

MAR 1 2006
Place On Calendar

HOUSE FILE 2587
BY COMMITTEE ON COMMERCE,
REGULATION AND LABOR

(SUCCESSOR TO HSB 544)

Passed House, Date 3-8-06 Passed Senate, Date _____
Vote: Ayes 97 Nays 1 Vote: Ayes _____ Nays _____
Approved March 29, 2006

A BILL FOR

1 An Act relating to financial institutions including the
2 regulation of state banks, bank holding companies, and
3 industrial loan companies, and providing for penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 2587

1 Section 1. Section 12C.22, subsection 6, paragraph a, Code
2 2005, is amended to read as follows:

3 a. Investment securities and shares in which a bank is
4 permitted to invest under section 524.901, subsections 1, 2,
5 and 3, and 4.

6 Sec. 2. Section 524.212, Code 2005, is amended to read as
7 follows:

8 524.212 PROHIBITION AGAINST DISCLOSURE OF REGULATORY
9 INFORMATION.

10 The superintendent, members of the state banking council,
11 general counsel, examiners, or other employees of the banking
12 division shall not disclose, in any manner, to any person
13 other than the person examined and those regulatory agencies
14 referred to in section 524.217, subsection 2, any information
15 relating specifically to the supervision and regulation of any
16 state bank, persons subject to the provisions of chapter 533A,
17 533C, 533D, 535B, 536, or 536A, any affiliate of any state
18 bank, or an affiliate of a person subject to the provisions of
19 chapter 533A, 533C, 533D, 535B, 536, or 536A, except when
20 ordered to do so by a court of competent jurisdiction and then
21 only in those instances referred to in section 524.215,
22 subsections 1, 2, 3, and 5, or when the disclosure is
23 otherwise expressly permitted or required by the provisions of
24 chapter 533A, 533C, 533D, 535B, 536, or 536A.

25 Sec. 3. Section 524.217, subsection 2, Code 2005, is
26 amended to read as follows:

27 2. The superintendent may furnish to the federal deposit
28 insurance corporation, the federal reserve system, the office
29 of the comptroller of the currency, the office of thrift
30 supervision, national credit union administration, the federal
31 home loan bank, the financial crimes enforcement network of
32 the federal department of the treasury, the United States
33 internal revenue service, and financial institution regulatory
34 authorities of other states, or to any official or supervising
35 examiner of such regulatory authorities, a copy of the report

1 of any or all examinations made of any state bank and of any
2 affiliate of a state bank.

3 Sec. 4. Section 524.220, subsection 1, Code 2005, is
4 amended to read as follows:

5 1. A state bank shall render a full, clear, and accurate
6 statement of its condition to the superintendent, in a format
7 prescribed by the superintendent, ~~verified-by-the-oath-of-an~~
8 ~~officer-and-attested-by-the-signatures-of-at-least-three-of~~
9 ~~the-directors,-or~~ verified by the oath of two of its officers,
10 and attested by at least two of the directors. The
11 superintendent may, in the superintendent's discretion, use
12 any form of statement of condition that is used by the federal
13 deposit insurance corporation or the federal reserve system.

14 Sec. 5. Section 524.220, subsection 3, Code 2005, is
15 amended by striking the subsection.

16 Sec. 6. Section 524.312, subsection 3, Code 2005, is
17 amended to read as follows:

18 3. If a change in the location of the principal place of
19 business of a state bank is proposed, application for approval
20 of the superintendent shall be made as required by the
21 superintendent pursuant to this section. A change in location
22 of the principal place of business of a state bank, including
23 a change from one municipal corporation to another municipal
24 corporation within an urban complex, requires an amendment to
25 the articles of incorporation pursuant to sections 524.1502,
26 524.1504, and 524.1506. A state bank seeking approval of a
27 change of location pursuant to this subsection shall publish
28 ~~once-each-week-for-two-consecutive-weeks~~ a notice of the
29 proposed change of location in a newspaper of general
30 circulation in the municipal corporation or unincorporated
31 area in which the state bank has its principal place of
32 business, or if there is none, in a newspaper of general
33 circulation in the county, or in a county adjoining the
34 county, in which the state bank has its principal place of
35 business, and in the municipal corporation in which it seeks

1 to establish its principal place of business, or if there is
2 none, in a newspaper of general circulation in the county, or
3 in a county adjoining the county, in which the municipal
4 corporation is located. The ~~notices~~ notice shall be published
5 within thirty days after the application to the superintendent
6 for approval of the change in location is accepted for
7 processing. The notice shall set forth the name of the state
8 bank, the present location of its principal place of business,
9 the location to which it proposes to move its principal place
10 of business, and the date upon which the application was
11 accepted for processing by the superintendent.

12 Sec. 7. Section 524.606, subsection 2, unnumbered
13 paragraph 1, Code 2005, is amended to read as follows:

14 If, in the opinion of the superintendent, any director of a
15 state bank or bank holding company has violated any law
16 relating to such state bank or bank holding company or has
17 engaged in unsafe or unsound practices in conducting the
18 business of such state bank or bank holding company, the
19 superintendent may cause notice to be served upon such
20 director, to appear before the superintendent to show cause
21 why the director should not be removed from office. A copy of
22 such notice shall be sent to each director of the state bank
23 or bank holding company affected, by registered or certified
24 mail. If, after granting the accused director a reasonable
25 opportunity to be heard, the superintendent finds that the
26 director violated any law relating to such state bank or bank
27 holding company or engaged in unsafe or unsound practices in
28 conducting the business of such state bank or bank holding
29 company, the superintendent, in the superintendent's
30 discretion, may order that such director be removed from
31 office, and that such director be prohibited from serving in
32 any capacity in any other bank, bank holding company, bank
33 affiliate, trust company, or an entity licensed under chapter
34 533A, 533C, 533D, 535B, 536, or 536A. A copy of the order
35 shall be served upon such director and upon the state bank or

1 bank holding company of which the person is a director at
2 which time the person shall cease to be a director of the
3 state bank or bank holding company. The resignation,
4 termination of employment, or separation of such director,
5 including a separation caused by the closing of the state bank
6 or bank holding company at which the person serves as a
7 director, does not affect the jurisdiction and authority of
8 the superintendent to cause notice to be served and proceed
9 under this subsection against the director, if the notice is
10 served before the end of the six-year period beginning on the
11 date the director ceases to be a director with the bank.

12 Sec. 8. Section 524.707, subsection 2, Code 2005, is
13 amended to read as follows:

14 2. Section 524.606, subsection 2, which provides for the
15 removal of directors by the superintendent, shall have equal
16 application to officers and employees of a bank, bank holding
17 company, bank affiliate, or trust company.

18 Sec. 9. Section 524.1201, Code Supplement 2005, is amended
19 by adding the following new subsection:

20 NEW SUBSECTION. 4. A bank shall not operate a loan
21 production office or deposit production office in this state
22 unless either the bank has received approval from the
23 superintendent or the bank operated the loan production office
24 or deposit production office before July 1, 2006.

25 Sec. 10. Section 524.1601, Code 2005, is amended to read
26 as follows:

27 524.1601 PENALTIES AND CRIMINAL PROVISIONS APPLICABLE TO
28 DIRECTORS, OFFICERS, AND EMPLOYEES OF STATE BANKS AND BANK
29 HOLDING COMPANIES.

30 1. A director, officer, or employee of a state bank or
31 bank holding company who willfully violates any of the
32 provisions of subsection 4 of section 524.612, section
33 524.613, subsection 2 of section 524.706, insofar as such
34 subsection incorporates subsection 4 of section 524.612, or
35 section 524.710, shall be guilty of a serious misdemeanor,

1 plus, in the following circumstances, an additional fine or
2 fines equal to:

3 a. The amount of money or the value of the property which
4 the director, officer, or employee received for procuring, or
5 attempting to procure, a loan, extension of credit, or
6 investment by the state bank or bank holding company, upon
7 conviction of a violation of subsection 1 of section 524.613,
8 or of subsection 1 of section 524.710.

9 b. The amount by which the director's, officer's, or
10 employee's deposit account in the state bank or bank holding
11 company is overdrawn, upon conviction of a violation of
12 subsection 2 of section 524.613, or of subsection 2 of section
13 524.710.

14 c. The amount of any profit which the director, officer,
15 or employee receives on the transaction, upon conviction of a
16 violation of subsection 4 of section 524.612, or of subsection
17 2 of section 524.706, insofar as each applies to purchases
18 from and sales to a state bank or bank holding company upon
19 terms more favorable to such director, ~~or~~ officer, or employee
20 than those offered to other persons.

21 d. The amount of profit, fees or other compensation
22 received, upon conviction of a violation of section 524.710,
23 subsection 1, paragraph "b".

24 2. A director or officer who willfully makes or receives a
25 loan in violation of subsection 1 of section 524.612, or
26 subsection 1 of section 524.706, shall be guilty of a serious
27 misdemeanor and shall be subject to an additional fine equal
28 to that amount of the loan in excess of the limitation imposed
29 by such subsections, and shall be forever disqualified from
30 acting as a director or officer of any state bank or bank
31 holding company. For the purpose of this subsection, amounts
32 which are treated as obligations of an officer or director
33 pursuant to subsection 5 of section 524.612, shall be
34 considered in determining whether the loan or extension of
35 credit is in violation of subsection 1 of section 524.612 and

1 subsection 1 of section 524.706.

2 3. A director, officer, or employee of a state bank or
3 bank holding company who willfully makes or receives a loan or
4 extension of credit of funds held by the state bank or bank
5 holding company as fiduciary, in violation of subsection 4 of
6 section 524.1002, shall be guilty of a serious misdemeanor and
7 shall be subject to a further fine equal to the amount of the
8 loan or extension of credit made in violation of subsection 4
9 of section 524.1002, and shall be forever disqualified from
10 acting as a director, officer, or employee of any state bank
11 or bank holding company.

12 4. A director, officer, or employee of a state bank or
13 bank holding company who willfully violates, or participates
14 in the violation of, section 524.814, or section 524.819,
15 shall be guilty of a serious misdemeanor.

16 Sec. 11. Section 524.1602, unnumbered paragraph 1, Code
17 2005, is amended to read as follows:

18 The superintendent may impose a penalty on a state bank of
19 up to one hundred thousand dollars for each day:

20 Sec. 12. Section 524.1603, subsection 2, Code 2005, is
21 amended to read as follows:

22 2. The superintendent may impose a penalty on a state bank
23 of up to one hundred thousand dollars for each day that it
24 violates the provisions of section 524.1201.

25 Sec. 13. Section 536A.2, Code 2005, is amended by adding
26 the following new subsections:

27 NEW SUBSECTION. 1A. "Affiliate" means the same as defined
28 in 12 U.S.C. § 1841(k).

29 NEW SUBSECTION. 1B. "Commercial activities" means
30 activities in which an industrial loan company is not
31 specifically authorized to engage under the provisions of this
32 chapter.

33 NEW SUBSECTION. 1C. "Control" means the same as provided
34 in 12 U.S.C. § 1841(a)(2).

35 Sec. 14. Section 536A.4, Code 2005, is amended to read as

1 follows:

2 536A.4 LIMITATIONS.

3 No A license shall not be issued to any individual,
4 partnership, nonprofit organization, or unincorporated
5 association. A license shall not be issued to an applicant
6 that engages in commercial activities directly or through an
7 affiliate. Not more than one place of business where loans
8 are made shall be maintained under the same license but the
9 superintendent may issue more than one license to the same
10 licensee upon compliance, for each such additional license,
11 with all the provisions of this chapter governing an original
12 issuance of a license.

13 Sec. 15. Section 536A.5, subsection 6, Code 2005, is
14 amended by striking the subsection.

15 Sec. 16. Section 536A.12, subsection 3, paragraph a, Code
16 2005, is amended to read as follows:

17 a. For purposes of this section, ~~"control" means control~~
18 ~~as defined in section 524.103. However,~~ a change of control
19 does not occur when a majority shareholder of an industrial
20 loan company transfers the shareholder's shares of the
21 industrial loan company to a revocable trust, so long as the
22 transferor retains the power to revoke the trust and take
23 possession of such shares.

24 Sec. 17. Section 536A.21, Code 2005, is amended to read as
25 follows:

26 536A.21 OTHER BUSINESS IN SAME OFFICE.

27 A licensee engaged in the business of operating an
28 industrial loan company under the provisions of this chapter
29 may not conduct its business within any office, room, suite,
30 or place of business ~~in which any other business is engaged in~~
31 ~~or conducted, unless specifically authorized to do so in~~
32 ~~writing by the superintendent upon the superintendent's~~
33 ~~finding that the character of the other business is such that~~
34 ~~its operation by the licensee would not facilitate evasions of~~
35 ~~this chapter or any other statute of the state of Iowa~~

1 relating-to-the-making-of-loans, or premises in which
2 commercial activities are conducted, unless the place where
3 its business is conducted by the industrial loan company is
4 physically separated from the location where commercial
5 activities are conducted and has a separate entrance. The
6 prohibition of this section shall not apply to the conduct of
7 business if, prior to January 1, 2006, the superintendent has
8 determined in writing that the character of the other business
9 is such that its operation by the licensee would not
10 facilitate evasions of the provisions of this chapter or any
11 other provision of the Code relating to the making of loans.

12 Sec. 18. Section 536A.22, unnumbered paragraph 3, Code
13 2005, is amended by striking the unnumbered paragraph.

14 Sec. 19. Section 536A.23, Code 2005, is amended by adding
15 the following new subsection:

16 NEW SUBSECTION. 6. Engage in commercial activities or
17 have an affiliate that engages in commercial activities. This
18 subsection shall not apply to an industrial loan company with
19 an affiliate that is engaged in commercial activities prior to
20 January 1, 2006, if control of the industrial loan company is
21 not thereafter transferred to an entity that engages in
22 commercial activities directly or through an affiliate.

23 Sec. 20. NEW SECTION. 536A.32 ACQUISITIONS.

24 Neither an out-of-state bank nor an out-of-state bank
25 holding company shall directly or indirectly acquire control
26 of, or directly or indirectly acquire all or substantially all
27 of the assets of, an industrial loan company located in this
28 state, unless the industrial loan company has been in
29 continuous existence and operation for at least five years.

30 Sec. 21. NEW SECTION. 536A.33 ACQUISITIONS AND BRANCHES
31 BY OUT-OF-STATE COMPANIES.

32 An out-of-state industrial loan company, industrial bank,
33 or similar institution as provided in 12 U.S.C. §
34 1841(c)(2)(H), shall not do any of the following:

35 1. Establish or operate a branch in this state.

1 2. Directly or indirectly acquire control of an industrial
2 loan company located in this state.

3 3. Directly or indirectly acquire all or substantially all
4 of the assets of an industrial loan company in this state.

5 Sec. 22. NEW SECTION. 536A.34 ACTIVITIES OF BRANCHES OF
6 OUT-OF-STATE COMPANIES.

7 A branch of an out-of-state industrial loan company,
8 industrial bank, or similar institution as provided in 12
9 U.S.C. § 1841(c)(2)(H), shall not engage in any activity in
10 this state in which an industrial loan company is not
11 specifically permitted to engage under the provisions of this
12 chapter, and shall not conduct operations at any location
13 where an industrial loan company is not permitted to conduct
14 operations under this chapter.

15 Sec. 23. Section 524.1803, Code 2005, is repealed.

16 EXPLANATION

17 This bill relates to financial institutions including the
18 regulation of state banks, bank holding companies, and
19 industrial loan companies. The bill provides that banks may
20 use as collateral to secure public deposits any investment
21 securities and shares registered under the federal Investment
22 Company Act of 1940. The bill restricts the ability of the
23 superintendent of banking, the banking council, and banking
24 division employees from disclosing certain information
25 regarding delayed deposit services lenders and mortgage
26 bankers and brokers. The bill permits the superintendent to
27 provide copies of examinations or reports to the financial
28 crimes enforcement network of the U.S. department of the
29 treasury and the internal revenue service.

30 The bill changes the verification and attestation
31 requirements for reports to the superintendent by requiring
32 two officers to verify and at least two directors to attest to
33 the report rather than allowing an alternative verification by
34 one officer and attestation by at least three directors. The
35 bill repeals the requirement that a state bank publish the

1 bank's statement of condition in a local newspaper. The bill
2 reduces the number of times a state bank must publish a notice
3 of a proposed change of location of its principal place of
4 business in a local newspaper. The bill restricts banks from
5 operating a loan production office or deposit production
6 office.

7 The bill provides the superintendent with authority to
8 remove a director, officer, or employee of a bank holding
9 company for engaging in unsafe or unsound practices in
10 conducting the business of the bank holding company and
11 prohibit the director from serving in any capacity for another
12 entity regulated by the superintendent. The bill makes the
13 criminal provisions of Code chapter 524 applicable to a
14 director, officer, or employee of a bank holding company.

15 The bill increases the penalty the superintendent may
16 impose on a state bank from \$100 per day to \$1,000 per day.

17 The bill provides for definitions of "affiliate",
18 "commercial activities", and "control" concerning regulation
19 of industrial loan companies. The bill restricts the ability
20 of an industrial loan company or an affiliate to engage in
21 commercial activities as defined by the bill. The bill
22 removes persons engaged in the mercantile business from the
23 exemption from regulation as an industrial loan lender. The
24 bill prohibits an out-of-state bank or bank holding company
25 from acquiring control of an industrial loan company unless
26 the industrial loan company has been in continuous existence
27 and operation for at least five years. The bill restricts the
28 ability of an out-of-state industrial loan company or
29 industrial bank from establishing, operating, controlling, or
30 acquiring an industrial loan company in this state.

31 The bill repeals the provision restricting the ability of a
32 bank holding company to purchase stock of a state or national
33 bank.

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HOUSE FILE 2587

H-8111

- 1 Amend House File 2587 as follows:
- 2 1. Page 1, by striking lines 6 through 24.
- 3 2. By renumbering as necessary.

By SANDS of Louisa

H-8111 FILED MARCH 6, 2006

HOUSE FILE 2587
BY COMMITTEE ON COMMERCE,
REGULATION AND LABOR

(SUCCESSOR TO HSB 544)

(As Amended and Passed by the House March 8, 2006)

Passed House, Date _____ Passed Senate, Date 3-14-06
Vote: Ayes _____ Nays _____ Vote: Ayes 49 Nays 0
Approved _____

A BILL FOR

1 An Act relating to financial institutions including the
2 regulation of state banks, bank holding companies, and
3 industrial loan companies, and providing for penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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Deleted Language *

1 Section 1. Section 12C.22, subsection 6, paragraph a, Code
2 2005, is amended to read as follows:

3 a. Investment securities and shares in which a bank is
4 permitted to invest under section 524.901, subsections 1, 2,
5 and 3, and 4.

*6 Sec. 2. Section 524.217, subsection 2, Code 2005, is
7 amended to read as follows:

8 2. The superintendent may furnish to the federal deposit
9 insurance corporation, the federal reserve system, the office
10 of the comptroller of the currency, the office of thrift
11 supervision, national credit union administration, the federal
12 home loan bank, the financial crimes enforcement network of
13 the federal department of the treasury, the United States
14 internal revenue service, and financial institution regulatory
15 authorities of other states, or to any official or supervising
16 examiner of such regulatory authorities, a copy of the report
17 of any or all examinations made of any state bank and of any
18 affiliate of a state bank.

19 Sec. 3. Section 524.220, subsection 1, Code 2005, is
20 amended to read as follows:

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

30 Sec. 4. Section 524.220, subsection 3, Code 2005, is
31 amended by striking the subsection.

32 Sec. 5. Section 524.312, subsection 3, Code 2005, is
33 amended to read as follows:

34 3. If a change in the location of the principal place of
35 business of a state bank is proposed, application for approval

1 of the superintendent shall be made as required by the
2 superintendent pursuant to this section. A change in location
3 of the principal place of business of a state bank, including
4 a change from one municipal corporation to another municipal
5 corporation within an urban complex, requires an amendment to
6 the articles of incorporation pursuant to sections 524.1502,
7 524.1504, and 524.1506. A state bank seeking approval of a
8 change of location pursuant to this subsection shall publish
9 ~~once-each-week-for-two-consecutive-weeks~~ a notice of the
10 proposed change of location in a newspaper of general
11 circulation in the municipal corporation or unincorporated
12 area in which the state bank has its principal place of
13 business, or if there is none, in a newspaper of general
14 circulation in the county, or in a county adjoining the
15 county, in which the state bank has its principal place of
16 business, and in the municipal corporation in which it seeks
17 to establish its principal place of business, or if there is
18 none, in a newspaper of general circulation in the county, or
19 in a county adjoining the county, in which the municipal
20 corporation is located. The ~~notices~~ notice shall be published
21 within thirty days after the application to the superintendent
22 for approval of the change in location is accepted for
23 processing. The notice shall set forth the name of the state
24 bank, the present location of its principal place of business,
25 the location to which it proposes to move its principal place
26 of business, and the date upon which the application was
27 accepted for processing by the superintendent.

28 Sec. 6. Section 524.606, subsection 2, unnumbered
29 paragraph 1, Code 2005, is amended to read as follows:

30 If, in the opinion of the superintendent, any director of a
31 state bank or bank holding company has violated any law
32 relating to such state bank or bank holding company or has
33 engaged in unsafe or unsound practices in conducting the
34 business of such state bank or bank holding company, the
35 superintendent may cause notice to be served upon such

1 director, to appear before the superintendent to show cause
2 why the director should not be removed from office. A copy of
3 such notice shall be sent to each director of the state bank
4 or bank holding company affected, by registered or certified
5 mail. If, after granting the accused director a reasonable
6 opportunity to be heard, the superintendent finds that the
7 director violated any law relating to such state bank or bank
8 holding company or engaged in unsafe or unsound practices in
9 conducting the business of such state bank or bank holding
10 company, the superintendent, in the superintendent's
11 discretion, may order that such director be removed from
12 office, and that such director be prohibited from serving in
13 any capacity in any other bank, bank holding company, bank
14 affiliate, trust company, or an entity licensed under chapter
15 533A, 533C, 533D, 535B, 536, or 536A. A copy of the order
16 shall be served upon such director and upon the state bank or
17 bank holding company of which the person is a director at
18 which time the person shall cease to be a director of the
19 state bank or bank holding company. The resignation,
20 termination of employment, or separation of such director,
21 including a separation caused by the closing of the state bank
22 or bank holding company at which the person serves as a
23 director, does not affect the jurisdiction and authority of
24 the superintendent to cause notice to be served and proceed
25 under this subsection against the director, if the notice is
26 served before the end of the six-year period beginning on the
27 date the director ceases to be a director with the bank.

28 Sec. 7. Section 524.707, subsection 2, Code 2005, is
29 amended to read as follows:

30 2. Section 524.606, subsection 2, which provides for the
31 removal of directors by the superintendent, shall have equal
32 application to officers and employees of a bank, bank holding
33 company, bank affiliate, or trust company.

34 Sec. 8. Section 524.1201, Code Supplement 2005, is amended
35 by adding the following new subsection:

1 NEW SUBSECTION. 4. A bank shall not operate a loan
2 production office or deposit production office in this state
3 unless either the bank has received approval from the
4 superintendent or the bank operated the loan production office
5 or deposit production office before July 1, 2006.

6 Sec. 9. Section 524.1601, Code 2005, is amended to read as
7 follows:

8 524.1601 PENALTIES AND CRIMINAL PROVISIONS APPLICABLE TO
9 DIRECTORS, OFFICERS, AND EMPLOYEES OF STATE BANKS AND BANK
10 HOLDING COMPANIES.

11 1. A director, officer, or employee of a state bank or
12 bank holding company who willfully violates any of the
13 provisions of subsection 4 of section 524.612, section
14 524.613, subsection 2 of section 524.706, insofar as such
15 subsection incorporates subsection 4 of section 524.612, or
16 section 524.710, shall be guilty of a serious misdemeanor,
17 plus, in the following circumstances, an additional fine or
18 fines equal to:

19 a. The amount of money or the value of the property which
20 the director, officer, or employee received for procuring, or
21 attempting to procure, a loan, extension of credit, or
22 investment by the state bank or bank holding company, upon
23 conviction of a violation of subsection 1 of section 524.613,
24 or of subsection 1 of section 524.710.

25 b. The amount by which the director's, officer's, or
26 employee's deposit account in the state bank or bank holding
27 company is overdrawn, upon conviction of a violation of
28 subsection 2 of section 524.613, or of subsection 2 of section
29 524.710.

30 c. The amount of any profit which the director, officer,
31 or employee receives on the transaction, upon conviction of a
32 violation of subsection 4 of section 524.612, or of subsection
33 2 of section 524.706, insofar as each applies to purchases
34 from and sales to a state bank or bank holding company upon
35 terms more favorable to such director, or officer, or employee

1 than those offered to other persons.

2 d. The amount of profit, fees or other compensation
3 received, upon conviction of a violation of section 524.710,
4 subsection 1, paragraph "b".

5 2. A director or officer who willfully makes or receives a
6 loan in violation of subsection 1 of section 524.612, or
7 subsection 1 of section 524.706, shall be guilty of a serious
8 misdemeanor and shall be subject to an additional fine equal
9 to that amount of the loan in excess of the limitation imposed
10 by such subsections, and shall be forever disqualified from
11 acting as a director or officer of any state bank or bank
12 holding company. For the purpose of this subsection, amounts
13 which are treated as obligations of an officer or director
14 pursuant to subsection 5 of section 524.612, shall be
15 considered in determining whether the loan or extension of
16 credit is in violation of subsection 1 of section 524.612 and
17 subsection 1 of section 524.706.

18 3. A director, officer, or employee of a state bank or
19 bank holding company who willfully makes or receives a loan or
20 extension of credit of funds held by the state bank or bank
21 holding company as fiduciary, in violation of subsection 4 of
22 section 524.1002, shall be guilty of a serious misdemeanor and
23 shall be subject to a further fine equal to the amount of the
24 loan or extension of credit made in violation of subsection 4
25 of section 524.1002, and shall be forever disqualified from
26 acting as a director, officer, or employee of any state bank
27 or bank holding company.

28 4. A director, officer, or employee of a state bank or
29 bank holding company who willfully violates, or participates
30 in the violation of, section 524.814, or section 524.819,
31 shall be guilty of a serious misdemeanor.

32 Sec. 10. Section 524.1602, unnumbered paragraph 1, Code
33 2005, is amended to read as follows:

34 The superintendent may impose a penalty on a state bank of
35 up to one hundred thousand dollars for each day:

1 Sec. 11. Section 524.1603, subsection 2, Code 2005, is
2 amended to read as follows:

3 2. The superintendent may impose a penalty on a state bank
4 of up to one hundred thousand dollars for each day that it
5 violates the provisions of section 524.1201.

6 Sec. 12. Section 536A.2, Code 2005, is amended by adding
7 the following new subsections:

8 NEW SUBSECTION. 1A. "Affiliate" means the same as defined
9 in 12 U.S.C. § 1841(k).

10 NEW SUBSECTION. 1B. "Commercial activities" means
11 activities in which an industrial loan company is not
12 specifically authorized to engage under the provisions of this
13 chapter.

14 NEW SUBSECTION. 1C. "Control" means the same as provided
15 in 12 U.S.C. § 1841(a)(2).

16 Sec. 13. Section 536A.4, Code 2005, is amended to read as
17 follows:

18 536A.4 LIMITATIONS.

19 ~~No~~ A license shall not be issued to any individual,
20 partnership, nonprofit organization, or unincorporated
21 association. A license shall not be issued to an applicant
22 that engages in commercial activities directly or through an
23 affiliate. Not more than one place of business where loans
24 are made shall be maintained under the same license but the
25 superintendent may issue more than one license to the same
26 licensee upon compliance, for each such additional license,
27 with all the provisions of this chapter governing an original
28 issuance of a license.

29 Sec. 14. Section 536A.5, subsection 6, Code 2005, is
30 amended by striking the subsection.

31 Sec. 15. Section 536A.12, subsection 3, paragraph a, Code
32 2005, is amended to read as follows:

33 a. For purposes of this section, ~~"control" means control~~
34 ~~as defined in section 524.103. -- However,~~ a change of control
35 does not occur when a majority shareholder of an industrial

1 loan company transfers the shareholder's shares of the
2 industrial loan company to a revocable trust, so long as the
3 transferor retains the power to revoke the trust and take
4 possession of such shares.

5 Sec. 16. Section 536A.21, Code 2005, is amended to read as
6 follows:

7 536A.21 OTHER BUSINESS IN SAME OFFICE.

8 A licensee engaged in the business of operating an
9 industrial loan company under the provisions of this chapter
10 may not conduct its business within any office, room, suite,
11 ~~or place of business in which any other business is engaged in~~
12 ~~or conducted, unless specifically authorized to do so in~~
13 ~~writing by the superintendent upon the superintendent's~~
14 ~~finding that the character of the other business is such that~~
15 ~~its operation by the licensee would not facilitate evasions of~~
16 ~~this chapter or any other statute of the state of Iowa~~
17 relating to the making of loans, or premises in which
18 commercial activities are conducted, unless the place where
19 its business is conducted by the industrial loan company is
20 physically separated from the location where commercial
21 activities are conducted and has a separate entrance. The
22 prohibition of this section shall not apply to the conduct of
23 business if, prior to January 1, 2006, the superintendent has
24 determined in writing that the character of the other business
25 is such that its operation by the licensee would not
26 facilitate evasions of the provisions of this chapter or any
27 other provision of the Code relating to the making of loans.

28 Sec. 17. Section 536A.22, unnumbered paragraph 3, Code
29 2005, is amended by striking the unnumbered paragraph.

30 Sec. 18. Section 536A.23, Code 2005, is amended by adding
31 the following new subsection:

32 NEW SUBSECTION. 6. Engage in commercial activities or
33 have an affiliate that engages in commercial activities. This
34 subsection shall not apply to an industrial loan company with
35 an affiliate that is engaged in commercial activities prior to

1 January 1, 2006, if control of the industrial loan company is
2 not thereafter transferred to an entity that engages in
3 commercial activities directly or through an affiliate.

4 Sec. 19. NEW SECTION. 536A.32 ACQUISITIONS.

5 Neither an out-of-state bank nor an out-of-state bank
6 holding company shall directly or indirectly acquire control
7 of, or directly or indirectly acquire all or substantially all
8 of the assets of, an industrial loan company located in this
9 state, unless the industrial loan company has been in
10 continuous existence and operation for at least five years.

11 Sec. 20. NEW SECTION. 536A.33 ACQUISITIONS AND BRANCHES
12 BY OUT-OF-STATE COMPANIES.

13 An out-of-state industrial loan company, industrial bank,
14 or similar institution as provided in 12 U.S.C. §
15 1841(c)(2)(H), shall not do any of the following:

- 16 1. Establish or operate a branch in this state.
- 17 2. Directly or indirectly acquire control of an industrial
18 loan company located in this state.
- 19 3. Directly or indirectly acquire all or substantially all
20 of the assets of an industrial loan company in this state.

21 Sec. 21. NEW SECTION. 536A.34 ACTIVITIES OF BRANCHES OF
22 OUT-OF-STATE COMPANIES.

23 A branch of an out-of-state industrial loan company,
24 industrial bank, or similar institution as provided in 12
25 U.S.C. § 1841(c)(2)(H), shall not engage in any activity in
26 this state in which an industrial loan company is not
27 specifically permitted to engage under the provisions of this
28 chapter, and shall not conduct operations at any location
29 where an industrial loan company is not permitted to conduct
30 operations under this chapter.

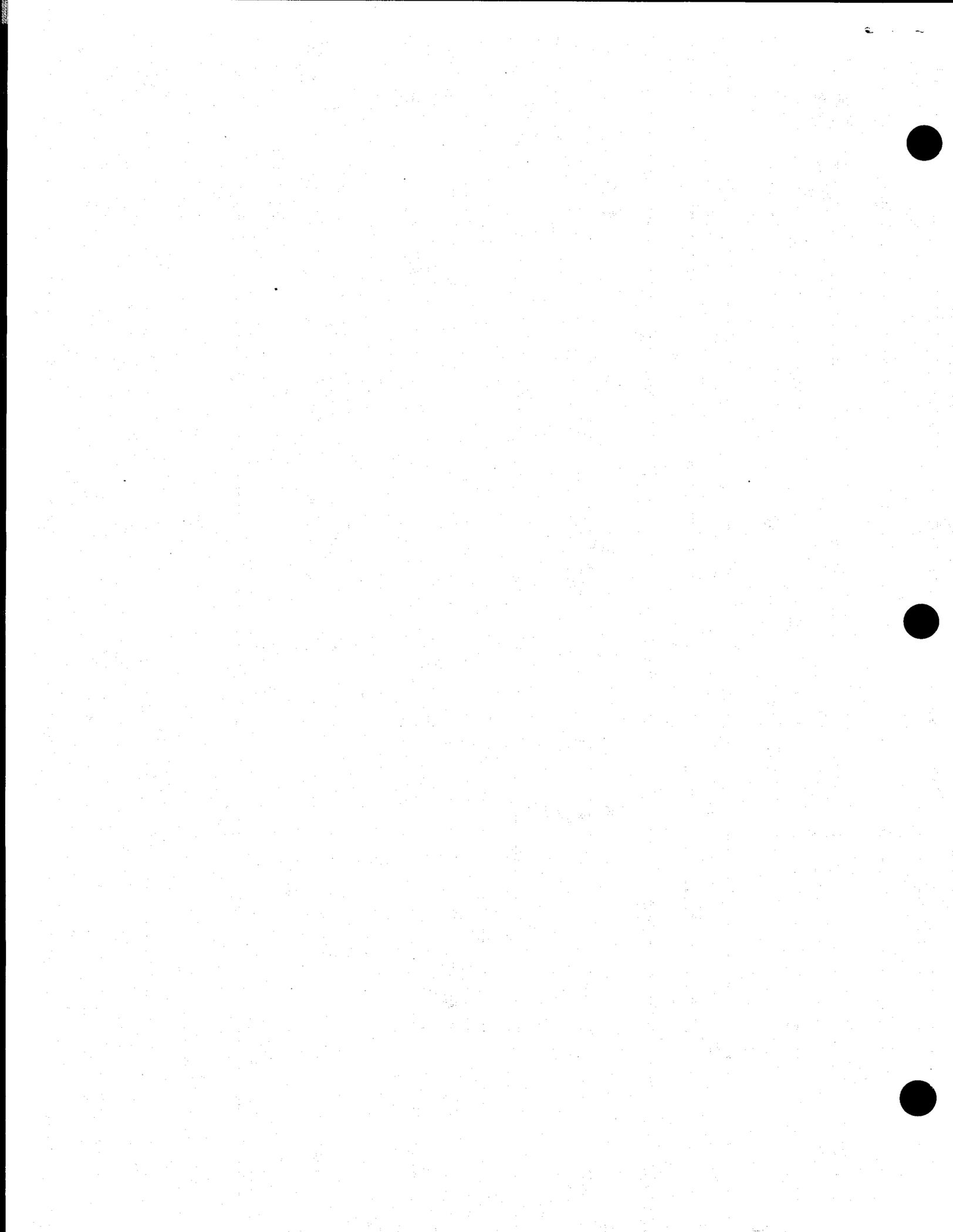
31 Sec. 22. Section 524.1803, Code 2005, is repealed.

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SANDS, CH
TOMENGA
QUIRK

HSB 544
COMMERCE, REGULATION & LABOR

SENATE/HOUSE FILE 02587
BY (PROPOSED DEPARTMENT OF
COMMERCE 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 state banks and bank holding
2 companies including the disclosure and release of regulatory
3 information, attestation and publication requirements, the
4 removal and service of officers, directors, and employees, and
5 offers to purchase stock, and increasing civil penalties.

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

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1 Section 1. Section 524.212, Code 2005, is amended to read
2 as follows:

3 524.212 PROHIBITION AGAINST DISCLOSURE OF REGULATORY
4 INFORMATION.

5 The superintendent, members of the state banking council,
6 general counsel, examiners, or other employees of the banking
7 division shall not disclose, in any manner, to any person
8 other than the person examined and those regulatory agencies
9 referred to in section 524.217, subsection 2, any information
10 relating specifically to the supervision and regulation of any
11 state bank, persons subject to the provisions of chapter 533A,
12 533C, 533D, 535B, 536, or 536A, any affiliate of any state
13 bank, or an affiliate of a person subject to the provisions of
14 chapter 533A, 533C, 533D, 535B, 536, or 536A, except when
15 ordered to do so by a court of competent jurisdiction and then
16 only in those instances referred to in section 524.215,
17 subsections 1, 2, 3, and 5, or when the disclosure is
18 otherwise expressly permitted or required by the provisions of
19 chapter 533A, 533C, 533D, 535B, 536, or 536A.

20 Sec. 2. Section 524.217, subsection 2, Code 2005, is
21 amended to read as follows:

22 2. The superintendent may furnish to the federal deposit
23 insurance corporation, the federal reserve system, the office
24 of the comptroller of the currency, the office of thrift
25 supervision, national credit union administration, the federal
26 home loan bank, the financial crimes enforcement network of
27 the federal department of the treasury, the United States
28 internal revenue service, and financial institution regulatory
29 authorities of other states, or to any official or supervising
30 examiner of such regulatory authorities, a copy of the report
31 of any or all examinations made of any state bank and of any
32 affiliate of a state bank.

33 Sec. 3. Section 524.220, subsection 1, Code 2005, is
34 amended to read as follows:

35 1. A state bank shall render a full, clear, and accurate

1 statement of its condition to the superintendent, in a format
2 prescribed by the superintendent, ~~verified-by-the-oath-of-an~~
3 ~~officer-and-attested-by-the-signatures-of-at-least-three-of~~
4 ~~the-directors,~~ or verified by the oath of two of its officers,
5 and attested by at least two of the directors. The
6 superintendent may, in the superintendent's discretion, use
7 any form of statement of condition that is used by the federal
8 deposit insurance corporation or the federal reserve system.

9 Sec. 4. Section 524.220, subsection 3, Code 2005, is
10 amended by striking the subsection.

11 Sec. 5. Section 524.312, subsection 3, Code 2005, is
12 amended to read as follows:

13 3. If a change in the location of the principal place of
14 business of a state bank is proposed, application for approval
15 of the superintendent shall be made as required by the
16 superintendent pursuant to this section. A change in location
17 of the principal place of business of a state bank, including
18 a change from one municipal corporation to another municipal
19 corporation within an urban complex, requires an amendment to
20 the articles of incorporation pursuant to sections 524.1502,
21 524.1504, and 524.1506. A state bank seeking approval of a
22 change of location pursuant to this subsection shall publish
23 ~~once-each-week-for-two-consecutive-weeks~~ a notice of the
24 proposed change of location in a newspaper of general
25 circulation in the municipal corporation or unincorporated
26 area in which the state bank has its principal place of
27 business, or if there is none, in a newspaper of general
28 circulation in the county, or in a county adjoining the
29 county, in which the state bank has its principal place of
30 business, and in the municipal corporation in which it seeks
31 to establish its principal place of business, or if there is
32 none, in a newspaper of general circulation in the county, or
33 in a county adjoining the county, in which the municipal
34 corporation is located. The ~~notices~~ notice shall be published
35 within thirty days after the application to the superintendent

1 for approval of the change in location is accepted for
2 processing. The notice shall set forth the name of the state
3 bank, the present location of its principal place of business,
4 the location to which it proposes to move its principal place
5 of business, and the date upon which the application was
6 accepted for processing by the superintendent.

7 Sec. 6. Section 524.606, subsection 2, unnumbered
8 paragraph 1, Code 2005, is amended to read as follows:

9 If, in the opinion of the superintendent, any director of a
10 state bank or bank holding company has violated any law
11 relating to such state bank or bank holding company or has
12 engaged in unsafe or unsound practices in conducting the
13 business of such state bank or bank holding company, the
14 superintendent may cause notice to be served upon such
15 director, to appear before the superintendent to show cause
16 why the director should not be removed from office. A copy of
17 such notice shall be sent to each director of the state bank
18 or bank holding company affected, by registered or certified
19 mail. If, after granting the accused director a reasonable
20 opportunity to be heard, the superintendent finds that the
21 director violated any law relating to such state bank or bank
22 holding company or engaged in unsafe or unsound practices in
23 conducting the business of such state bank or bank holding
24 company, the superintendent, in the superintendent's
25 discretion, may order that such director be removed from
26 office, and that such director be prohibited from serving in
27 any capacity in any other bank, bank holding company, bank
28 affiliate, trust company, or an entity licensed under chapter
29 533A, 533C, 533D, 535B, 536, or 536A. A copy of the order
30 shall be served upon such director and upon the state bank or
31 bank holding company of which the person is a director at
32 which time the person shall cease to be a director of the
33 state bank or bank holding company. The resignation,
34 termination of employment, or separation of such director,
35 including a separation caused by the closing of the state bank

1 or bank holding company at which the person serves as a
2 director, does not affect the jurisdiction and authority of
3 the superintendent to cause notice to be served and proceed
4 under this subsection against the director, if the notice is
5 served before the end of the six-year period beginning on the
6 date the director ceases to be a director with the bank.

7 Sec. 7. Section 524.707, subsection 2, Code 2005, is
8 amended to read as follows:

9 2. Section 524.606, subsection 2, which provides for the
10 removal of directors by the superintendent, shall have equal
11 application to officers and employees of a bank, bank holding
12 company, bank affiliate, or trust company.

13 Sec. 8. Section 524.1601, Code 2005, is amended to read as
14 follows:

15 524.1601 PENALTIES AND CRIMINAL PROVISIONS APPLICABLE TO
16 DIRECTORS, OFFICERS, AND EMPLOYEES OF STATE BANKS AND BANK
17 HOLDING COMPANIES.

18 1. A director, officer, or employee of a state bank or
19 bank holding company who willfully violates any of the
20 provisions of subsection 4 of section 524.612, section
21 524.613, subsection 2 of section 524.706, insofar as such
22 subsection incorporates subsection 4 of section 524.612, or
23 section 524.710, shall be guilty of a serious misdemeanor,
24 plus, in the following circumstances, an additional fine or
25 fines equal to:

26 a. The amount of money or the value of the property which
27 the director, officer, or employee received for procuring, or
28 attempting to procure, a loan, extension of credit, or
29 investment by the state bank or bank holding company, upon
30 conviction of a violation of subsection 1 of section 524.613,
31 or of subsection 1 of section 524.710.

32 b. The amount by which the director's, officer's, or
33 employee's deposit account in the state bank or bank holding
34 company is overdrawn, upon conviction of a violation of
35 subsection 2 of section 524.613, or of subsection 2 of section

1 524.710.

2 c. The amount of any profit which the director, officer,
3 or employee receives on the transaction, upon conviction of a
4 violation of subsection 4 of section 524.612, or of subsection
5 2 of section 524.706, insofar as each applies to purchases
6 from and sales to a state bank or bank holding company upon
7 terms more favorable to such director, or officer, or employee
8 than those offered to other persons.

9 d. The amount of profit, fees or other compensation
10 received, upon conviction of a violation of section 524.710,
11 subsection 1, paragraph "b".

12 2. A director or officer who willfully makes or receives a
13 loan in violation of subsection 1 of section 524.612, or
14 subsection 1 of section 524.706, shall be guilty of a serious
15 misdemeanor and shall be subject to an additional fine equal
16 to that amount of the loan in excess of the limitation imposed
17 by such subsections, and shall be forever disqualified from
18 acting as a director or officer of any state bank or bank
19 holding company. For the purpose of this subsection, amounts
20 which are treated as obligations of an officer or director
21 pursuant to subsection 5 of section 524.612, shall be
22 considered in determining whether the loan or extension of
23 credit is in violation of subsection 1 of section 524.612 and
24 subsection 1 of section 524.706.

25 3. A director, officer, or employee of a state bank or
26 bank holding company who willfully makes or receives a loan or
27 extension of credit of funds held by the state bank or bank
28 holding company as fiduciary, in violation of subsection 4 of
29 section 524.1002, shall be guilty of a serious misdemeanor and
30 shall be subject to a further fine equal to the amount of the
31 loan or extension of credit made in violation of subsection 4
32 of section 524.1002, and shall be forever disqualified from
33 acting as a director, officer, or employee of any state bank
34 or bank holding company.

35 4. A director, officer, or employee of a state bank or

1 bank holding company who willfully violates, or participates
2 in the violation of, section 524.814, or section 524.819,
3 shall be guilty of a serious misdemeanor.

4 Sec. 9. Section 524.1602, unnumbered paragraph 1, Code
5 2005, is amended to read as follows:

6 The superintendent may impose a penalty on a state bank of
7 up to one hundred thousand dollars for each day:

8 Sec. 10. Section 524.1603, subsection 2, Code 2005, is
9 amended to read as follows:

10 2. The superintendent may impose a penalty on a state bank
11 of up to one hundred thousand dollars for each day that it
12 violates the provisions of section 524.1201.

13 Sec. 11. Section 524.1803, Code 2005, is repealed.

14 EXPLANATION

15 This bill relates to the regulation of state banks. The
16 bill restricts the ability of the superintendent of banking,
17 the banking council, and banking division employees from
18 disclosing certain information regarding delayed deposit
19 services lenders and mortgage bankers and brokers. The bill
20 permits the superintendent to provide copies of examinations
21 or reports to the financial crimes enforcement network of the
22 U.S. department of the treasury and the internal revenue
23 service.

24 The bill changes the verification and attestation
25 requirements for reports to the superintendent by requiring
26 two officers to verify and at least two directors to attest to
27 the report rather than allowing an alternative verification by
28 one officer and attestation by at least three directors. The
29 bill repeals the requirement that a state bank publish the
30 bank's statement of condition in a local newspaper. The bill
31 reduces the number of times a state bank must publish a notice
32 of a proposed change of location of its principal place of
33 business in a local newspaper.

34 The bill provides the superintendent with authority to
35 remove a director, officer, or employee of a bank holding

1 company for engaging in unsafe or unsound practices in
2 conducting the business of the bank holding company and
3 prohibit the director from serving in any capacity for another
4 entity regulated by the superintendent. The bill makes the
5 criminal provisions of Code chapter 524 applicable to a
6 director, officer, or employee of a bank holding company.

7 The bill increases the penalty the superintendent may
8 impose on a state bank from \$100 per day to \$1,000 per day.

9 The bill repeals the provision restricting the ability of a
10 bank holding company to purchase stock of a state or national
11 bank.

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HOUSE FILE 2587

AN ACT

RELATING TO FINANCIAL INSTITUTIONS INCLUDING THE REGULATION OF STATE BANKS, BANK HOLDING COMPANIES, AND INDUSTRIAL LOAN COMPANIES, AND PROVIDING FOR PENALTIES.

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

Section 1. Section 12C.22, subsection 6, paragraph a, Code 2005, is amended to read as follows:

a. Investment securities and shares in which a bank is permitted to invest under section 524.901, subsections 1, 2, and 3, and 4.

Sec. 2. Section 524.217, subsection 2, Code 2005, is amended to read as follows:

2. The superintendent may furnish to the federal deposit insurance corporation, the federal reserve system, the office of the comptroller of the currency, the office of thrift supervision, national credit union administration, the federal home loan bank, the financial crimes enforcement network of the federal department of the treasury, the United States internal revenue service, and financial institution regulatory authorities of other states, or to any official or supervising examiner of such regulatory authorities, a copy of the report of any or all examinations made of any state bank and of any affiliate of a state bank.

Sec. 3. Section 524.220, subsection 1, Code 2005, is amended to read as follows:

1. A state bank shall render a full, clear, and accurate statement of its condition to the superintendent, in a format prescribed by the superintendent, ~~verified by the oath of an officer and attested by the signatures of at least three of~~

~~the directors, or~~ verified by the oath of two of its officers, and attested by at least two of the directors. The superintendent may, in the superintendent's discretion, use any form of statement of condition that is used by the federal deposit insurance corporation or the federal reserve system.

Sec. 4. Section 524.220, subsection 3, Code 2005, is amended by striking the subsection.

Sec. 5. Section 524.312, subsection 3, Code 2005, is amended to read as follows:

3. If a change in the location of the principal place of business of a state bank is proposed, application for approval of the superintendent shall be made as required by the superintendent pursuant to this section. A change in location of the principal place of business of a state bank, including a change from one municipal corporation to another municipal corporation within an urban complex, requires an amendment to the articles of incorporation pursuant to sections 524.1502, 524.1504, and 524.1506. A state bank seeking approval of a change of location pursuant to this subsection shall publish ~~once each week for two consecutive weeks~~ a notice of the proposed change of location in a newspaper of general circulation in the municipal corporation or unincorporated area in which the state bank has its principal place of business, or if there is none, in a newspaper of general circulation in the county, or in a county adjoining the county, in which the state bank has its principal place of business, and in the municipal corporation in which it seeks to establish its principal place of business, or if there is none, in a newspaper of general circulation in the county, or in a county adjoining the county, in which the municipal corporation is located. ~~The notices~~ notice shall be published within thirty days after the application to the superintendent for approval of the change in location is accepted for processing. The notice shall set forth the name of the state bank, the present location of its principal place of business,

the location to which it proposes to move its principal place of business, and the date upon which the application was accepted for processing by the superintendent.

Sec. 6. Section 524.606, subsection 2, unnumbered paragraph 1, Code 2005, is amended to read as follows:

If, in the opinion of the superintendent, any director of a state bank or bank holding company has violated any law relating to such state bank or bank holding company or has engaged in unsafe or unsound practices in conducting the business of such state bank or bank holding company, the superintendent may cause notice to be served upon such director, to appear before the superintendent to show cause why the director should not be removed from office. A copy of such notice shall be sent to each director of the state bank or bank holding company affected, by registered or certified mail. If, after granting the accused director a reasonable opportunity to be heard, the superintendent finds that the director violated any law relating to such state bank or bank holding company or engaged in unsafe or unsound practices in conducting the business of such state bank or bank holding company, the superintendent, in the superintendent's discretion, may order that such director be removed from office, and that such director be prohibited from serving in any capacity in any other bank, bank holding company, bank affiliate, trust company, or an entity licensed under chapter 533A, 533C, 533D, 535B, 536, or 536A. A copy of the order shall be served upon such director and upon the state bank or bank holding company of which the person is a director at which time the person shall cease to be a director of the state bank or bank holding company. The resignation, termination of employment, or separation of such director, including a separation caused by the closing of the state bank or bank holding company at which the person serves as a director, does not affect the jurisdiction and authority of the superintendent to cause notice to be served and proceed

under this subsection against the director, if the notice is served before the end of the six-year period beginning on the date the director ceases to be a director with the bank.

Sec. 7. Section 524.707, subsection 2, Code 2005, is amended to read as follows:

2. Section 524.606, subsection 2, which provides for the removal of directors by the superintendent, shall have equal application to officers and employees of a bank, bank holding company, bank affiliate, or trust company.

Sec. 8. Section 524.1201, Code Supplement 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 4. A bank shall not operate a loan production office or deposit production office in this state unless either the bank has received approval from the superintendent or the bank operated the loan production office or deposit production office before July 1, 2006.

Sec. 9. Section 524.1601, Code 2005, is amended to read as follows:

524.1601 PENALTIES AND CRIMINAL PROVISIONS APPLICABLE TO DIRECTORS, OFFICERS, AND EMPLOYEES OF STATE BANKS AND BANK HOLDING COMPANIES.

1. A director, officer, or employee of a state bank or bank holding company who willfully violates any of the provisions of subsection 4 of section 524.612, section 524.613, subsection 2 of section 524.706, insofar as such subsection incorporates subsection 4 of section 524.612, or section 524.710, shall be guilty of a serious misdemeanor, plus, in the following circumstances, an additional fine or fines equal to:

a. The amount of money or the value of the property which the director, officer, or employee received for procuring, or attempting to procure, a loan, extension of credit, or investment by the state bank or bank holding company, upon conviction of a violation of subsection 1 of section 524.613, or of subsection 1 of section 524.710.

b. The amount by which the director's, officer's, or employee's deposit account in the state bank or bank holding company is overdrawn, upon conviction of a violation of subsection 2 of section 524.613, or of subsection 2 of section 524.710.

c. The amount of any profit which the director, officer, or employee receives on the transaction, upon conviction of a violation of subsection 4 of section 524.612, or of subsection 2 of section 524.706, insofar as each applies to purchases from and sales to a state bank or bank holding company upon terms more favorable to such director, or officer, or employee than those offered to other persons.

d. The amount of profit, fees or other compensation received, upon conviction of a violation of section 524.710, subsection 1, paragraph "b".

2. A director or officer who willfully makes or receives a loan in violation of subsection 1 of section 524.612, or subsection 1 of section 524.706, shall be guilty of a serious misdemeanor and shall be subject to an additional fine equal to that amount of the loan in excess of the limitation imposed by such subsections, and shall be forever disqualified from acting as a director or officer of any state bank or bank holding company. For the purpose of this subsection, amounts which are treated as obligations of an officer or director pursuant to subsection 5 of section 524.612, shall be considered in determining whether the loan or extension of credit is in violation of subsection 1 of section 524.612 and subsection 1 of section 524.706.

3. A director, officer, or employee of a state bank or bank holding company who willfully makes or receives a loan or extension of credit of funds held by the state bank or bank holding company as fiduciary, in violation of subsection 4 of section 524.1002, shall be guilty of a serious misdemeanor and shall be subject to a further fine equal to the amount of the loan or extension of credit made in violation of subsection 4

of section 524.1002, and shall be forever disqualified from acting as a director, officer, or employee of any state bank or bank holding company.

4. A director, officer, or employee of a state bank or bank holding company who willfully violates, or participates in the violation of, section 524.814, or section 524.819, shall be guilty of a serious misdemeanor.

Sec. 10. Section 524.1602, unnumbered paragraph 1, Code 2005, is amended to read as follows:

The superintendent may impose a penalty on a state bank of up to one hundred thousand dollars for each day:

Sec. 11. Section 524.1603, subsection 2, Code 2005, is amended to read as follows:

2. The superintendent may impose a penalty on a state bank of up to one hundred thousand dollars for each day that it violates the provisions of section 524.1201.

Sec. 12. Section 536A.2, Code 2005, is amended by adding the following new subsections:

NEW SUBSECTION. 1A. "Affiliate" means the same as defined in 12 U.S.C. § 1841(k).

NEW SUBSECTION. 1B. "Commercial activities" means activities in which an industrial loan company is not specifically authorized to engage under the provisions of this chapter.

NEW SUBSECTION. 1C. "Control" means the same as provided in 12 U.S.C. § 1841(a)(2).

Sec. 13. Section 536A.4, Code 2005, is amended to read as follows:

536A.4 LIMITATIONS.

No A license shall not be issued to any individual, partnership, nonprofit organization, or unincorporated association. A license shall not be issued to an applicant that engages in commercial activities directly or through an affiliate. Not more than one place of business where loans are made shall be maintained under the same license but the

superintendent may issue more than one license to the same licensee upon compliance, for each such additional license, with all the provisions of this chapter governing an original issuance of a license.

Sec. 14. Section 536A.5, subsection 6, Code 2005, is amended by striking the subsection.

Sec. 15. Section 536A.12, subsection 3, paragraph a, Code 2005, is amended to read as follows:

a. For purposes of this section, ~~"control" means control as defined in section 524.103. However,~~ a change of control does not occur when a majority shareholder of an industrial loan company transfers the shareholder's shares of the industrial loan company to a revocable trust, so long as the transferor retains the power to revoke the trust and take possession of such shares.

Sec. 16. Section 536A.21, Code 2005, is amended to read as follows:

536A.21 OTHER BUSINESS IN SAME OFFICE.

A licensee engaged in the business of operating an industrial loan company under the provisions of this chapter may not conduct its business within any office, room, suite, or place of business ~~in which any other business is engaged in or conducted, unless specifically authorized to do so in writing by the superintendent upon the superintendent's finding that the character of the other business is such that its operation by the licensee would not facilitate evasions of this chapter or any other statute of the state of Iowa relating to the making of loans, or premises in which commercial activities are conducted, unless the place where its business is conducted by the industrial loan company is physically separated from the location where commercial activities are conducted and has a separate entrance. The prohibition of this section shall not apply to the conduct of business if, prior to January 1, 2006, the superintendent has determined in writing that the character of the other business~~

is such that its operation by the licensee would not facilitate evasions of the provisions of this chapter or any other provision of the Code relating to the making of loans.

Sec. 17. Section 536A.22, unnumbered paragraph 3, Code 2005, is amended by striking the unnumbered paragraph.

Sec. 18. Section 536A.23, Code 2005, is amended by adding the following new subsection:

NEW SUBSECTION. 6. Engage in commercial activities or have an affiliate that engages in commercial activities. This subsection shall not apply to an industrial loan company with an affiliate that is engaged in commercial activities prior to January 1, 2006, if control of the industrial loan company is not thereafter transferred to an entity that engages in commercial activities directly or through an affiliate.

Sec. 19. NEW SECTION. 536A.32 ACQUISITIONS.

Neither an out-of-state bank nor an out-of-state bank holding company shall directly or indirectly acquire control of, or directly or indirectly acquire all or substantially all of the assets of, an industrial loan company located in this state, unless the industrial loan company has been in continuous existence and operation for at least five years.

Sec. 20. NEW SECTION. 536A.33 ACQUISITIONS AND BRANCHES BY OUT-OF-STATE COMPANIES.

An out-of-state industrial loan company, industrial bank, or similar institution as provided in 12 U.S.C. § 1841(c)(2)(H), shall not do any of the following:

1. Establish or operate a branch in this state.
2. Directly or indirectly acquire control of an industrial loan company located in this state.
3. Directly or indirectly acquire all or substantially all of the assets of an industrial loan company in this state.

Sec. 21. NEW SECTION. 536A.34 ACTIVITIES OF BRANCHES OF OUT-OF-STATE COMPANIES.

A branch of an out-of-state industrial loan company, industrial bank, or similar institution as provided in 12

U.S.C. § 1841(c)(2)(H), shall not engage in any activity in this state in which an industrial loan company is not specifically permitted to engage under the provisions of this chapter, and shall not conduct operations at any location where an industrial loan company is not permitted to conduct operations under this chapter.

Sec. 22. Section 524.1803, Code 2005, is repealed.

CHRISTOPHER C. RANTS
Speaker of the House

JOHN P. KIBBIE
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 2587, Eighty-first General Assembly.

MARGARET THOMSON
Chief Clerk of the House

Approved _____, 2006

THOMAS J. VILSACK
Governor

