's financial institution at a prior time.

Sec. 3. Section 527.3, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 5. An administrator may conduct hearings and exercise any other appropriate authority conferred by this chapter regarding the operation or control of a satellite terminal upon the written request of a person, including but not limited to, a retailer, financial institution, or consumer.

Sec. 4. Section 527.4, subsection 3, paragraph a, Code 1987, is amended by striking the paragraph and inserting in lieu thereof the following:

3. a. A financial institution may establish any number of satellite terminals in any of the following locations:

(1) Within the boundaries of a municipal corporation if the principal place of business or an office of the financial institution is also located within the boundaries of the municipal corporation.

(2) Within an urban complex composed of two or more Iowa municipal corporations each of which is contiguous to or

corners upon at least one of the other municipal corporations within the complex if the principal place of business or an office of the financial institution is also located in the urban complex.

(3) Within the unincorporated area of a county in which the financial institution has its principal place of business or an office.

(4) Within a municipal corporation located in the same county as the principal place of business or an office of the financial institution if another financial institution has not located its principal place of business or an office within the municipal corporation.

(5) At any retail sales location in this state if any of the following apply:

(a) The satellite terminal is not designed, configured, or operated to accept deposits or to dispense script or other negotiable instruments.

(b) The satellite terminal is not designed, configured, or operated to dispense cash except when operated by the retailer as part of a retail sales transaction.

(c) The satellite terminal is utilized for the purpose of making payment to the retailer for goods or services purchased at the location of the satellite terminal.

(d) The financial institution controls a satellite terminal described under subparagraph part (c) at a location of the retailer established pursuant to subparagraph (1), (2), (3), or (4).

A financial institution shall not establish a satellite terminal at any other location except pursuant to an agreement with a financial institution which is authorized by this paragraph "a" to establish a satellite terminal at that location and which will utilize the satellite terminal at that location. This paragraph "a" does not amend, modify, or supersede any provision of chapter 524 regulating the number or locations of bank offices of a state or national bank, or authorize the establishment by a financial institution of any offices or other facilities except satellite terminals at locations permitted by this paragraph "a".

Sec. 5. Section 527.5, subsection 1, Code 1987, is amended to read as follows:

1. Each ~~a~~ satellite terminal ~~shall in this state may be established and controlled by a single one or more financial institution institutions. The establishing financial institutions shall designate a single controlling financial institution which shall have the duty of maintaining~~ maintain the location, use, and operation of the satellite terminal, wherever located, in compliance with this chapter. The use and operation of each ~~a~~ satellite terminal shall be governed by a written agreement between the controlling financial institution and the person controlling the physical location at which the satellite terminal is placed. The written agreement shall specify all of the terms and conditions, including any fees and charges, under which a ~~the~~ satellite terminal is placed at that location. ~~in the event a~~ ~~if the~~ satellite terminal is a multiple use terminal, the written agreement shall specify, and may limit, the specific types of transactions incidental to the conduct of the business of a financial institution which may be engaged in through that terminal.

Sec. 6. Section 527.5, subsection 2, Code 1987, is amended to read as follows:

2. The satellite terminal shall be available for use on a nondiscriminatory basis by any other financial institution which has its principal place of business within this state, and by all customers who have been designated by a financial institution using the satellite terminal and who have been provided with a physical object or other method, approved by the administrator, by which to engage in electronic transactions by means of the satellite terminal. No financial institution shall be required to join, be a member or shareholder of, or otherwise participate in any corporation, association, partnership, co-operative or other enterprise as a condition of its utilizing any satellite terminal located within this state. ~~However, for purposes of complying with this subsection, a satellite terminal which is established and~~

~~controlled by a bank is not required to be available for use by any savings and loan association or credit union or industrial loan company; and one established and controlled by a savings and loan association is not required to be available for use by a bank or credit union or industrial loan company; and one established and controlled by a credit union is not required to be available for use by a bank or savings and loan association or industrial loan company; and one established by an industrial loan company is not required to be available for use by a bank or savings and loan association or credit union.~~

Sec. 7. Section 527.5, subsection 3, Code 1987, is amended to read as follows:

3. An informational statement shall be filed and shall be maintained on a current basis with the administrator by the financial institution controlling the a satellite terminal in this state, which sets forth all of the following:

- a. The name and business address of the controlling financial institution;
- b. The location of the satellite terminal;
- c. A schedule of the charges which will be required to be paid by any a financial institution utilizing the satellite terminal; and
- d. An agreement with the administrator that the financial institution controlling the satellite terminal will maintain that satellite terminal in compliance with the provisions of this chapter.

The informational statement shall be accompanied by a copy of the written agreement required by subsection 1. The informational statement also shall be accompanied by a statement or copy of any agreement, whether oral or in writing, between the controlling financial institution and any a data processing center or any a central routing unit, unless operated by or solely on behalf of the controlling financial institution, by which transactions originating at that terminal will be received.

Sec. 8. Section 527.5, subsection 4, Code 1987, is amended to read as follows:

4. The a satellite terminal in this state shall not be attended or operated at any time by an employee of any a financial institution or an affiliate of a financial institution, except for the purpose of instructing customers, on a temporary basis, in the use of the satellite terminal, for the purpose of testing the terminal, or for the purpose of transacting business on the employee's own behalf.

Sec. 9. Section 527.5, subsection 5, Code 1987, is amended to read as follows:

5. The a satellite terminal in this state shall bear a sign or label identifying each type of financial institution utilizing the terminal. A satellite terminal location in this state shall not be used to advertise individual financial institutions or any a group of financial institutions. However, a satellite terminal shall bear a sign or label no larger than three inches by two inches identifying the name, address, and telephone number of the owner of the satellite terminal. The administrator ~~is empowered to~~ may authorize such methods of identification as the administrator deems necessary to enable the general public to determine the accessibility of the a satellite terminal.

Sec. 10. Section 527.5, subsection 8, paragraph a, Code 1987, is amended to read as follows:

8. a. A satellite terminal in this state shall not be operated in any a manner to permit a person to credit any a demand deposit account, savings account, share account, or any other account representing a liability of a financial institution, if that financial institution is located outside of this state.

Sec. 11. Section 527.5, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 9. a. Satellite terminals located in this state shall be directly connected to either of the following:

- (1) A central routing unit approved pursuant to this chapter.

(2) A data processing center which is directly connected to a central routing unit approved pursuant to this chapter.

b. If a data processing center which is directly connected to a satellite terminal located in this state does not authorize or reject a transaction originated at that terminal, the transaction shall be immediately transmitted by the data processing center to a central routing unit approved pursuant to this chapter, unless one of the following applies:

(1) The transaction is not authorized because of a mechanical failure of the data processing center or satellite terminal.

(2) The transaction does not affect a deposit account held by a financial institution with its principal office in this state.

c. This subsection does not limit the authority of a data processing center to authorize or reject transactions requested by customers of a financial institution pursuant to an agreement whereby the data processing center authorizes or rejects requested transactions on behalf of the financial institution and provides to the financial institution, on a batch basis and not on an on-line real time basis, information concerning authorized or rejected transactions of customers of the financial institution.

Sec. 12. Section 527.8, subsection 1, Code 1987, is amended to read as follows:

1. As a condition of exercising the privilege of utilizing a satellite terminal, a financial institution ~~shall be~~ is liable to each of its customers for all losses incurred by such the customer as a result of the transmission or recording of electronic impulses as a part of a transaction not authorized by such the customer or to which the customer was not a party. However, ~~in the event if~~ the financial institution has provided the customer with a physical object or other method of engaging in a transaction at a satellite terminal which is unique to the customer, and losses are incurred by the customer as a result of the theft, loss or other compromise of that physical object or other method of

engagement, the liability of the financial institution pursuant to this section shall not include the first fifty dollars of any losses incurred prior to the time the customer notifies the financial institution of such the theft, loss or compromise except that the financial institution shall have no liability if the losses are a result of the customer's fraudulent acts or omissions.

Sec. 13. Section 527.9, subsection 2, Code 1987, is amended by adding the following new lettered paragraph:

NEW LETTERED PARAGRAPH. f. A representation and undertaking that the proposed central routing unit is directly connected to every data processing center that is directly connected to a satellite terminal located in this state, and that the proposed central routing unit will provide for direct connection in the future with any data processing center that becomes directly connected to a satellite terminal located in this state.

Sec. 14. Section 527.9, Code 1987, is amended by adding the following new subsection:

NEW SUBSECTION. 5. a. Effective July 1, 1987, a person owning or operating a central routing unit authorized under this section shall include public representation on any board setting policy for the central routing unit. Four or five public members shall be appointed to the board in the following manner:

- (1) Two members shall be appointed by the superintendent of banking.
- (2) One member shall be appointed by the administrator of the credit union department.
- (3) One member shall be appointed by the supervisor of savings and loan associations.
- (4) If an industrial loan company is connected to the central routing unit, one member shall be appointed by the superintendent of banking.

b. The superintendent of banking, administrator of the credit union department, and the supervisor of savings and loan associations shall form a committee to set, in

conjunction with the entity owning or operating the central routing unit, the term of office, the rate of compensation, and the rate of reimbursement for each public member. However, the public members shall be entitled to reasonable compensation and reimbursement from the board.

c. Each public member is entitled to all the rights of participation and voting as any other member of the board. The public members are to represent the interest of consumers and the business and agricultural communities in establishing policies for the central routing unit.

d. It is the intention of the general assembly that the ratio of public members to the overall membership of the board shall not be less than one public member for each seven members of the board. If the number of members on the board is increased, then the number of members appointed pursuant to paragraph "a" shall be increased to maintain the minimum ratio. In this event, a committee composed of the superintendent of banking, the administrator of the credit union department, and the supervisor of savings and loan associations shall appoint additional public members in order to maintain the minimum ratio.

e. An individual shall not be appointed as a public member pursuant to this subsection if the individual is a director of a financial institution or is directly employed by a financial institution doing business in this state.

Sec. 15. Section 527.10, Code 1987, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. A financial institution, data processing center, central routing unit, or other person shall not disseminate any information relating to the use of a multiple use terminal without the written authorization of the retailer on whose premises the terminal is located, or of the owner or operator of the terminal or the financial institution controlling the terminal. This section shall not, however, prohibit or restrict the use of information received in the processing, authorization, or rejection of a requested electronic funds transfer transaction, where such use is

necessary or incidental to the processing, authorization, or rejection, or to reconciling disputes or resolving questions raised by a retailer, financial institution, consumer, or any other person regarding the transaction.

\_\_\_\_\_  
JO ANN ZIMMERMAN  
President of the Senate

\_\_\_\_\_  
DONALD D. AVENSON  
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 461, Seventy-second General Assembly.

\_\_\_\_\_  
JOHN F. DWYER  
Secretary of the Senate

Approved May 28, 1987

\_\_\_\_\_  
TERRY E. BRANSTAD  
Governor

SF 461