

# House Study Bill 586

## Bill Text

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1 1 Section 1. Section [524.1802](#), Code 1999, is amended by  
1 2 striking the section and inserting in lieu thereof the  
1 3 following:  
1 4 524.1802 LIMITATION.  
1 5 1. For purposes of this section, unless the context  
1 6 otherwise requires:  
1 7 a. "Acquisition" means any of the following:  
1 8 (1) Obtaining direct or indirect ownership or control of  
1 9 more than twenty-five percent of any class of the voting  
1 10 shares of a depository institution.  
1 11 (2) Obtaining the power to directly or indirectly control  
1 12 in any manner the election of a majority of the directors,  
1 13 trustees, or other persons exercising similar functions of a  
1 14 depository institution.  
1 15 (3) Obtaining direct or indirect ownership or control of,  
1 16 or acquisition or assumption of, the deposits of a depository  
1 17 institution or the deposits of any branch, office, or other  
1 18 facility of a depository institution.  
1 19 b. "Affiliate" of a depository institution or holding  
1 20 company includes a corporation, limited liability company,  
1 21 trust, estate, association, or other similar organization  
1 22 which satisfies any of the following:  
1 23 (1) The depository institution or holding company directly  
1 24 or indirectly owns or controls either twenty-five percent of  
1 25 the voting shares or more than twenty-five percent of the  
1 26 number of shares voted for the election of such entity's  
1 27 directors, trustees, or other individuals exercising similar  
1 28 functions, or controls in any manner the election of a  
1 29 majority of its directors, trustees, or other individuals  
1 30 exercising similar functions.  
1 31 (2) Control is held directly or indirectly in such entity  
1 32 through share ownership, or in any other manner, by the  
1 33 shareholders of the depository institution or holding company  
1 34 who own or control either twenty-five percent of the shares of  
1 35 such depository institution or holding company or more than  
2 1 twenty-five percent of the number of shares voted for the  
2 2 election of directors, trustees, or other individuals  
2 3 exercising similar functions of such depository institution or  
2 4 holding company, or by trustees for the benefit of the  
2 5 shareholders of any such depository institution or holding  
2 6 company.  
2 7 (3) A majority of such entity's directors, trustees, or  
2 8 other individuals exercising similar functions are directors  
2 9 of the depository institution or holding company.  
2 10 (4) Directly or indirectly owns or controls either twenty-  
2 11 five percent of the voting shares of the depository  
2 12 institution or holding company or more than twenty-five  
2 13 percent of the number of shares voted for the election of  
2 14 directors, trustees, or other individuals exercising similar  
2 15 functions of the depository institution or holding company, or  
2 16 controls in any manner the election of a majority of the  
2 17 directors, trustees, or other individuals exercising similar  
2 18 functions of the depository institution or holding company, or  
2 19 for the benefit of whose shareholders or members all or  
2 20 substantially all of the outstanding voting shares of the  
2 21 depository institution or holding company is held by trustees.

2 22 c. "Deposit" means deposit as defined in 12 U.S.C. } 1813.

2 23 d. "Deposit in this state" means a deposit properly shown  
2 24 in a deposit report or in a statement under subsection 4,  
2 25 paragraph "c", "d", "h", or "i", as a deposit at a depository  
2 26 institution in this state or at a branch, office, or other  
2 27 facility of the depository institution in this state, without  
2 28 regard to the location of the depositor.

2 29 e. "Deposit report" means the annual report that  
2 30 identifies deposits by branch, office, or other facility and  
2 31 that is filed by a depository institution with the federal  
2 32 deposit insurance corporation or the office of thrift  
2 33 supervision. The date of a deposit report means the date as  
2 34 of which deposits are stated in the deposit report.

2 35 f. "Depository institution" means a depository institution  
3 1 as defined in 12 U.S.C. } 1813.

3 2 g. "Holding company" means a bank holding company as  
3 3 defined in section 524.1801 and a savings and loan holding  
3 4 company as defined in 12 U.S.C. } 1467a.

3 5 h. "Series of acquisitions" means both of the following:

3 6 (1) All acquisitions made at any time after the date of  
3 7 the most recent available deposit report and prior to the date  
3 8 of a statement under subsection 4, and all acquisitions made  
3 9 during such time by any depository institution or holding  
3 10 company that is acquired by the depository institution or  
3 11 holding company making the statement, and all acquisitions  
3 12 made during such time by any such depository institution or  
3 13 holding company so acquired.

3 14 (2) All acquisitions made at any time between the dates of  
3 15 the two most recent available deposit reports, that are not  
3 16 shown on the most recent available deposit report, by a  
3 17 depository institution or holding company making a statement  
3 18 under subsection 4, and all acquisitions made during such time  
3 19 by any depository institution or holding company that is  
3 20 acquired by the depository institution or holding company  
3 21 making the statement, and all acquisitions made during such  
3 22 time by any such depository institution or holding company so  
3 23 acquired.

3 24 2. A depository institution or holding company shall not  
3 25 directly or indirectly acquire a depository institution or the  
3 26 deposits of a depository institution if any of the following  
3 27 apply:

3 28 a. The acquirer is a depository institution and, upon the  
3 29 acquisition, the total deposits in this state directly or  
3 30 indirectly controlled by the depository institution would  
3 31 exceed fifteen percent of the total deposits in this state, as  
3 32 determined under this section.

3 33 b. The acquirer is a holding company and, upon the  
3 34 acquisition, the total deposits in this state directly or  
3 35 indirectly controlled by the holding company would exceed  
4 1 fifteen percent of the total deposits in this state, as  
4 2 determined under this section.

4 3 c. The acquirer is a depository institution or a holding  
4 4 company which is directly or indirectly owned or controlled by  
4 5 a holding company and, upon the acquisition, the total  
4 6 deposits in this state directly or indirectly controlled by  
4 7 the holding company which owns or controls the acquiring  
4 8 depository institution or holding company would exceed fifteen  
4 9 percent of the total deposits in this state, as determined  
4 10 under this section.

4 11 3. On or after January 1, 2000, a depository institution  
4 12 shall not directly or indirectly cause or permit the transfer,  
4 13 assignment, or other disposition of deposits, or the  
4 14 conversion of deposits to nondeposit investments or other  
4 15 nondeposit products, whether by written agreement or  
4 16 otherwise, for the purpose of achieving compliance with the  
4 17 deposit limitation set forth in subsection 2. The following  
4 18 transfers or conversions by a depository institution shall not

4 19 be deemed to be made for the purpose of achieving such  
4 20 compliance:

4 21 a. A transfer or conversion in the ordinary course of  
4 22 business, such as compliance with a contract to transfer funds  
4 23 from deposit accounts into repurchase agreements, mutual  
4 24 funds, or other investments.

4 25 b. A transfer or conversion of deposits held in the name  
4 26 of an affiliate as a depositor of the depository institution.

4 27 c. A transfer of deposits, which are not subject to  
4 28 reacquisition, in an acquisition by an entity that is not an  
4 29 affiliate of the depository institution.

4 30 4. If the superintendent determines that an acquisition  
4 31 may involve a question of compliance with the deposit  
4 32 limitation set forth in subsection 2, the superintendent shall  
4 33 require that each depository institution and holding company  
4 34 involved in the acquisition submit to the superintendent a  
4 35 statement certified by its president, chief executive officer,  
5 1 or chief financial officer, which states that a transfer,  
5 2 assignment, or other disposition of deposits prohibited by  
5 3 subsection 3 has not been made. The statement, in sufficient  
5 4 detail to permit the superintendent to make the determinations  
5 5 required under subsections 5 and 6, shall also set forth the  
5 6 following:

5 7 a. The total amount of deposits in this state directly or  
5 8 indirectly held or controlled by the depository institution  
5 9 making the statement, or the deposits in this state directly  
5 10 or indirectly held or controlled by all depository  
5 11 institutions that are directly or indirectly owned or  
5 12 controlled by the holding company, on the date of the most  
5 13 recent available deposit reports of the depository  
5 14 institutions.

5 15 b. If all of the deposits of a depository institution  
5 16 making a deposit report were directly or indirectly acquired  
5 17 since the date of the most recent available deposit report in  
5 18 an acquisition or as a result of a series of acquisitions, the  
5 19 statement shall set forth the amount of the deposits in this  
5 20 state acquired from each such other depository institution  
5 21 measured as of the date of the most recent available deposit  
5 22 report of each such depository institution made prior to the  
5 23 acquisition.

5 24 c. If less than all of the deposits of a depository  
5 25 institution were directly or indirectly acquired since the  
5 26 date of the most recent available deposit report in an  
5 27 acquisition or as a result of a series of acquisitions, the  
5 28 statement shall set forth the total amount of deposits in this  
5 29 state directly or indirectly acquired in such acquisitions.

5 30 d. The total amount of deposits in this state directly or  
5 31 indirectly owned or controlled by the depository institution  
5 32 or holding company making the statement that have been  
5 33 directly or indirectly transferred or assigned in a  
5 34 transaction since the date of the most recent available  
5 35 deposit report to an entity that is not an affiliate of the  
6 1 depository institution or holding company making the  
6 2 statement, and that are not subject to reacquisition.

6 3 e. The total amount of deposits in this state set forth in  
6 4 paragraph "a" plus the deposits described in paragraphs "b"  
6 5 and "c", and less the deposits described in paragraph "d".

6 6 f. The total amount of deposits in this state directly or  
6 7 indirectly held or controlled by the depository institution  
6 8 making the statement, or in the case of a statement by a  
6 9 holding company, the total amount of deposits in this state  
6 10 directly or indirectly held or controlled by all depository  
6 11 institutions that are directly or indirectly owned or  
6 12 controlled by the holding company, on the date of the earlier  
6 13 of the two most recent available deposit reports of the  
6 14 depository institutions.

6 15 g. If all of the deposits of any other depository

6 16 institution making a deposit report were acquired between the  
6 17 dates of the two most recent available deposit reports in an  
6 18 acquisition or as a result of a series of acquisitions, the  
6 19 statement shall set forth the amount of the deposits in this  
6 20 state acquired from each such other depository institution  
6 21 measured as of the date of the earlier of the two most recent  
6 22 available deposit reports of each such depository institution  
6 23 made prior to the acquisition.

6 24 h. If less than all of the deposits of any depository  
6 25 institution were directly or indirectly acquired between the  
6 26 dates of the two most recent available deposit reports in an  
6 27 acquisition or as a result of a series of acquisitions, the  
6 28 statement shall set forth the total amount of deposits in this  
6 29 state directly or indirectly acquired in such acquisitions.

6 30 i. The total amount of deposits in this state directly or  
6 31 indirectly owned or controlled by the depository institution  
6 32 or holding company making the statement that have been  
6 33 directly or indirectly transferred or assigned in a  
6 34 transaction between the dates of the two most recent available  
6 35 deposit reports to an entity that is not an affiliate of the  
7 1 depository institution or holding company making the  
7 2 statement, and that are not subject to reacquisition.

7 3 j. The total amount of deposits in this state set forth in  
7 4 paragraph "f" plus the deposits described in paragraphs "g"  
7 5 and "h", and less the deposits described in paragraph "i".

7 6 5. The superintendent may conduct such review as the  
7 7 superintendent considers necessary to verify the statements  
7 8 submitted under subsection 4, paragraphs "a", "b", "c", and  
7 9 "d". The superintendent shall calculate the following  
7 10 fraction:

7 11 a. The numerator is the sum of the deposits in this state  
7 12 directly or indirectly owned or controlled by the depository  
7 13 institutions involved in the acquisition and the deposits in  
7 14 this state directly or indirectly owned or controlled by all  
7 15 other depository institutions directly or indirectly owned or  
7 16 controlled by a holding company involved in the acquisition,  
7 17 as stated in subsection 4, paragraph "e".

7 18 b. The denominator is the deposits in this state of all  
7 19 depository institutions as stated in the most recent available  
7 20 deposit reports.

7 21 6. The superintendent may conduct such review as the  
7 22 superintendent considers necessary to verify the statements  
7 23 submitted under subsection 4, paragraphs "f", "g", "h", and  
7 24 "i". The superintendent shall calculate the following  
7 25 fraction:

7 26 a. The numerator is the sum of the average of the deposits  
7 27 in this state directly or indirectly owned or controlled by  
7 28 the depository institutions involved in the acquisition and  
7 29 the deposits in this state directly or indirectly owned or  
7 30 controlled by all other depository institutions directly or  
7 31 indirectly owned or controlled by a holding company involved  
7 32 in the acquisition, as stated in subsection 4, paragraphs "e"  
7 33 and "j".

7 34 b. The denominator is the average of the deposits in this  
7 35 state of all depository institutions as stated in the two most  
8 1 recent available deposit reports.

8 2 7. If the quotient determined by the calculation in either  
8 3 subsection 5 or 6 exceeds fifteen percent, the proposed  
8 4 acquisition does not comply with the limitation of subsection  
8 5 2.

#### 8 6 EXPLANATION

8 7 This bill amends Code section 524.1802, which establishes a  
8 8 limitation on deposits in Iowa which may be held by a  
8 9 depository institution (a bank or savings association) or a  
8 10 bank or savings and loan holding company, together with all of  
8 11 its affiliates, by establishing the manner for the  
8 12 superintendent of banking to determine compliance with the

8 13 limitation in the event of a proposed acquisition of a  
8 14 depository institution or the deposits of any branch, office,  
8 15 or other facility of a depository institution. The bill  
8 16 increases the limitation on deposits in Iowa which may be held  
8 17 by a depository institution or holding company, together with  
8 18 all of its affiliates, from 10 percent to 15 percent of the  
8 19 total deposits in Iowa.

8 20 The bill provides that if the superintendent determines  
8 21 that an acquisition may involve a question of compliance with  
8 22 the deposit limitation, each depository institution and  
8 23 holding company involved in the acquisition must submit to the  
8 24 superintendent a statement, certified by its president, chief  
8 25 executive officer, or chief financial officer, that no  
8 26 transfer, assignment, or other disposition of deposits has  
8 27 been made for the purpose of achieving compliance with the  
8 28 deposit limitation. Certain transfers of deposits are not  
8 29 deemed to be made for the purpose of achieving compliance with  
8 30 the deposit limitation.

8 31 The bill provides that the statement must also include  
8 32 deposit information sufficient to permit the superintendent to  
8 33 determine compliance with the deposit limitation, including  
8 34 all of the deposits in Iowa held by the acquiring entity,  
8 35 together with all of the deposits in Iowa held by all of its  
9 1 affiliates, as stated in the two most recent available annual  
9 2 deposit reports filed with each institution's regulator, and  
9 3 all of the deposits directly or indirectly acquired by the  
9 4 acquiring entity, together with all of the deposits directly  
9 5 or indirectly acquired by all of its affiliates, in an  
9 6 acquisition or series of acquisitions occurring after the date  
9 7 of the most recent report or occurring between the dates of  
9 8 the two most recent reports.

9 9 The bill takes effect upon enactment and is retroactively  
9 10 applicable to January 1, 2000.

9 11 LSB 6463HC 78

9 12 mj/cls/14