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SENATE FILE **2362**
BY COMMITTEE ON COMMERCE

WITHDRAWN
3-28-96
(P. 1130)

(SUCCESSOR TO SSB 2223)

Passed Senate, Date _____

Passed House, Date _____

Vote: Ayes _____ Nays _____

Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the regulation of activities of state banks
2 and state bank affiliates, interstate branching or banking,
3 and personnel of the banking division, state banks, and state
4 bank affiliates, and the regulation of financial transactions
5 involving such entities and personnel.

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

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WITHDRAWN

S.F. 2362

1 Section 1. Section 524.103, subsection 8, Code Supplement
2 1995, is amended to read as follows:

3 8. "Bank" means a corporation organized under this chapter
4 or ~~Title 12 of the United States Code~~ 12 U.S.C. § 21.

5 Sec. 2. Section 524.107, subsection 3, Code Supplement
6 1995, is amended to read as follows:

7 3. Notwithstanding subsections 1 and 2, an organization
8 formed for educational purposes in association with an
9 accredited elementary or secondary school which engages in the
10 receipt of deposits ~~of no more than twenty dollars per~~
11 ~~depositor,~~ may use the words "educational bank", the use of
12 which is otherwise restricted in subsection 2, and such an
13 educational bank is not a bank within the meaning or scope of
14 regulation of this chapter.

15 Sec. 3. Section 524.211, subsections 2, 3, and 4, Code
16 Supplement 1995, are amended to read as follows:

17 2. The superintendent, deputy superintendent, finance
18 company bureau chief, general counsel, and all examiners
19 assigned to the finance company bureau are prohibited from
20 obtaining a loan of money or property from a ~~finance company~~
21 ~~licensed by the banking division~~ person or entity licensed
22 pursuant to chapter 533A, 533D, 536, or 536A, or a person or
23 entity affiliated with such licensee.

24 3. The superintendent, deputy superintendent, an assistant
25 to the superintendent, a bank examination analyst, finance
26 company bureau chief, general counsel, or an examiner of the
27 banking division, who has credit relations with a mortgage
28 banking company or credit card company licensed by the banking
29 division person or entity licensed or registered pursuant to
30 chapter 535B or 536C, is prohibited from participating in
31 decisions, oversight, and official review of matters
32 concerning the regulation of the ~~mortgage banking company or~~
33 ~~credit card company with which such person has credit~~
34 relations licensee or registrant.

35 4. An assistant to the superintendent, a bank examination

1 analyst, ~~general-counsel,~~ or an examiner assigned to the bank
2 bureau of the banking division who has credit relations with a
3 ~~finance-company-licensed-by-the-banking-division~~ person or
4 entity licensed pursuant to chapter 533A, 533D, 536, or 536A,
5 or with a person or entity affiliated with such licensee, is
6 prohibited from participating in decisions, oversight, and
7 official review of matters concerning the regulation of the
8 ~~finance-company-with-which-such-person-has-credit-relations~~
9 licensee.

10 Sec. 4. Section 524.215, subsection 5, Code Supplement
11 1995, is amended to read as follows:

12 5. In any an action brought to recover moneys the for a
13 loss of in connection with an indemnity bond which was a
14 result of embezzlement, misappropriation, or misuse of state
15 bank funds by a director, officer, or employee of the state
16 bank.

17 Sec. 5. Section 524.220, subsections 1 and 2, Code
18 Supplement 1995, are amended to read as follows:

19 1. A state bank shall render a full, clear, and accurate
20 statement of its condition to the superintendent, ~~on-forms-to~~
21 be-supplied in a format prescribed by the superintendent,
22 verified by the oath of an officer and attested by the
23 signatures of at least three of the directors, or verified by
24 the oath of two of its officers and attested by two of the
25 directors. The superintendent may, in the superintendent's
26 discretion, use any form of statement of condition that is
27 used by the federal deposit insurance corporation or the
28 federal reserve system.

29 2. The statement shall be transmitted to the
30 superintendent or the superintendent's designee within thirty
31 days after the end of each calendar quarter.

32 Sec. 6. Section 524.302, subsection 3, Code Supplement
33 1995, is amended to read as follows:

34 3. The articles of incorporation need not set forth any of
35 the corporate powers enumerated in this chapter. The articles

1 of incorporation shall be signed by all of the incorporators
2 ~~and acknowledged before an officer authorized to take~~
3 ~~acknowledgments of deeds.~~

4 Sec. 7. Section 524.401, subsections 1 and 2, Code
5 Supplement 1995, are amended to read as follows:

6 1. The minimum capital structure of a state bank existing
7 and operating on July 1, 1995, shall not be as follows: less
8 than the amount required by law prior to that date.

9 ~~a. The amount required by subsection 2.~~

10 ~~b. An amount less than that provided for under paragraph~~
11 ~~"a" which the state bank had on July 1, 1995, but not less~~
12 ~~than the minimum amount required by law prior to that date.~~

13 2. The minimum capital structure of a state bank
14 originally incorporated after July 1, 1995, pursuant to the
15 provisions of this chapter shall not be less than the amount
16 required by the federal deposit insurance corporation, or its
17 successor, or a greater amount which the superintendent may
18 deem necessary in view of the deposit potential of the state
19 bank and current banking standards relating to total capital
20 requirements.

21 2A. A state bank incorporated on or after July 1, 1995,
22 pursuant to this chapter, prior to receiving authorization to
23 do business from the superintendent, shall establish paid-in
24 surplus and undivided profits as required by the
25 superintendent.

26 Sec. 8. Section 524.608, unnumbered paragraph 1, Code
27 Supplement 1995, is amended to read as follows:

28 In addition to any examination made by the banking division
29 or other supervisory agency, the board of directors shall
30 review the adequacy of the bank's internal controls and cause
31 to be made no less frequently than annually once each calendar
32 year additional auditing procedures that the board deems to be
33 appropriate. The board shall determine the bank's audit needs
34 and record in the board's minutes the extent to which audit
35 procedures are to be employed. A report which summarizes

1 significant audit findings shall be delivered to the
2 superintendent as soon as practical upon completion.

3 Sec. 9. Section 524.706, subsection 1, Code Supplement
4 1995, is amended to read as follows:

5 1. a. An executive officer of a state bank may receive
6 loans ~~or~~ and extensions of credit, as defined in section
7 524.904, subsection 1, from a state bank of which the person
8 is an executive officer ~~not-exceeding, in the aggregate, the~~
9 following, as follows:

10 (1) ~~An-amount~~ For amounts secured by a lien on a dwelling
11 which is expected, after the obligation is incurred, to be
12 owned by the executive officer and used as the officer's
13 principal residence.

14 (2) ~~An-amount~~ For amounts to finance the education of a
15 child or children of the executive officer.

16 (3) ~~Any-other-loans-or-extensions-of-credit~~ For amounts
17 which in the aggregate do not at any one time exceed the
18 higher of twenty-five thousand dollars or two and one-half
19 percent of the bank's aggregate capital, but in no event more
20 than one hundred thousand dollars.

21 (4) ~~Other~~ For amounts which do not, in the aggregate,
22 exceed the principal amounts of segregated deposit accounts
23 which the bank may lawfully set off. An interest in or
24 portion of a segregated deposit account does not satisfy the
25 requirements of this subparagraph if that interest or portion
26 is also pledged to secure the payment of a debt or obligation
27 of any person other than the executive officer. If the
28 deposit is eligible for withdrawal before the secured loan
29 matures, the bank shall establish internal procedures to
30 prevent the release of the security without the bank's prior
31 consent.

32 (5) For amounts secured by bonds, notes, certificates of
33 indebtedness, or treasury bills of the United States or by
34 other such obligations fully guaranteed by the United States
35 as to principal and interest.

1 (6) For amounts secured by unconditional takeout
2 commitments or guarantees of any department, agency, bureau,
3 board, commission, or establishment of the United States or
4 any corporation wholly owned directly or indirectly by the
5 United States.

6 b. A state bank shall not loan money or extend credit to
7 an executive officer of the state bank, and an executive
8 officer of a state bank shall not receive a loan or extension
9 of credit from the state bank, exceeding the limitations
10 imposed by this section or for a purpose other than that
11 authorized by this section. Such loans ~~or~~ and extensions of
12 credit shall not exceed an amount totaling more than fifteen
13 percent of the aggregate capital of the state bank ~~and any,~~
14 except for loans and extensions of credit identified in
15 paragraph "a", subparagraphs (4), (5), and (6). Any such loan
16 on real property shall comply with section 524.905. A
17 majority of the board of directors, voting in the absence of
18 the applying executive officer, whether or not the executive
19 officer is also a director, shall give its prior approval to
20 any obligation of an executive officer to the state bank of
21 which the person is an executive officer. Approval shall be
22 recorded in the minutes.

23 Sec. 10. Section 524.904, subsections 2, 3, 4, and 5, Code
24 Supplement 1995, are amended to read as follows:

25 2. A state bank's ~~total-outstanding~~ bank may grant loans
26 and extensions of credit to one borrower ~~shall~~ in an amount
27 not to exceed fifteen percent of the state bank's aggregate
28 capital as defined in section 524.103, unless the additional
29 lending provisions described in subsections 3~~7~~ and 4~~7~~ and 5
30 apply.

31 3. A state bank may grant loans ~~or~~ and extensions of
32 credit to one borrower up in an amount not to exceed twenty-
33 five percent of the state bank's aggregate capital if the any
34 amount that exceeds ~~fifteen-percent-of-the-state-bank's~~
35 aggregate-capital the lending limitation described in

1 subsection 2 is fully secured by one or any combination of the
2 following:

3 a. Nonnegotiable bills of lading, warehouse receipts, or
4 other documents transferring or securing title covering
5 readily marketable nonperishable staples when such goods are
6 covered by insurance to the extent that insuring the goods is
7 customary, and when the market value of the goods is not at
8 any time less than one hundred twenty percent of the amount of
9 the loans and extensions of credit.

10 b. Nonnegotiable bills of lading, warehouse receipts, or
11 other documents transferring or securing title covering
12 readily marketable refrigerated or frozen staples when such
13 goods are fully covered by insurance and when the market value
14 of the goods is not at any time less than one hundred twenty
15 percent of the amount of the loans and extensions of credit.

16 c. Shipping documents or instruments that secure title to
17 or give a first lien on livestock. At inception, the current
18 value of the livestock securing the loans must equal at least
19 one hundred percent of the amount of the outstanding loans and
20 extensions of credit. For purposes of this section,
21 "livestock" includes dairy and beef cattle, hogs, sheep, and
22 poultry, whether or not held for resale. For livestock held
23 for resale, current value means the price listed for livestock
24 in a regularly published listing or actual purchase price
25 established by invoice. For livestock not held for resale,
26 the value shall be determined by the local slaughter price.
27 The bank must maintain in its files evidence of purchase or an
28 inspection and valuation for the livestock pledged that is
29 reasonably current, taking into account the nature and
30 frequency of turnover of the livestock to which the documents
31 relate.

32 d. Mortgages, deeds of trust, or similar instruments
33 granting a first lien on farmland or on single-family or two-
34 family residences, subject to the provisions of section
35 524.905, provided the amount loaned shall not exceed fifty

1 percent of the appraised value of such real property.

2 e. With the prior approval of the superintendent, other
3 readily marketable collateral. The market value of the
4 collateral securing the loans must at all times equal at least
5 one hundred percent of the outstanding loans and extensions of
6 credit.

7 4. A state bank may grant loans and extensions of credit
8 to a ~~corporate group~~, including the lending provisions of
9 subsection 3, in an amount not to exceed twenty-five percent
10 of the state bank's aggregate capital. ~~A corporate group~~
11 includes a person and all corporations in which the person
12 owns or controls fifty percent or more of the shares entitled
13 to vote one borrower not to exceed thirty-five percent of the
14 state bank's aggregate capital if any amount that exceeds the
15 lending limitations described in subsections 2 and 3 consists
16 of obligations as endorser of negotiable chattel paper
17 negotiated by endorsement with recourse, or as unconditional
18 guarantor of nonnegotiable chattel paper, or as transferor of
19 chattel paper endorsed without recourse subject to a
20 repurchase agreement.

21 5. A state bank may grant loans ~~or~~ and extensions of
22 credit to ~~one borrower not to exceed thirty-five percent of~~
23 ~~the state bank's aggregate capital if the amount that exceeds~~
24 ~~the lending provisions provided in subsections 2, 3, and 4~~
25 ~~consists of obligations as endorser of negotiable chattel~~
26 ~~paper negotiated by endorsement with recourse, or as~~
27 ~~unconditional guarantor of nonnegotiable chattel paper, or as~~
28 ~~transferor of chattel paper endorsed without recourse subject~~
29 ~~to a repurchase agreement~~ a corporate group in an amount not
30 to exceed twenty-five percent of the state bank's aggregate
31 capital if all loans and extensions of credit to any one
32 borrower within a corporate group conform to subsections 2 and
33 3, and the financial strength, assets, guarantee, or
34 endorsement of any one corporate group member is not relied
35 upon as a basis for loans and extensions of credit to any

1 other corporate group member. A state bank may grant loans
2 and extensions of credit to a corporate group in an amount not
3 to exceed thirty-five percent of aggregate capital if all
4 loans and extensions of credit to any one borrower within a
5 corporate group conform to subsections 2, 3, and 4, and the
6 financial strength, assets, guarantee, or endorsement of any
7 one corporate group member is not relied upon as a basis for
8 loans and extensions of credit to any other corporate group
9 member. A corporate group includes a person and all
10 corporations in which the person owns or controls fifty
11 percent or more of the shares entitled to vote.

12 Sec. 11. Section 524.1007, subsection 3, Code 1995, is
13 amended to read as follows:

14 3. For purposes of subsection 1, "affiliate" means another
15 a trust company subsidiary authorized by the superintendent
16 pursuant to section 524.802, subsection 12, paragraph "b", and
17 located in this state, a state bank located in this state, or
18 a national bank located in this state and organized under 12
19 U.S.C. secs. § 21, et-seq.-to-engage-generally-in-the-banking
20 business.--A-state-bank-and-another-bank-shall-not-be-deemed
21 "affiliates" unless both that are under the common ownership
22 of a bank holding company as defined in section 524.1801 that
23 owns-at-least-eighty-percent-of-the-voting-shares-of-each-of
24 the-two-banks.

25 Sec. 12. Section 524.1008, subsections 1, 3, and 4, Code
26 1995, are amended to read as follows:

27 1. A state bank authorized to act in a fiduciary capacity
28 may enter into an agreement for the succession of fiduciary
29 accounts with a trust company subsidiary authorized by the
30 superintendent pursuant to section 524.802, subsection 12,
31 paragraph "b", or one or more other state or national banks
32 that are located in this state and authorized to act in a
33 fiduciary capacity. In the agreement, the succeeding bank or
34 trust company subsidiary may agree to succeed the
35 relinquishing bank as a fiduciary with respect to those

1 fiduciary accounts which are designated in the agreement. The
2 designation of accounts may be by general class or description
3 and may include fiduciary accounts subject and not subject to
4 court administration and fiduciary accounts to arise in the
5 future under wills, trusts, court orders, or other documents
6 under which the relinquishing bank is named as a fiduciary or
7 is named to become a fiduciary upon the death of a testator or
8 settlor or upon the happening of any other subsequent event.
9 The agreement shall provide either (a) that the succeeding
10 bank or trust company subsidiary maintain one or more
11 employees or agents at the office of the relinquishing bank in
12 order to facilitate the continued servicing of the designated
13 fiduciary accounts, or (b) that the relinquishing bank act as
14 an agent of the succeeding bank or trust company subsidiary
15 with respect to the fiduciary accounts that are subject to the
16 agreement, and the relinquishing bank as an agent may perform
17 services other than fiduciary services with respect to those
18 accounts. If the relinquishing bank is an agent under
19 alternative (b) above, then the relinquishing bank shall
20 disclose to its customers that it is acting as an agent of the
21 succeeding bank or trust company subsidiary. The
22 relinquishing bank shall mail a notice of the succession to
23 all persons having an interest in a fiduciary account at their
24 last known address, and shall publish a notice of the
25 succession to fiduciary accounts in a newspaper published in
26 the county of the principal place of business of the
27 relinquishing bank. After the publication, the succeeding
28 bank or trust company subsidiary shall, without further
29 notice, approval or authorization succeed the relinquishing
30 bank as to the fiduciary accounts and the fiduciary powers,
31 rights, privileges, duties, and liabilities for the fiduciary
32 accounts. On the effective date of the succession to
33 fiduciary accounts, the relinquishing bank is released from
34 fiduciary duties under the fiduciary accounts and shall
35 discontinue its exercise of trust powers to the fiduciary

1 accounts. This subsection does not absolve a relinquishing
2 bank from liabilities arising out of a breach of fiduciary
3 duty occurring prior to the succession of fiduciary accounts.

4 ~~3. A state bank or national bank that is owned or~~
5 ~~controlled by a bank holding company as defined in section~~
6 ~~524.1801 shall not be a party to an agreement authorized by~~
7 ~~subsection 1.~~ A bank shall not agree to relinquish fiduciary
8 accounts to or act as an agent of more than one succeeding
9 bank fiduciary at any one time.

10 4. The privilege of succeeding to fiduciary accounts that
11 is extended to a state bank or trust company subsidiary by
12 subsection 1 is also extended on the same terms and conditions
13 to a national bank located in this state and organized under
14 ~~12 U.S.C. secs. § 21 et seq. to engage generally in the~~
15 banking business.

16 Sec. 13. Section 524.1201, Code Supplement 1995, is
17 amended by adding the following new subsection:

18 NEW SUBSECTION. 2A. Notwithstanding any of the other
19 provisions of this section, original loan documentation
20 recordkeeping functions may be located at an authorized bank
21 office or at any other location approved by the
22 superintendent.

23 Sec. 14. Section 524.1201, subsection 3, Code Supplement
24 1995, is amended to read as follows:

25 3. Notwithstanding any of the other provisions of this
26 section, original trust recordkeeping functions may be
27 centrally located at an authorized bank office, ~~and original~~
28 ~~loan documentation recordkeeping functions may be located at~~
29 ~~an authorized bank office or at the office of the holding~~
30 ~~company of a state bank, subject to the approval of~~ or at any
31 other location approved by the superintendent.

32 Sec. 15. NEW SECTION. 524.1205 ESTABLISHMENT OF BRANCH
33 OR OFFICE IN OTHER STATE -- SUPERINTENDENT'S AUTHORITY TO
34 REGULATE.

35 Notwithstanding section 524.1201, subsection 1, and section

1 524.1202, subsection 2, paragraph "b", upon application to and
2 approval by the superintendent, a state bank may acquire in
3 any manner, establish, maintain, operate, retain, or relocate
4 a branch or office in a state other than this state. Subject
5 to the approval of the superintendent, such branch or office
6 may engage in any activity authorized for a branch or office
7 of a bank organized under the laws of that other state. The
8 superintendent shall supervise and regulate all out-of-state
9 branches and offices of a state bank. Sections 524.1201 and
10 524.1203 apply to an out-of-state branch or office of a state
11 bank except as otherwise provided by the laws of the state in
12 which a branch or office is located or by the superintendent
13 pursuant to this section. This section does not authorize or
14 permit a state-chartered bank located outside of this state or
15 a national bank located outside of this state to establish a
16 de novo branch or office in this state. This section does not
17 authorize or permit, before June 1, 1997, an interstate merger
18 transaction within the meaning of 12 U.S.C. § 1831u(a).

19 Sec. 16. Section 524.1213, Code 1995, is amended by adding
20 the following new subsections:

21 NEW SUBSECTION. 4A. For purposes of subsection 3, a bank
22 that results from the conversion of a state savings
23 association or federal savings association, as defined in 12
24 U.S.C. § 1813, is deemed to have been in continuous existence
25 and operation as a bank for the combined periods of continuous
26 existence and operation of the bank and the association from
27 which it was converted.

28 NEW SUBSECTION. 4B. For purposes of subsection 3, a bank
29 that has been chartered solely for the purpose of, and does
30 not open for business prior to, acquiring control of, or
31 acquiring all or substantially all of the assets of, a bank
32 located in this state is deemed to have been in existence and
33 operation for the same period of time as the bank which is
34 acquired.

35 Sec. 17. Section 524.1801, Code 1995, is amended by

1 striking the section and inserting in lieu thereof the
2 following:

3 524.1801 DEFINITIONS.

4 As used in this chapter unless the context otherwise
5 requires:

6 1. "Bank holding company" means bank holding company as
7 defined in 12 U.S.C. § 1841(a), and also includes a company
8 that would become a bank holding company upon completion of an
9 acquisition.

10 2. "Company" means company as defined in 12 U.S.C. §
11 1841(b).

12 3. "Control" means control as provided in 12 U.S.C. §
13 1841(a).

14 4. "Location" means, for purposes of determining where a
15 bank or bank holding company is located, the following:

16 a. A bank is located in the state in which its principal
17 place of business or main office is physically located.

18 b. A bank holding company is located in the state which is
19 its home state as determined under 12 U.S.C. § 1841(o)(4).

20 5. "Out-of-state bank holding company" means out-of-state
21 bank holding company as defined in 12 U.S.C. § 1841(o).

22 Sec. 18. Section 524.1804, Code 1995, is amended to read
23 as follows:

24 524.1804 ~~MORE-THAN-ONE-FOURTH-OF-STOCK-BY~~ NOTICE OF
25 ACQUISITION ---EFFECT.

26 Any A bank holding company~~, or firm which would thereby~~
27 ~~become a bank holding company,~~ which proposes to directly or
28 indirectly acquire ownership ~~or control of the voting shares~~
29 ~~of any bank, and which upon such acquisition would own or~~
30 ~~control more than twenty-five percent of the voting shares of~~
31 the bank, or directly or indirectly acquire all or
32 substantially all of the assets of, a state bank or national
33 bank, shall provide to the superintendent a copy of any
34 original the application and any modifications or amendments
35 to the application submitted to the board of governors of the

1 federal reserve system board for permission to take such
2 action, ~~and a copy of any subsequent amendment thereto,~~ at the
3 same time the application ~~or amendment~~ is transmitted to the
4 federal reserve system board. The superintendent may conduct
5 such investigation into and evaluation of the proposed action
6 as the superintendent deems necessary and appropriate, and may
7 submit to the federal reserve board any information so
8 obtained together with the superintendent's own comments or
9 recommendations regarding the proposed acquisition.

10 Sec. 19. Section 524.1805, Code 1995, is amended by
11 striking the section and inserting in lieu thereof the
12 following:

13 524.1805 RESTRICTIONS ON ACQUISITIONS AND MERGERS.

14 1. An out-of-state bank or out-of-state bank holding
15 company shall not directly or indirectly acquire control of,
16 or directly or indirectly acquire all or substantially all of
17 the assets of, a bank located in this state unless the bank
18 has been in continuous existence and operation for at least
19 five years.

20 2. For purposes of subsection 1, a bank that has been
21 chartered solely for the purpose of, and does not open for
22 business prior to, acquiring control of, or acquiring all or
23 substantially all of the assets of, a bank located in this
24 state is deemed to have been in existence for the same period
25 of time as the bank to be acquired.

26 3. For purposes of subsection 1, the period of existence
27 and operation of a bank is deemed to be continuous,
28 notwithstanding any of the following:

29 a. Any direct or indirect change in the name, ownership,
30 or control of the bank.

31 b. Any rechartering or merger of the bank.

32 4. For purposes of subsection 1, a bank that resulted from
33 the conversion of a state savings association or federal
34 savings association, as defined in 12 U.S.C. § 1813, is deemed
35 to have been in continuous existence and operation as a bank

1 for the combined periods of continuous existence and operation
2 of the bank and the association from which it was converted.

3 5. An out-of-state bank or out-of-state bank holding
4 company that is organized under laws other than those of this
5 state is subject to and shall comply with the provisions of
6 chapter 490, division XV, relating to foreign corporations,
7 and shall immediately provide the superintendent of banking
8 with a copy of each filing submitted to the secretary of state
9 under that division.

10 Sec. 20. Section 524.1912, subsection 2, Code 1995, is
11 amended to read as follows:

12 2. An authorization for a state bank to engage in
13 activities regulated under title XIII, subtitle 1, if any,
14 does not grant ~~a regional bank holding company~~ an out-of-state
15 bank holding company that acquires a state bank ~~under section~~
16 ~~524.1903~~ or any state bank owned or controlled by ~~that~~ such
17 bank holding company or any subsidiary or affiliate the
18 ability or right to engage in such activities outside of this
19 state.

20 Sec. 21. Section 535B.2, Code 1995, is amended by adding
21 the following new subsection:

22 NEW SUBSECTION. 13. A nonprofit organization qualifying
23 for tax exempt status under the Internal Revenue Code as
24 defined in section 422.3 which offers housing services to low
25 and moderate income families.

26 Sec. 22. Section 535B.3, subsections 1 and 3, Code 1995,
27 are amended to read as follows:

28 1. A person exempt under section 535B.2, subsection 10,
29 11, or 12, or 13, shall register with the administrator.

30 3. The registrant, except a nonprofit organization exempt
31 under section 535B.2, subsection 13, shall pay an annual
32 registration fee of one hundred dollars.

33 Sec. 23. Section 524.1912, Code 1995, as amended by
34 section 20 of this Act, shall be recodified by the Code editor
35 as section 524.1808 of the Code.

1 Sec. 24.

2 1. Sections 524.1901 through 524.1904 and 524.1906 through
3 524.1911, Code 1995, are repealed.

4 2. Section 524.1905, Code Supplement 1995, is repealed.

5 EXPLANATION

6 This bill amends provisions in chapter 524 relating to the
7 regulation and operation of banks.

8 The definition of a bank in section 524.103 is amended to
9 exclude federally chartered entities, other than a national
10 bank, from the definition.

11 Section 524.107 is amended to eliminate the \$20 maximum on
12 receipts which may be accepted by an educational bank. The
13 section is also amended to clearly indicate that an accredited
14 school which is permitted to participate in an educational
15 bank must be an elementary or secondary school.

16 Section 524.211 is amended to prohibit certain banking
17 division personnel from obtaining a loan from affiliates of
18 certain entities regulated by the division. The section is
19 amended to prohibit certain banking division personnel from
20 participating in decisions or other regulatory actions related
21 to affiliates of regulated entities if such personnel have
22 credit relations with the affiliate. The section is also
23 amended to prohibit the general counsel from borrowing from
24 certain regulated entities and their affiliates.

25 Section 524.215 is amended to provide that an in action to
26 recover state bank moneys which are lost as a result of
27 embezzlement, misappropriation, misuse by a director, officer,
28 or employee of a state bank, recovery must be sought under the
29 bank's indemnity bond.

30 Section 524.220 is amended to provide that the annual
31 statement to be provided to the superintendent by a state bank
32 concerning the bank's condition must be submitted in the
33 format prescribed by the superintendent, rather than on the
34 forms to be supplied by the superintendent.

35 Section 524.302 is amended to strike the requirement that

1 the articles of incorporation be acknowledged.

2 Section 524.401 is amended to provide that the minimum
3 capital requirements of a state bank apply to the total
4 capital structure of the bank. The section is also amended to
5 provide that a state bank incorporated on or after July 1,
6 1995, is to establish paid-in surplus and undivided profits as
7 required by the superintendent.

8 Section 524.608 is amended to provide that the board of a
9 state bank is to require additional auditing procedures deemed
10 necessary by the board no less than once each calendar year.
11 Currently, the section requires such procedures no less than
12 annually. The section is also amended to provide that a state
13 bank incorporated after July 1, 1995, is to establish paid in
14 surplus and undivided profits as required by the
15 superintendent.

16 Section 524.706 is amended to permit an executive officer
17 of a state bank to obtain loans and extensions of credit for
18 amounts secured by bonds, notes, certificates of indebtedness,
19 or treasury bills of the United States or by other such
20 obligations fully guaranteed by the United States as to
21 principal and interest, and for amounts secured by
22 unconditional takeout commitments or guarantees of the federal
23 government or a corporation wholly owned by the federal
24 government.

25 Section 524.904 is amended to provide that a loan or
26 extension of credit to a corporate group must comply with
27 additional existing requirements in addition to aggregate
28 capital maximums. These other requirements currently apply to
29 single individuals borrowing from the state bank.

30 Sections 524.1007 and 524.1008 are amended to include a
31 trust company subsidiary in the definition of a state bank's
32 "affiliates" for purposes of the succession of fiduciary
33 accounts, and to permit the succession of those accounts to
34 such trust company affiliates.

35 Section 524.1201 is amended to permit original loan

1 documentation recordkeeping functions to be located at a
2 location other than a state bank's authorized bank office with
3 the approval of the superintendent.

4 New section 524.1205 is created and provides that a state
5 bank may acquire, establish, maintain, operate, retain, or
6 relocate a branch or an office in a state other than Iowa upon
7 application to and approval by the superintendent. The
8 superintendent is to supervise and regulate all out-of-state
9 branches and offices of a state bank. However, this section
10 does not authorize or permit a state-chartered bank located
11 outside this state or a national bank located outside this
12 state to establish a de novo branch or office in this state.
13 This section also does not authorize or permit an interstate
14 merger transaction as defined in federal statute before June
15 1, 1997.

16 Section 524.1213, relating to united community bank
17 offices, is amended to provide a bank which results from the
18 conversion of a state or federal savings association, or which
19 is chartered solely for the purpose of acquiring control of a
20 bank located in this state, is deemed to have been in
21 existence and operation as a bank for the combined periods of
22 existence and operation of the bank and the association from
23 which it was converted or for the same period of time as the
24 bank which is acquired.

25 Section 524.1801, which currently defines "bank holding
26 company", is rewritten to include definitions for "bank
27 holding company", "company", "control", "location", and "out-
28 of-state bank holding company".

29 Section 524.1804 is amended to require a bank holding
30 company that proposes to acquire a state or federal bank to
31 provide a copy of the application submitted to the federal
32 reserve board for permission to take such action.

33 Section 524.1805 is rewritten to provide that an out-of-
34 state bank or out-of-state bank holding company is prohibited
35 from acquiring control of, or acquiring all or substantially

1 all of the assets of, a bank located in this state unless the
2 bank has been in continuous existence and operation for at
3 least five years. Section 524.1805 currently provides that a
4 bank holding company is not authorized to acquire any voting
5 shares, substantially all of the assets of, or control of a
6 state bank unless the bank holding company was registered with
7 the federal reserve as a bank holding company on January 1,
8 1971.

9 Section 524.1912 is amended to provide that an
10 authorization for a state bank to engage in insurance sales
11 does not grant an out-of-state bank holding company that
12 acquires a state bank the authority to engage in the sale of
13 insurance outside of this state. The bill also provides that
14 section 524.1912 is to be recodified as section 524.1808.

15 Chapter 535B, which regulates mortgage bankers and brokers,
16 is amended by exempting a nonprofit organization which
17 qualifies for tax exempt status and which offers housing
18 services to low and moderate income families from the
19 application of the chapter. Notwithstanding the exemption,
20 such nonprofit organizations are still required to register
21 under the chapter.

22 Sections 524.1901 through 524.1911, which relate to
23 regional banking, are repealed.

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SENATE FILE 2362

S-5216

1 Amend Senate File 2362 as follows:

2 1. Page 12, by inserting after line 21 the
3 following:

4 "Sec. ____ . Section 524.1802, subsection 1, Code
5 1995, is amended to read as follows:

6 1. a. A bank holding company shall not directly
7 or indirectly acquire ownership or control of more
8 than twenty-five percent of the voting shares of a
9 bank, savings and loan association, or savings bank,
10 or the power to control in any manner the election of
11 a majority of the directors of a bank, savings and
12 loan association, or savings bank if upon the
13 acquisition the banks, savings and loan associations,
14 and savings banks so owned or controlled by the bank
15 holding company would have, in the aggregate, more
16 than ten percent, or such greater percentage as
17 determined under paragraph "b", of the total time and
18 demand deposits of all banks, savings and loan
19 associations, and savings banks in this state, as
20 determined by the superintendent on the basis of the
21 most recent reports of the banks, savings and loan
22 associations, and savings banks in the state to their
23 supervisory authorities which are available at the
24 time of the acquisition.

25 b. The percentage limitation set forth in
26 paragraph "a" shall be thirteen percent for purposes
27 of an acquisition which includes only an office which
28 is located within a county with a population of more
29 than thirty-three thousand or which the bank holding
30 company agrees in writing with the superintendent to
31 dispose of or close within three years of the
32 acquisition.

33 c. If the federal reserve board determines in an
34 application for approval of an acquisition pursuant to
35 12 U.S.C. § 1842(d), that any part of paragraph "b" is
36 a limitation which is not permitted by 12 U.S.C. §
37 1842(d)(2)(C), paragraph "b", in its entirety, shall
38 not apply to such acquisition."

39 2. By renumbering as necessary.

By MICHAEL E. GRONSTAL
JOANN DOUGLAS

S-5216 FILED MARCH 6, 1996

DeLuhery
Jensen
Priebe

SSB 2223

Commerce
Succeeded By
(SF) HF 2362

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
COMMERCE/BANKING DIVISION
BILL)

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

A BILL FOR

1 An Act relating to the regulation of activities of state banks
2 and state bank affiliates, interstate branching or banking,
3 and personnel of the banking division, state banks, and state
4 bank affiliates, and the regulation of financial transactions
5 involving such entities and personnel.

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

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1 Section 1. Section 524.103, subsection 8, Code Supplement
2 1995, is amended to read as follows:

3 8. "Bank" means a corporation organized under this chapter
4 or ~~Title 12 of the United States Code~~ 12 U.S.C. § 21.

5 Sec. 2. Section 524.107, subsection 3, Code Supplement
6 1995, is amended to read as follows:

7 3. Notwithstanding subsections 1 and 2, an organization
8 formed for educational purposes in association with an
9 accredited elementary or secondary school which engages in the
10 receipt of deposits ~~of no more than twenty dollars per~~
11 ~~depositer,~~ may use the words "educational bank", the use of
12 which is otherwise restricted in subsection 2, and such an
13 educational bank is not a bank within the meaning or scope of
14 regulation of this chapter.

15 Sec. 3. Section 524.211, subsections 2, 3, and 4, Code
16 Supplement 1995, are amended to read as follows:

17 2. The superintendent, deputy superintendent, finance
18 company bureau chief, general counsel, and all examiners
19 assigned to the finance company bureau are prohibited from
20 obtaining a loan of money or property from a ~~finance company~~
21 ~~licensed by the banking division~~ person or entity licensed
22 pursuant to chapter 533A, 533D, 536, or 536A, or a person or
23 entity affiliated with such licensee.

24 3. The superintendent, deputy superintendent, an assistant
25 to the superintendent, a bank examination analyst, finance
26 company bureau chief, general counsel, or an examiner of the
27 banking division, who has credit relations with a mortgage
28 banking company or credit card company licensed by the banking
29 division person or entity licensed or registered pursuant to
30 chapter 535B or 536C, is prohibited from participating in
31 decisions, oversight, and official review of matters
32 concerning the regulation of the mortgage banking company or
33 credit card company with which such person has credit
34 relations licensee or registrant.

35 4. An assistant to the superintendent, a bank examination

1 analyst, ~~general-counsel~~, or an examiner assigned to the bank
2 bureau of the banking division who has credit relations with a
3 ~~finance-company-licensed-by-the-banking-division~~ person or
4 entity licensed pursuant to chapter 533A, 533D, 536, or 536A,
5 or with a person or entity affiliated with such licensee, is
6 prohibited from participating in decisions, oversight, and
7 official review of matters concerning the regulation of the
8 ~~finance-company-with-which-such-person-has-credit-relations~~
9 licensee.

10 Sec. 4. Section 524.215, subsection 5, Code Supplement
11 1995, is amended to read as follows:

12 5. In any an action brought to recover moneys the for a
13 loss of in connection with an indemnity bond which was a
14 result of embezzlement, misappropriation, or misuse of state
15 bank funds by a director, officer, or employee of the state
16 bank.

17 Sec. 5. Section 524.220, subsections 1 and 2, Code
18 Supplement 1995, are amended to read as follows:

19 1. A state bank shall render a full, clear, and accurate
20 statement of its condition to the superintendent, ~~on-forms-to~~
21 be-supplied in a format prescribed by the superintendent,
22 verified by the oath of an officer and attested by the
23 signatures of at least three of the directors, or verified by
24 the oath of two of its officers and attested by two of the
25 directors. The superintendent may, in the superintendent's
26 discretion, use any form of statement of condition that is
27 used by the federal deposit insurance corporation or the
28 federal reserve system.

29 2. The statement shall be transmitted to the
30 superintendent or the superintendent's designee within thirty
31 days after the end of each calendar quarter.

32 Sec. 6. Section 524.302, subsection 3, Code Supplement
33 1995, is amended to read as follows:

34 3. The articles of incorporation need not set forth any of
35 the corporate powers enumerated in this chapter. The articles

1 of incorporation shall be signed by all of the incorporators
2 ~~and acknowledged before an officer authorized to take~~
3 ~~acknowledgments of deeds.~~

4 Sec. 7. Section 524.401, subsections 1 and 2, Code
5 Supplement 1995, are amended to read as follows:

6 1. The minimum capital structure of a state bank existing
7 and operating on July 1, 1995, shall not be as follows: less
8 than the amount required by law prior to that date.

9 ~~a.---The amount required by subsection 2.~~

10 ~~b.---An amount less than that provided for under paragraph~~
11 ~~"a" which the state bank had on July 1, 1995, but not less~~
12 ~~than the minimum amount required by law prior to that date.~~

13 2. The minimum capital structure of a state bank
14 originally incorporated after July 1, 1995, pursuant to the
15 provisions of this chapter shall not be less than the amount
16 required by the federal deposit insurance corporation, or its
17 successor, or a greater amount which the superintendent may
18 deem necessary in view of the deposit potential of the state
19 bank and current banking standards relating to total capital
20 requirements.

21 2A. A state bank incorporated on or after July 1, 1995,
22 pursuant to this chapter, prior to receiving authorization to
23 do business from the superintendent, shall establish paid-in
24 surplus and undivided profits as required by the
25 superintendent.

26 Sec. 8. Section 524.608, unnumbered paragraph 1, Code
27 Supplement 1995, is amended to read as follows:

28 In addition to any examination made by the banking division
29 or other supervisory agency, the board of directors shall
30 review the adequacy of the bank's internal controls and cause
31 to be made no less frequently than annually once each calendar
32 year additional auditing procedures that the board deems to be
33 appropriate. The board shall determine the bank's audit needs
34 and record in the board's minutes the extent to which audit
35 procedures are to be employed. A report which summarizes

1 significant audit findings shall be delivered to the
2 superintendent as soon as practical upon completion.

3 Sec. 9. Section 524.706, subsection 1, Code Supplement
4 1995, is amended to read as follows:

5 1. a. An executive officer of a state bank may receive
6 loans ~~or~~ and extensions of credit, as defined in section
7 524.904, subsection 1, from a state bank of which the person
8 is an executive officer ~~not-exceeding, in the aggregate, the~~
9 following, as follows:

10 (1) ~~An-amount~~ For amounts secured by a lien on a dwelling
11 which is expected, after the obligation is incurred, to be
12 owned by the executive officer and used as the officer's
13 principal residence.

14 (2) ~~An-amount~~ For amounts to finance the education of a
15 child or children of the executive officer.

16 (3) ~~Any-other-loans-or-extensions-of-credit~~ For amounts
17 which in the aggregate do not at any one time exceed the
18 higher of twenty-five thousand dollars or two and one-half
19 percent of the bank's aggregate capital, but in no event more
20 than one hundred thousand dollars.

21 (4) ~~Other~~ For amounts which do not, in the aggregate,
22 exceed the principal amounts of segregated deposit accounts
23 which the bank may lawfully set off. An interest in or
24 portion of a segregated deposit account does not satisfy the
25 requirements of this subparagraph if that interest or portion
26 is also pledged to secure the payment of a debt or obligation
27 of any person other than the executive officer. If the
28 deposit is eligible for withdrawal before the secured loan
29 matures, the bank shall establish internal procedures to
30 prevent the release of the security without the bank's prior
31 consent.

32 (5) For amounts secured by bonds, notes, certificates of
33 indebtedness, or treasury bills of the United States or by
34 other such obligations fully guaranteed by the United States
35 as to principal and interest.

1 (6) For amounts secured by unconditional takeout
2 commitments or guarantees of any department, agency, bureau,
3 board, commission, or establishment of the United States or
4 any corporation wholly owned directly or indirectly by the
5 United States.

6 b. A state bank shall not loan money or extend credit to
7 an executive officer of the state bank, and an executive
8 officer of a state bank shall not receive a loan or extension
9 of credit from the state bank, exceeding the limitations
10 imposed by this section or for a purpose other than that
11 authorized by this section. Such loans ~~or~~ and extensions of
12 credit shall not exceed an amount totaling more than fifteen
13 percent of the aggregate capital of the state bank ~~and any,~~
14 except for loans and extensions of credit identified in
15 paragraph "a", subparagraphs (4), (5), and (6). Any such loan
16 on real property shall comply with section 524.905. A
17 majority of the board of directors, voting in the absence of
18 the applying executive officer, whether or not the executive
19 officer is also a director, shall give its prior approval to
20 any obligation of an executive officer to the state bank of
21 which the person is an executive officer. Approval shall be
22 recorded in the minutes.

23 Sec. 10. Section 524.904, subsections 2, 3, 4, and 5, Code
24 Supplement 1995, are amended to read as follows:

25 2. A state bank ~~'s total outstanding~~ bank may grant loans
26 and extensions of credit to one borrower ~~shall~~ in an amount
27 not to exceed fifteen percent of the state bank's aggregate
28 capital as defined in section 524.103, unless the additional
29 lending provisions described in subsections 3~~7~~ and 4~~7~~-and-5
30 apply.

31 3. A state bank may grant loans ~~or~~ and extensions of
32 credit to one borrower ~~up~~ in an amount not to exceed twenty-
33 five percent of the state bank's aggregate capital if the any
34 amount that exceeds ~~fifteen percent of the state bank's~~
35 ~~aggregate capital~~ the lending limitation described in

1 subsection 2 is fully secured by one or any combination of the
2 following:

3 a. Nonnegotiable bills of lading, warehouse receipts, or
4 other documents transferring or securing title covering
5 readily marketable nonperishable staples when such goods are
6 covered by insurance to the extent that insuring the goods is
7 customary, and when the market value of the goods is not at
8 any time less than one hundred twenty percent of the amount of
9 the loans and extensions of credit.

10 b. Nonnegotiable bills of lading, warehouse receipts, or
11 other documents transferring or securing title covering
12 readily marketable refrigerated or frozen staples when such
13 goods are fully covered by insurance and when the market value
14 of the goods is not at any time less than one hundred twenty
15 percent of the amount of the loans and extensions of credit.

16 c. Shipping documents or instruments that secure title to
17 or give a first lien on livestock. At inception, the current
18 value of the livestock securing the loans must equal at least
19 one hundred percent of the amount of the outstanding loans and
20 extensions of credit. For purposes of this section,
21 "livestock" includes dairy and beef cattle, hogs, sheep, and
22 poultry, whether or not held for resale. For livestock held
23 for resale, current value means the price listed for livestock
24 in a regularly published listing or actual purchase price
25 established by invoice. For livestock not held for resale,
26 the value shall be determined by the local slaughter price.
27 The bank must maintain in its files evidence of purchase or an
28 inspection and valuation for the livestock pledged that is
29 reasonably current, taking into account the nature and
30 frequency of turnover of the livestock to which the documents
31 relate.

32 d. Mortgages, deeds of trust, or similar instruments
33 granting a first lien on farmland or on single-family or two-
34 family residences, subject to the provisions of section
35 524.905, provided the amount loaned shall not exceed fifty

1 percent of the appraised value of such real property.

2 e. With the prior approval of the superintendent; other
3 readily marketable collateral. The market value of the
4 collateral securing the loans must at all times equal at least
5 one hundred percent of the outstanding loans and extensions of
6 credit.

7 4. A state bank may grant loans and extensions of credit
8 ~~to a corporate group, including the lending provisions of~~
9 ~~subsection 3, in an amount not to exceed twenty-five percent~~
10 ~~of the state bank's aggregate capital. A corporate group~~
11 ~~includes a person and all corporations in which the person~~
12 ~~owns or controls fifty percent or more of the shares entitled~~
13 to vote one borrower not to exceed thirty-five percent of the
14 state bank's aggregate capital if any amount that exceeds the
15 lending limitations described in subsections 2 and 3 consists
16 of obligations as endorser of negotiable chattel paper
17 negotiated by endorsement with recourse, or as unconditional
18 guarantor of nonnegotiable chattel paper, or as transferor of
19 chattel paper endorsed without recourse subject to a
20 repurchase agreement.

21 5. A state bank may grant loans ~~or~~ and extensions of
22 credit ~~to one borrower not to exceed thirty-five percent of~~
23 ~~the state bank's aggregate capital if the amount that exceeds~~
24 ~~the lending provisions provided in subsections 2, 3, and 4~~
25 ~~consists of obligations as endorser of negotiable chattel~~
26 ~~paper negotiated by endorsement with recourse, or as~~
27 ~~unconditional guarantor of nonnegotiable chattel paper, or as~~
28 ~~transferor of chattel paper endorsed without recourse subject~~
29 to a repurchase agreement a corporate group in an amount not
30 to exceed twenty-five percent of the state bank's aggregate
31 capital if all loans and extensions of credit to any one
32 borrower within a corporate group conform to subsections 2 and
33 3, and the financial strength, assets, guarantee, or
34 endorsement of any one corporate group member is not relied
35 upon as a basis for loans and extensions of credit to any

1 other corporate group member. A state bank may grant loans
2 and extensions of credit to a corporate group in an amount not
3 to exceed thirty-five percent of aggregate capital if all
4 loans and extensions of credit to any one borrower within a
5 corporate group conform to subsections 2, 3, and 4, and the
6 financial strength, assets, guarantee, or endorsement of any
7 one corporate group member is not relied upon as a basis for
8 loans and extensions of credit to any other corporate group
9 member. A corporate group includes a person and all
10 corporations in which the person owns or controls fifty
11 percent or more of the shares entitled to vote.

12 Sec. 11. Section 524.1007, subsection 3, Code 1995, is
13 amended to read as follows:

14 3. For purposes of subsection 1, "affiliate" means another
15 a trust company subsidiary authorized by the superintendent
16 pursuant to section 524.802, subsection 12, paragraph "b", and
17 located in this state, a state bank located in this state, or
18 a national bank located in this state and organized under 12
19 U.S.C. secs. § 21, et-seq. to engage generally in the banking
20 business. A state bank and another bank shall not be deemed
21 "affiliates" unless both that are under the common ownership
22 of a bank holding company as defined in section 524.1801 that
23 owns at least eighty percent of the voting shares of each of
24 the two banks.

25 Sec. 12. Section 524.1008, subsections 1, 3, and 4, Code
26 1995, are amended to read as follows:

27 1. A state bank authorized to act in a fiduciary capacity
28 may enter into an agreement for the succession of fiduciary
29 accounts with a trust company subsidiary authorized by the
30 superintendent pursuant to section 524.802, subsection 12,
31 paragraph "b", or one or more other state or national banks
32 that are located in this state and authorized to act in a
33 fiduciary capacity. In the agreement, the succeeding bank or
34 trust company subsidiary may agree to succeed the
35 relinquishing bank as a fiduciary with respect to those

S.F. _____ H.F. _____

1 fiduciary accounts which are designated in the agreement. The
2 designation of accounts may be by general class or description
3 and may include fiduciary accounts subject and not subject to
4 court administration and fiduciary accounts to arise in the
5 future under wills, trusts, court orders, or other documents
6 under which the relinquishing bank is named as a fiduciary or
7 is named to become a fiduciary upon the death of a testator or
8 settlor or upon the happening of any other subsequent event.
9 The agreement shall provide either (a) that the succeeding
10 bank or trust company subsidiary maintain one or more
11 employees or agents at the office of the relinquishing bank in
12 order to facilitate the continued servicing of the designated
13 fiduciary accounts, or (b) that the relinquishing bank act as
14 an agent of the succeeding bank or trust company subsidiary
15 with respect to the fiduciary accounts that are subject to the
16 agreement, and the relinquishing bank as an agent may perform
17 services other than fiduciary services with respect to those
18 accounts. If the relinquishing bank is an agent under
19 alternative (b) above, then the relinquishing bank shall
20 disclose to its customers that it is acting as an agent of the
21 succeeding bank or trust company subsidiary. The
22 relinquishing bank shall mail a notice of the succession to
23 all persons having an interest in a fiduciary account at their
24 last known address, and shall publish a notice of the
25 succession to fiduciary accounts in a newspaper published in
26 the county of the principal place of business of the
27 relinquishing bank. After the publication, the succeeding
28 bank or trust company subsidiary shall, without further
29 notice, approval or authorization succeed the relinquishing
30 bank as to the fiduciary accounts and the fiduciary powers,
31 rights, privileges, duties, and liabilities for the fiduciary
32 accounts. On the effective date of the succession to
33 fiduciary accounts, the relinquishing bank is released from
34 fiduciary duties under the fiduciary accounts and shall
35 discontinue its exercise of trust powers to the fiduciary

1 accounts. This subsection does not absolve a relinquishing
 2 bank from liabilities arising out of a breach of fiduciary
 3 duty occurring prior to the succession of fiduciary accounts.

4 ~~3. A state bank or national bank that is owned or~~
 5 ~~controlled by a bank holding company as defined in section~~
 6 ~~524.1801 shall not be a party to an agreement authorized by~~
 7 ~~subsection 1.~~ A bank shall not agree to relinquish fiduciary
 8 accounts to or act as an agent of more than one succeeding
 9 bank fiduciary at any one time.

10 4. The privilege of succeeding to fiduciary accounts that
 11 is extended to a state bank or trust company subsidiary by
 12 subsection 1 is also extended on the same terms and conditions
 13 to a national bank located in this state and organized under
 14 12 U.S.C. secs. § 21 et seq. ~~to engage generally in the~~
 15 ~~banking business.~~

16 Sec. 13. Section 524.1201, Code Supplement 1995, is
 17 amended by adding the following new subsection:

18 NEW SUBSECTION. 2A. Notwithstanding any of the other
 19 provisions of this section, original loan documentation
 20 recordkeeping functions may be located at an authorized bank
 21 office or at any other location approved by the
 22 superintendent.

23 Sec. 14. Section 524.1201, subsection 3, Code Supplement
 24 1995, is amended to read as follows:

25 3. Notwithstanding any of the other provisions of this
 26 section, original trust recordkeeping functions may be
 27 ~~centrally located at an authorized bank office, and original~~
 28 ~~loan documentation recordkeeping functions may be located at~~
 29 ~~an authorized bank office or at the office of the holding~~
 30 ~~company of a state bank, subject to the approval of~~ or at any
 31 other location approved by the superintendent.

32 Sec. 15. NEW SECTION. 524.1205 ESTABLISHMENT OF BRANCH
 33 OR OFFICE IN OTHER STATE -- SUPERINTENDENT'S AUTHORITY TO
 34 REGULATE.

35 Notwithstanding section 524.1201, subsection 1, and section

1 524.1202, subsection 2, paragraph "b", upon application to and
2 approval by the superintendent, a state bank may acquire in
3 any manner, establish, maintain, operate, retain, or relocate
4 a branch or office in a state other than this state. Subject
5 to the approval of the superintendent, such branch or office
6 may engage in any activity authorized for a branch or office
7 of a bank organized under the laws of that other state. The
8 superintendent shall supervise and regulate all out-of-state
9 branches and offices of a state bank. Sections 524.1201 and
10 524.1203 apply to an out-of-state branch or office of a state
11 bank except as otherwise provided by the laws of the state in
12 which a branch or office is located or by the superintendent
13 pursuant to this section. This section does not authorize or
14 permit a state-chartered bank located outside of this state or
15 a national bank located outside of this state to establish a
16 de novo branch or office in this state. This section does not
17 authorize or permit, before June 1, 1997, an interstate merger
18 transaction within the meaning of 12 U.S.C. § 1831u(a).

19 Sec. 16. Section 524.1213, Code 1995, is amended by adding
20 the following new subsections:

21 NEW SUBSECTION. 4A. For purposes of subsection 3, a bank
22 that results from the conversion of a state savings
23 association or federal savings association, as defined in 12
24 U.S.C. § 1813, is deemed to have been in continuous existence
25 and operation as a bank for the combined periods of continuous
26 existence and operation of the bank and the association from
27 which it was converted.

28 NEW SUBSECTION. 4B. For purposes of subsection 3, a bank
29 that has been chartered solely for the purpose of, and does
30 not open for business prior to, acquiring control of, or
31 acquiring all or substantially all of the assets of, a bank
32 located in this state is deemed to have been in existence and
33 operation for the same period of time as the bank which is
34 acquired.

35 Sec. 17. Section 524.1801, Code 1995, is amended by

1 striking the section and inserting in lieu thereof the
2 following:

3 524.1801 DEFINITIONS.

4 As used in this chapter unless the context otherwise
5 requires:

6 1. "Bank holding company" means bank holding company as
7 defined in 12 U.S.C. § 1841(a), and also includes a company
8 that would become a bank holding company upon completion of an
9 acquisition.

10 2. "Company" means company as defined in 12 U.S.C. §
11 1841(b).

12 3. "Control" means control as provided in 12 U.S.C. §
13 1841(a).

14 4. "Location" means, for purposes of determining where a
15 bank or bank holding company is located, the following:

16 a. A bank is located in the state in which its principal
17 place of business or main office is physically located.

18 b. A bank holding company is located in the state which is
19 its home state as determined under 12 U.S.C. § 1841(o)(4).

20 5. "Out-of-state bank holding company" means out-of-state
21 bank holding company as defined in 12 U.S.C. § 1841(o).

22 Sec. 18. Section 524.1804, Code 1995, is amended to read
23 as follows:

24 524.1804 ~~MORE-THAN-ONE-FOURTH-OF-STOCK-BY~~ NOTICE OF
25 ACQUISITION ---EFFECT.

26 Any A bank holding company, ~~or firm which would thereby~~
27 ~~become a bank holding company,~~ which proposes to directly or
28 indirectly acquire ownership or control of the voting shares
29 of any bank, ~~and which upon such acquisition would own or~~
30 ~~control more than twenty-five percent of the voting shares of~~
31 the bank, or directly or indirectly acquire all or
32 substantially all of the assets of, a state bank or national
33 bank, shall provide to the superintendent a copy of any
34 original the application and any modifications or amendments
35 to the application submitted to the board of governors of the

1 federal reserve system board for permission to take such
2 action, ~~and a copy of any subsequent amendment thereto,~~ at the
3 same time the application ~~or amendment~~ is transmitted to the
4 federal reserve system board. The superintendent may conduct
5 such investigation into and evaluation of the proposed action
6 as the superintendent deems necessary and appropriate, and may
7 submit to the federal reserve board any information so
8 obtained together with the superintendent's own comments or
9 recommendations regarding the proposed acquisition.

10 Sec. 19. Section 524.1805, Code 1995, is amended by
11 striking the section and inserting in lieu thereof the
12 following:

13 524.1805 RESTRICTIONS ON ACQUISITIONS AND MERGERS.

14 1. An out-of-state bank or out-of-state bank holding
15 company shall not directly or indirectly acquire control of,
16 or directly or indirectly acquire all or substantially all of
17 the assets of, a bank located in this state unless the bank
18 has been in continuous existence and operation for at least
19 five years.

20 2. For purposes of subsection 1, a bank that has been
21 chartered solely for the purpose of, and does not open for
22 business prior to, acquiring control of, or acquiring all or
23 substantially all of the assets of, a bank located in this
24 state is deemed to have been in existence for the same period
25 of time as the bank to be acquired.

26 3. For purposes of subsection 1, the period of existence
27 and operation of a bank is deemed to be continuous,
28 notwithstanding any of the following:

29 a. Any direct or indirect change in the name, ownership,
30 or control of the bank.

31 b. Any rechartering or merger of the bank.

32 4. For purposes of subsection 1, a bank that resulted from
33 the conversion of a state savings association or federal
34 savings association, as defined in 12 U.S.C. § 1813, is deemed
35 to have been in continuous existence and operation as a bank

1 for the combined periods of continuous existence and operation
2 of the bank and the association from which it was converted.

3 5. An out-of-state bank or out-of-state bank holding
4 company that is organized under laws other than those of this
5 state is subject to and shall comply with the provisions of
6 chapter 490, division XV, relating to foreign corporations,
7 and shall immediately provide the superintendent of banking
8 with a copy of each filing submitted to the secretary of state
9 under that division.

10 Sec. 20. Section 524.1912, subsection 2, Code 1995, is
11 amended to read as follows:

12 2. An authorization for a state bank to engage in
13 activities regulated under title XIII, subtitle 1, if any,
14 does not grant ~~a regional bank holding company~~ an out-of-state
15 bank holding company that acquires a state bank ~~under section~~
16 ~~524.1903~~ or any state bank owned or controlled by ~~that~~ such
17 bank holding company or any subsidiary or affiliate the
18 ability or right to engage in such activities outside of this
19 state.

20 Sec. 21. Section 524.1912, Code 1995, as amended by
21 section 20 of this Act, shall be recodified by the Code editor
22 as section 524.1808 of the Code.

23 Sec. 22.

24 1. Sections 524.1901 through 524.1904 and 524.1906 through
25 524.1911, Code 1995, are repealed.

26 2. Section 524.1905, Code Supplement 1995, is repealed.

27 EXPLANATION

28 This bill amends provisions in chapter 524 relating to the
29 regulation and operation of banks.

30 The definition of a bank in section 524.103 is amended to
31 exclude federally chartered entities, other than a national
32 bank, from the definition.

33 Section 524.107 is amended to eliminate the \$20 maximum on
34 receipts which may be accepted by an educational bank. The
35 section is also amended to clearly indicate that an accredited

1 school which is permitted to participate in an educational
2 bank must be an elementary or secondary school.

3 Section 524.211 is amended to prohibit certain banking
4 division personnel from obtaining a loan from affiliates of
5 certain entities regulated by the division. The section is
6 amended to prohibit certain banking division personnel from
7 participating in decisions or other regulatory actions related
8 to affiliates of regulated entities if such personnel have
9 credit relations with the affiliate. The section is also
10 amended to prohibit the general counsel from borrowing from
11 certain regulated entities and their affiliates.

12 Section 524.215 is amended to provide that an in action to
13 recover state bank moneys which are lost as a result of
14 embezzlement, misappropriation, misuse by a director, officer,
15 or employee of a state bank, recovery must be sought under the
16 bank's indemnity bond.

17 Section 524.220 is amended to provide that the annual
18 statement to be provided to the superintendent by a state bank
19 concerning the bank's condition must be submitted in the
20 format prescribed by the superintendent, rather than on the
21 forms to be supplied by the superintendent.

22 Section 524.302 is amended to strike the requirement that
23 the articles of incorporation be acknowledged.

24 Section 524.401 is amended to provide that the minimum
25 capital requirements of a state bank apply to the total
26 capital structure of the bank. The section is also amended to
27 provide that a state bank incorporated on or after July 1,
28 1995, is to establish paid-in surplus and undivided profits as
29 required by the superintendent.

30 Section 524.608 is amended to provide that the board of a
31 state bank is to require additional auditing procedures deemed
32 necessary by the board no less than once each calendar year.
33 Currently, the section requires such procedures no less than
34 annually. The section is also amended to provide that a state
35 bank incorporated after July 1, 1995, is to establish paid in

1 surplus and undivided profits as required by the
2 superintendent.

3 Section 524.706 is amended to permit an executive officer
4 of a state bank to obtain loans and extensions of credit for
5 amounts secured by bonds, notes, certificates of indebtedness,
6 or treasury bills of the United States or by other such
7 obligations fully guaranteed by the United States as to
8 principal and interest, and for amounts secured by
9 unconditional takeout commitments or guarantees of the federal
10 government or a corporation wholly owned by the federal
11 government.

12 Section 524.904 is amended to provide that a loan or
13 extension of credit to a corporate group must comply with
14 additional existing requirements in addition to aggregate
15 capital maximums. These other requirements currently apply to
16 single individuals borrowing from the state bank.

17 Sections 524.1007 and 524.1008 are amended to include a
18 trust company subsidiary in the definition of a state bank's
19 "affiliates" for purposes of the succession of fiduciary
20 accounts, and to permit the succession of those accounts to
21 such trust company affiliates.

22 Section 524.1201 is amended to permit original loan
23 documentation recordkeeping functions to be located at a
24 location other than a state bank's authorized bank office with
25 the approval of the superintendent.

26 New section 524.1205 is created and provides that a state
27 bank may acquire, establish, maintain, operate, retain, or
28 relocate a branch or an office in a state other than Iowa upon
29 application to and approval by the superintendent. The
30 superintendent is to supervise and regulate all out-of-state
31 branches and offices of a state bank. However, this section
32 does not authorize or permit a state-chartered bank located
33 outside this state or a national bank located outside this
34 state to establish a de novo branch or office in this state.
35 This section also does not authorize or permit an interstate

1 merger transaction as defined in federal statute before June
2 1, 1997.

3 Section 524.1213, relating to united community bank
4 offices, is amended to provide a bank which results from
5 the conversion of a state or federal savings association, or
6 which is chartered solely for the purpose of acquiring control
7 of a bank located in this state, is deemed to have been in
8 existence and operation as a bank for the combined periods of
9 existence and operation of the bank and the association from
10 which it was converted or for the same period of time as the
11 bank which is acquired.

12 Section 524.1801, which currently defines "bank holding
13 company", is rewritten to include definitions for "bank
14 holding company", "company", "control", "location", and "out-
15 of-state bank holding company".

16 Section 524.1804 is amended to require a bank holding
17 company that proposes to acquire a state or federal bank to
18 provide a copy of the application submitted to the federal
19 reserve board for permission to take such action.

20 Section 524.1805 is rewritten to provide that an out-of-
21 state bank or out-of-state bank holding company is prohibited
22 from acquiring control of, or acquiring all or substantially
23 all of the assets of, a bank located in this state unless the
24 bank has been in continuous existence and operation for at
25 least five years. Section 524.1805 currently provides that a
26 bank holding company is not authorized to acquire any voting
27 shares, substantially all of the assets of, or control of a
28 state bank unless the bank holding company was registered with
29 the federal reserve as a bank holding company on January 1,
30 1971.

31 Section 524.1912 is amended to provide that an
32 authorization for a state bank to engage in insurance sales
33 does not grant an out-of-state bank holding company that
34 acquires a state bank the authority to engage in the sale of
35 insurance outside of this state. The bill also provides that

1 section 524.1912 is to be recodified as section 524.1808.

2 Sections 524.1901 through 524.1911, which relate to
3 regional banking, are repealed.

4 BACKGROUND STATEMENT

5 SUBMITTED BY THE AGENCY

6 During the 1995 legislative session, the general assembly
7 amended various sections of Iowa Code chapter 524, as
8 recommended by the division of banking. A few of those
9 changes are in need of further clarification. The proposed
10 amendments to Iowa Code chapter 524 which relate to those
11 clarifications are as follows:

12 1. Section 524.103, subsection 8, is amended to exclude
13 from the definition of "bank" all other federal entities
14 chartered by the federal government, except a national bank
15 found in 12 U.S.C. § 21. Attorneys had attempted to use the
16 broad U.S.C. title 12 language to allow the inclusion of
17 savings associations and savings and loans under the
18 definition of "bank". The proposed amendment should clarify
19 the intent of the legislative change made during the 1995
20 session.

21 2. Section 524.211, subsections 2, 3, and 4, are amended
22 to prohibit certain banking division personnel who are
23 presently restricted from borrowing from licensed entities
24 from also borrowing from affiliates of licensed entities. The
25 language also prohibits the division's general counsel from
26 borrowing from licensed entities or their affiliates.

27 3. Section 524.215, subsection 5, is amended to add
28 language inadvertently removed during the last session
29 concerning the fact that an action to recover moneys must be
30 tied to the state bank's indemnity bond.

31 4. Section 524.302 is amended by striking language which
32 requires an acknowledgment of the articles of incorporation.
33 The secretary of state no longer requires an acknowledgment.

34 5. Section 524.401, subsections 1 and 2, are amended to
35 clarify that the minimum capital requirements relate to the

1 entire capital structure of a state bank and not just the
2 capital stock account.

3 6. Section 524.608 is amended to clarify the board of
4 directors' responsibility to review the adequacy of auditing
5 procedures on a calendar-year basis.

6 7. Section 524.904, subsections 2, 3, 4, and 5, are
7 amended to clarify the lending limits for state banks. The
8 proposed amendments in subsections 2 and 3 merely reflect
9 language style changes and the elimination of the reference to
10 subsection 5 presently found in subsection 2. The contents in
11 subsections 4 and 5 have been reversed to reflect continuity
12 with the "one borrower" concept. The only change in the
13 language moved from subsection 5 to subsection 4 is the
14 elimination of the reference to subsection 4. Subsection 5
15 now deals with corporate borrowing groups. The proposed
16 amendment in subsection 5 now clearly requires the members of
17 a corporate group to comply with subsection 2 and subsections
18 3 and 4, if applicable. That was clearly the intent of the
19 division in proposing last session's amendments.

20 The division of banking's 1996 legislative initiatives
21 include proposed amendments, which the division believes to be
22 noncontroversial, as follows:

23 1. Section 524.107, subsection 3, is amended to remove
24 language which limits receipts of deposit to no more than \$20
25 per depositor by an educational bank. The language is unclear
26 as to its intent. The proposed language would then allow the
27 accredited school and sponsor to establish the appropriate
28 limits for each educational bank.

29 2. Section 524.220, subsections 1 and 2, are amended to
30 allow state banks the flexibility to submit the quarterly
31 reports of condition to the superintendent on disk or via
32 phone lines as soon as practical.

33 3. Section 524.706, subsection 1, is amended to allow an
34 executive officer of a state bank to borrow for a purpose and
35 in amounts similar to that permitted under federal

1 regulations.

2 4. Section 524.1007, subsection 3, and section 524.1008,
3 subsections 1, 3, and 4, are amended to allow for the
4 succession of fiduciary accounts to trust companies located in
5 this state, in addition to state or national banks.

6 5. Section 524.1201, subsections 3 and 4, are amended to
7 allow state banks, with the superintendent's approval, to keep
8 original records at a location other than the principal place
9 of business of the state bank.

10 The division's 1996 legislative initiatives include
11 provisions establishing the regulatory framework for
12 interstate branching without making a determination to either
13 "opt in" or "opt out" under the federal legislation. These
14 initiatives include the following:

15 1. Establishes a new section which authorizes a state bank
16 to acquire in any manner, establish, maintain, operate,
17 retain, and relocate branches or offices in a state other than
18 Iowa subject to application to and approval by the
19 superintendent.

20 This new section does not authorize a state-chartered bank
21 or national bank located outside of the state of Iowa to
22 establish de novo branches or offices in Iowa. Nor does it
23 authorize before June 1, 1997, any interstate merger
24 transaction within the meaning of the Riegle-Neal Interstate
25 Banking and Branching Efficiency Act of 1994.

26 If the Iowa legislature does not "opt out" or "early opt
27 in" to Riegle-Neal interstate merger transactions, this
28 amendment places Iowa state-chartered banks on a level playing
29 field with Iowa national banks to engage in interstate merger
30 transactions on June 1, 1997, the trigger date automatically
31 allowing such transactions by federal legislation.

32 2. Amends the section 524.1801 definition section
33 concerning bank holding companies to revamp old definitions to
34 be compatible with definitions in new federal Riegle-Neal
35 legislation which preempted former Iowa law.

1 3. Amends section 524.1804 to require that notice of any
2 acquisition by a bank holding company shall be given to the
3 superintendent so that the superintendent may comment thereon.

4 4. Amends section 524.1805 to provide that an out-of-state
5 bank or out-of-state bank holding company shall not directly
6 or indirectly acquire control of a bank located in Iowa unless
7 the bank has been in continuous existence and operation for a
8 period of five years.

9 5. Repeals the provisions of 524 Division XIX, the former
10 Regional Bank Holding Company Act, due to being preempted by
11 federal Riegle-Neal legislation.

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