

Dix: Chair
Jacobs
Wise

ASB 50

COMMERCE AND REGULATION

succeeded by

F/HF

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 supervisory authority of the state banking
2 division with regard to bank holding company acquisitions and
3 the ability of state banks to make loans to any one person.

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

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~~Section 524.544~~

1 Section 524.544, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. Whenever any person proposes to purchase or otherwise
4 acquire directly or indirectly any of the outstanding shares
5 of a state bank, and the proposed purchase or acquisition
6 would result in control or in a change in control of the bank,
7 the person proposing to purchase or acquire the shares shall
8 first apply in writing to the superintendent for a certificate
9 of approval for the proposed change of control. The
10 superintendent shall grant the certificate if the
11 superintendent is satisfied that the person who proposes to
12 obtain control of the bank is qualified by character,
13 experience and financial responsibility to control and operate
14 the bank in a sound and legal manner, and that the interests
15 of the depositors, creditors and shareholders of the bank, and
16 of the public generally, will not be jeopardized by the
17 proposed change of control. ~~If the proposed purchaser or~~
18 ~~acquirer is a bank holding company as defined by section~~
19 ~~524.1801, it shall comply with section 524.1804 in lieu of~~
20 ~~seeking a certificate of approval under this subsection. A~~
21 person which will become a bank holding company upon
22 completion of an acquisition shall make application to the
23 superintendent for a certificate of approval as provided in
24 this section. Any other bank holding company shall comply
25 with section 524.1804 in lieu of seeking a certificate of
26 approval under this section. In any situation where the
27 president or cashier of a bank has reason to believe any of
28 the foregoing requirements have not been complied with, it
29 shall be the duty of the president or cashier to promptly
30 report in writing such facts to the superintendent upon
31 obtaining knowledge thereof. As used in this section, the
32 term control means the power, directly or indirectly, to elect
33 the board of directors. If there is any doubt as to whether a
34 change in the ownership of the outstanding shares is
35 sufficient to result in control thereof, or to effect a change

1 in the control thereof, such doubt shall be resolved in favor
2 of reporting the facts to the superintendent.

3 Sec. 2. Section 524.904, subsections 2, 4, and 5, Code
4 1999, are amended to read as follows:

5 2. A state bank may grant loans and extensions of credit
6 to one borrower in an amount not to exceed fifteen percent of
7 the state bank's aggregate capital as defined in section
8 524.103, unless the additional lending provisions described in
9 subsections-3-and-4-apply subsection 3 or 4 applies.

10 4. A state bank may grant loans and extensions of credit
11 to one borrower not to exceed thirty-five percent of the state
12 bank's aggregate capital if any amount that exceeds the
13 lending limitations described in subsections subsection 2 and
14 or 3 consists of obligations as endorser of negotiable chattel
15 paper negotiated by endorsement with recourse, or as
16 unconditional guarantor of nonnegotiable chattel paper, or as
17 transferor of chattel paper endorsed without recourse subject
18 to a repurchase agreement.

19 5. A state bank may grant loans and extensions of credit
20 to a corporate group in an amount not to exceed twenty-five
21 percent of the state bank's aggregate capital if all loans and
22 extensions of credit to any one borrower within a corporate
23 group conform to subsections subsection 2 and or 3, and the
24 financial strength, assets, guarantee, or endorsement of any
25 one corporate group member is not relied upon as a basis for
26 loans and extensions of credit to any other corporate group
27 member. A state bank may grant loans and extensions of credit
28 to a corporate group in an amount not to exceed thirty-five
29 percent of aggregate capital if all loans and extensions of
30 credit to any one borrower within a corporate group conform to
31 subsections subsection 2, 3, and or 4, and the financial
32 strength, assets, guarantee, or endorsement of any one
33 corporate group member is not relied upon as a basis for loans
34 and extensions of credit to any other corporate group member.
35 A corporate group includes a person and all corporations in

1 which the person owns or controls fifty percent or more of the
2 shares entitled to vote.

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EXPLANATION

4 This bill amends provisions relating to the regulation and
5 operation of banks in this state. Code section 524.544 is
6 amended to require a person which would become a bank holding
7 company upon the acquisition of a state bank to make written
8 application to the superintendent for a certificate of
9 approval for the proposed acquisition. Currently, such person
10 would not have to make such application to the superintendent
11 in the same manner as any other person proposing to make an
12 acquisition.

13 Code section 524.904 is amended to permit additional
14 amounts of a loan or extension of credit to one borrower to be
15 secured by existing permissible methods.

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Substituted for

SF 229

3/3/99 (P.481)

FEB 22 1999

Place On Calendar

HOUSE FILE

330

BY COMMITTEE ON COMMERCE
AND REGULATION

(SUCCESSOR TO HSB 50)

Passed House, ^(P.514) Date 3/2/99
Vote: Ayes 97 Nays 0
Approved March 18, 1999

Passed Senate, ^(P.482) Date 3/3/99
Vote: Ayes 47 Nays 0

A BILL FOR

1 An Act relating to the supervisory authority of the state banking
2 division with regard to bank holding company acquisitions and
3 the ability of state banks to make loans to any one person.

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

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HF 330

1 Section 1. Section 524.544, subsection 1, Code 1999, is
2 amended to read as follows:

3 1. Whenever any person proposes to purchase or otherwise
4 acquire directly or indirectly any of the outstanding shares
5 of a state bank, and the proposed purchase or acquisition
6 would result in control or in a change in control of the bank,
7 the person proposing to purchase or acquire the shares shall
8 first apply in writing to the superintendent for a certificate
9 of approval for the proposed change of control. The
10 superintendent shall grant the certificate if the
11 superintendent is satisfied that the person who proposes to
12 obtain control of the bank is qualified by character,
13 experience and financial responsibility to control and operate
14 the bank in a sound and legal manner, and that the interests
15 of the depositors, creditors and shareholders of the bank, and
16 of the public generally, will not be jeopardized by the
17 proposed change of control. ~~If the proposed purchaser or~~
18 ~~acquirer is a bank holding company as defined by section~~
19 ~~524.1801, it shall comply with section 524.1804 in lieu of~~
20 ~~seeking a certificate of approval under this subsection.~~ A
21 person which will become a bank holding company upon
22 completion of an acquisition shall make application to the
23 superintendent for a certificate of approval as provided in
24 this section. Any other bank holding company shall comply
25 with section 524.1804 in lieu of seeking a certificate of
26 approval under this section. In any situation where the
27 president or cashier of a bank has reason to believe any of
28 the foregoing requirements have not been complied with, it
29 shall be the duty of the president or cashier to promptly
30 report in writing such facts to the superintendent upon
31 obtaining knowledge thereof. As used in this section, the
32 term control means the power, directly or indirectly, to elect
33 the board of directors. If there is any doubt as to whether a
34 change in the ownership of the outstanding shares is
35 sufficient to result in control thereof, or to effect a change

1 in the control thereof, such doubt shall be resolved in favor
2 of reporting the facts to the superintendent.

3 Sec. 2. Section 524.904, subsections 2, 4, and 5, Code
4 1999, are amended to read as follows:

5 2. A state bank may grant loans and extensions of credit
6 to one borrower in an amount not to exceed fifteen percent of
7 the state bank's aggregate capital as defined in section
8 524.103, unless the additional lending provisions described in
9 subsections-3-and-4-apply subsection 3 or 4 applies.

10 4. A state bank may grant loans and extensions of credit
11 to one borrower not to exceed thirty-five percent of the state
12 bank's aggregate capital if any amount that exceeds the
13 lending limitations described in subsections subsection 2 and
14 or 3 consists of obligations as endorser of negotiable chattel
15 paper negotiated by endorsement with recourse, or as
16 unconditional guarantor of nonnegotiable chattel paper, or as
17 transferor of chattel paper endorsed without recourse subject
18 to a repurchase agreement.

19 5. A state bank may grant loans and extensions of credit
20 to a corporate group in an amount not to exceed twenty-five
21 percent of the state bank's aggregate capital if all loans and
22 extensions of credit to any one borrower within a corporate
23 group conform to subsections subsection 2 and or 3, and the
24 financial strength, assets, guarantee, or endorsement of any
25 one corporate group member is not relied upon as a basis for
26 loans and extensions of credit to any other corporate group
27 member. A state bank may grant loans and extensions of credit
28 to a corporate group in an amount not to exceed thirty-five
29 percent of aggregate capital if all loans and extensions of
30 credit to any one borrower within a corporate group conform to
31 subsections subsection 2, 3, and or 4, and the financial
32 strength, assets, guarantee, or endorsement of any one
33 corporate group member is not relied upon as a basis for loans
34 and extensions of credit to any other corporate group member.
35 A corporate group includes a person and all corporations in

1 which the person owns or controls fifty percent or more of the
2 shares entitled to vote.

3 EXPLANATION

4 This bill amends provisions relating to the regulation and
5 operation of banks in this state. Code section 524.544 is
6 amended to require a person which would become a bank holding
7 company upon the acquisition of a state bank to make written
8 application to the superintendent for a certificate of
9 approval for the proposed acquisition. Currently, such person
10 would not have to make such application to the superintendent
11 in the same manner as any other person proposing to make an
12 acquisition.

13 Code section 524.904 is amended to permit additional
14 amounts of a loan or extension of credit to one borrower to be
15 secured by existing permissible methods.

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HOUSE FILE 330

AN ACT

RELATING TO THE SUPERVISORY AUTHORITY OF THE STATE
BANKING DIVISION WITH REGARD TO BANK HOLDING COMPANY
ACQUISITIONS AND THE ABILITY OF STATE BANKS TO MAKE
LOANS TO ANY ONE PERSON.

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

Section 1. Section 524.544, subsection 1, Code 1999, is amended to read as follows:

1. Whenever any person proposes to purchase or otherwise acquire directly or indirectly any of the outstanding shares of a state bank, and the proposed purchase or acquisition would result in control or in a change in control of the bank, the person proposing to purchase or acquire the shares shall first apply in writing to the superintendent for a certificate of approval for the proposed change of control. The superintendent shall grant the certificate if the superintendent is satisfied that the person who proposes to obtain control of the bank is qualified by character, experience and financial responsibility to control and operate the bank in a sound and legal manner, and that the interests of the depositors, creditors and shareholders of the bank, and of the public generally, will not be jeopardized by the proposed change of control. ~~If the proposed purchaser or acquirer is a bank holding company as defined by section 524.1801, it shall comply with section 524.1804 in lieu of seeking a certificate of approval under this subsection.~~ A person which will become a bank holding company upon completion of an acquisition shall make application to the superintendent for a certificate of approval as provided in this section. Any other bank holding company shall comply with section 524.1804 in lieu of seeking a certificate of approval under this section. In any situation where the

president or cashier of a bank has reason to believe any of the foregoing requirements have not been complied with, it shall be the duty of the president or cashier to promptly report in writing such facts to the superintendent upon obtaining knowledge thereof. As used in this section, the term control means the power, directly or indirectly, to elect the board of directors. If there is any doubt as to whether a change in the ownership of the outstanding shares is sufficient to result in control thereof, or to effect a change in the control thereof, such doubt shall be resolved in favor of reporting the facts to the superintendent.

Sec. 2. Section 524.904, subsections 2, 4, and 5, Code 1999, are amended to read as follows:

2. A state bank may grant loans and extensions of credit to one borrower in an amount not to exceed fifteen percent of the state bank's aggregate capital as defined in section 524.103, unless the additional lending provisions described in ~~subsections 3 and 4~~ subsection 3 or 4 applies.

4. A state bank may grant loans and extensions of credit to one borrower not to exceed thirty-five percent of the state bank's aggregate capital if any amount that exceeds the lending limitations described in subsections subsection 2 and or 3 consists of obligations as endorser of negotiable chattel paper negotiated by endorsement with recourse, or as unconditional guarantor of nonnegotiable chattel paper, or as transferor of chattel paper endorsed without recourse subject to a repurchase agreement.

5. A state bank may grant loans and extensions of credit to a corporate group in an amount not to exceed twenty-five percent of the state bank's aggregate capital if all loans and extensions of credit to any one borrower within a corporate group conform to subsections subsection 2 and or 3, and the financial strength, assets, guarantee, or endorsement of any one corporate group member is not relied upon as a basis for loans and extensions of credit to any other corporate group member. A state bank may grant loans and extensions of credit

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

RON J. CORBETT
Speaker of the House

MARY E. KRAMER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 330, Seventy-eighth General Assembly.

ELIZABETH ISAACSON
Chief Clerk of the House

Approved March 18, 1999

THOMAS J. VILSACK
Governor