

187—2.9(524) Investment in a bank service corporation or other subsidiary.

2.9(1) Application. An application by a state bank to invest in a bank service corporation or other subsidiary for purposes of engaging in an authorized activity shall be in letter form and contain, at a minimum, the following information.

a. A detailed description of the proposed authorized activity of the bank service corporation or other subsidiary.

b. A detailed description of the location(s) where the bank service corporation or other subsidiary proposes to conduct its authorized activity.

c. Evidence that the bank service corporation or other subsidiary will:

(1) Be adequately capitalized in relation to the risks associated with the proposed authorized activity;

(2) Have sufficient managerial resources to perform the proposed authorized activity;

(3) Obtain all licenses and approvals from other regulatory agencies necessary to perform the proposed authorized activity;

(4) Maintain a separate and adequate accounting system and other corporate records; and

(5) Conduct its authorized activity pursuant to independent policies and procedures designed to inform customers and prospective customers of the bank service corporation or other subsidiary that it is a separate organization from the state bank.

d. A legal opinion that the proposed authorized activity of the bank service corporation or other subsidiary is permissible under state and federal laws and regulations if requested by the superintendent.

e. The amount that the state bank proposes to initially invest in the bank service corporation or other subsidiary.

f. A copy of the resolution adopted by the state bank's board of directors authorizing the investment in the bank service corporation or other subsidiary.

2.9(2) Investment limitation. Unless state or federal statutes impose specific limitations relating to investments in the shares of a corporation by a state bank, a state bank's maximum permissible investment in an individual bank service corporation or other subsidiary is 15 percent of its aggregate capital as defined in Iowa Code section 524.103 and a state bank's maximum permissible investment in all bank service corporations or subsidiaries is 5 percent of its total assets. At the superintendent's discretion, a higher investment limitation may be established for an investment by a state bank in an operations subsidiary as defined in Iowa Code section 524.103. For purposes of this rule, "invest" or "investment" includes any advance of funds to a bank service corporation or other subsidiary, whether by the purchase of stock, the making of a loan, or otherwise.

2.9(3) Decision. The superintendent shall approve or deny the application within 60 days after the application is received.

2.9(4) Revocation. The superintendent may revoke a previously granted approval to invest in a bank service corporation or another subsidiary and order divestiture of the shares, pursuant to the contested case provisions of Iowa Code chapter 17A, if any of the following occur:

a. The financial condition of the state bank has significantly deteriorated;

b. The superintendent determines the authorized activity is being conducted unlawfully or in an unsafe or unsound manner; or

c. Other relevant factors exist that the superintendent may determine are grounds to revoke the authorized activity.

This rule is intended to implement Iowa Code section 524.802.

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