

Senate Study Bill 1224 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE
ON COMMERCE BILL BY
CHAIRPERSON SCHULTZ)

A BILL FOR

1 An Act relating to financial institutions, including the
2 assets, liabilities, and merger of state banks and state
3 credit unions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 524.1303, subsection 1, Code 2021, is
2 amended to read as follows:

3 1. A state bank which has commenced business may propose to
4 voluntarily dissolve upon the affirmative vote of the holders
5 of at least a majority of the shares entitled to vote on the
6 voluntary dissolution, adopting a plan of dissolution involving
7 both a provision for acquisition of its assets and assumption
8 of its liabilities by another state bank, national bank, or
9 other financial institution insured by the federal deposit
10 insurance corporation and a provision for continuance of its
11 business if acquisition of its assets and assumption of its
12 liabilities is not effected, or any other plan of dissolution
13 providing for full payment of its liabilities. A state bank's
14 adoption of a plan involving the acquisition of its assets
15 or the payment or assumption of its liabilities by a credit
16 union chartered under state or federal law shall not be deemed
17 sufficient to cause voluntary dissolution of a state bank under
18 this subsection.

19 Sec. 2. Section 524.1309, Code 2021, is amended to read as
20 follows:

21 **524.1309 Becoming subject to chapter 489 or 490.**

22 In lieu of the dissolution procedure prescribed in sections
23 524.1303 through 524.1306, a state bank may cease to carry
24 on the business of banking and, after compliance with this
25 section, continue as a corporation subject to **chapter 490**; ~~or~~
26 ~~if the state bank is organized as a limited liability company~~
27 ~~under **this chapter**, continue as a limited liability company~~
28 ~~subject to **chapter 489**.~~

29 1. A state bank that has commenced business may propose
30 to voluntarily cease to carry on the business of banking and
31 become a corporation subject to **chapter 490**, ~~or a limited~~
32 ~~liability company subject to **chapter 489**,~~ upon the affirmative
33 vote of the holders of at least a majority of the shares
34 entitled to vote on such proposal, adopting a plan involving
35 both a provision for acquisition of its assets and assumption

1 of its liabilities by another state bank, national bank, or
2 other financial institution insured by the federal deposit
3 insurance corporation, and a provision for continuance of
4 its business if acquisition of its assets and assumption of
5 its liabilities is not effected, or any other plan providing
6 for the cessation of banking business and the payment of its
7 liabilities. A state bank's adoption of a plan involving the
8 acquisition of its assets or the payment or assumption of
9 its liabilities by a credit union chartered under state or
10 federal law shall not be deemed sufficient to cause a state
11 bank to cease to carry on the business of banking and become a
12 corporation subject to chapter 490.

13 2. The application to the superintendent for approval
14 of a plan described in subsection 1 shall be treated by
15 the superintendent in the same manner as an application for
16 approval of a plan of dissolution under section 524.1303,
17 subsection 2, and shall be subject to section 524.1303,
18 subsection 3.

19 3. Immediately upon adoption and approval of a plan to
20 voluntarily cease to carry on the business of banking and
21 become a corporation subject to chapter 490, ~~or a limited~~
22 ~~liability company subject to chapter 489~~, the state bank shall
23 deliver to the superintendent a plan to cease the business of
24 banking and become a corporation subject to chapter 490, ~~or a~~
25 ~~limited liability company subject to chapter 489~~, which shall
26 be signed by two of its duly authorized officers and shall
27 contain the name of the state bank, the post office address of
28 its principal place of business, the name and address of its
29 officers and directors, the number of shares entitled to vote
30 on the plan and the number of shares voted for or against the
31 plan, respectively, the nature of the business to be conducted
32 by the corporation under chapter 490, ~~or by the limited~~
33 ~~liability company subject to chapter 489~~, and the general
34 nature of the assets to be held by the corporation or company.

35 4. Upon approval of the plan by the superintendent, the

1 state bank shall immediately surrender to the superintendent
2 its authorization to do business as a bank and shall cease
3 to accept deposits and carry on the banking business except
4 insofar as may be necessary for it to complete the settlement
5 of its affairs as a state bank in accordance with subsection 5.

6 5. The board of directors has full power to complete the
7 settlement of the affairs of the state bank. Within thirty
8 days after approval by the superintendent of the plan to cease
9 the business of banking and become a corporation subject
10 to chapter 490, ~~or a limited liability company subject to~~
11 ~~chapter 489~~, the state bank shall give notice of its intent
12 to persons identified in section 524.1305, subsection 3, in
13 the manner provided for in that subsection. In completing
14 the settlement of its affairs as a state bank, the state bank
15 shall also follow the procedure prescribed in section 524.1305,
16 subsections 4, 5, and 6.

17 6. Upon completion of all the requirements of this section,
18 the state bank shall deliver to the superintendent articles of
19 intent to be subject to chapter 490 ~~or 489~~, together with the
20 applicable filing and recording fees, which shall set forth
21 that the state bank has complied with this section, that it has
22 ceased to carry on the business of banking, and the information
23 required by section 490.202 relative to the contents of
24 articles of incorporation under chapter 490, ~~or articles of~~
25 ~~organization under chapter 489~~. If the superintendent finds
26 that the state bank has complied with this section and that
27 the articles of intent to be subject to chapter 490 ~~or 489~~
28 satisfy the requirements of this section, the superintendent
29 shall deliver them to the secretary of state for filing
30 and recording in the secretary of state's office, and the
31 superintendent shall file and record them in the office of the
32 county recorder.

33 7. Upon the filing of the articles of intent to be subject
34 to chapter 490 ~~or 489~~, the state bank shall cease to be a state
35 bank subject to this chapter, and shall cease to have the

1 powers of a state bank subject to **this chapter** and shall become
2 a corporation subject to **chapter 490** ~~or a limited liability~~
3 ~~company subject to **chapter 489**~~. The secretary of state
4 shall issue a certificate as to the filing of the articles
5 of intent to be subject to **chapter 490** ~~or **489**~~ and send the
6 certificate to the corporation ~~or limited liability company~~ or
7 its representative. The articles of intent to be subject to
8 **chapter 490** ~~or **489**~~ shall be the articles of incorporation of
9 the corporation ~~or a limited liability company~~. The provisions
10 of **chapter 490** ~~or **489**~~ becoming applicable to a corporation ~~or~~
11 ~~limited liability company~~ formerly doing business as a state
12 bank shall not affect any right accrued or established, or
13 liability or penalty incurred under **this chapter** prior to the
14 filing with the secretary of state of the articles of intent to
15 be subject to **chapter 490** ~~or **489**~~.

16 8. A shareholder of a state bank who objects to adoption
17 by the state bank of a plan to cease to carry on the business
18 of banking and to continue as a corporation subject to **chapter**
19 ~~490, or a limited liability company subject to **chapter 489**,~~
20 is entitled to appraisal rights provided for in **chapter 490**,
21 ~~subchapter XIII, or in **chapter 489**, **section 489.604**.~~

22 9. A state bank, at any time prior to the approval of the
23 articles of intent to become subject to **chapter 490** ~~or **489**,~~
24 may revoke the proceedings in the manner prescribed by **section**
25 **524.1306**.

26 Sec. 3. Section 524.1401, subsection 1, Code 2021, is
27 amended to read as follows:

28 1. Upon compliance with the requirements of **this chapter**,
29 one or more state banks, one or more out-of-state banks, one or
30 more national banks, one or more federal savings associations,
31 one or more corporations, or any combination of these entities,
32 with the approval of the superintendent, may merge into a
33 state bank pursuant to a plan of merger. For purposes of
34 this section, "corporation" does not include a credit union,
35 industrial bank, or trust company.

1 Sec. 4. NEW SECTION. 524.1423 Authority to sell
2 participations or real property assets.

3 1. *a.* Subject to section 524.907, a state bank may sell
4 or transfer participations. If a state bank proposes to sell
5 or transfer greater than or equal to twenty-five percent
6 of the total value of its participations to a credit union
7 chartered under state or federal law, the state bank shall
8 provide a written notice and application for approval to the
9 superintendent not less than thirty days prior to completion of
10 the proposed sale or transfer.

11 *b.* A state bank may sell or transfer a portion of its real
12 property assets, subject to all of the following:

13 (1) If a state bank proposes to sell or transfer greater
14 than or equal to twenty-five percent of its real property
15 assets to a credit union chartered under state or federal law,
16 the state bank shall provide a written notice and application
17 for approval to the superintendent not less than thirty days
18 prior to completion of the proposed sale or transfer.

19 (2) If a state bank proposes to sell or transfer
20 real property containing a bank office or any other
21 physical location of the state bank, the state bank shall
22 provide written notice and application for approval to
23 the superintendent not less than thirty days prior to the
24 completion of the proposed sale or transfer.

25 2. The superintendent may approve a sale or transfer under
26 subsection 1 if the superintendent determines all of the
27 following:

28 *a.* The sale has been approved by a majority of the state
29 bank's directors and shareholders.

30 *b.* The sale adequately protects the interests of the state
31 bank's depositors, creditors, and shareholders.

32 *c.* The sale is consistent with safe and sound banking
33 practices.

34 *d.* The sale is in the public interest based on the financial
35 history and condition of the parties to the sale, including

1 the composition of the state bank's balance sheet after the
2 sale, the potential effect of the sale on competition, and the
3 convenience and needs of the area served by the parties to the
4 sale.

5 Sec. 5. Section 533.406, Code 2021, is amended to read as
6 follows:

7 **533.406 State credit union merger, conversion, or**
8 **dissolution.**

9 1. Notwithstanding [section 533.301, subsection 25](#), a state
10 credit union shall comply with the state law requirements for
11 merger, conversion, or dissolution of a state credit union.

12 2. Except as provided in section 524.1423, a state credit
13 union shall not merge with, purchase the assets of, or assume
14 the liabilities of a bank, a federally chartered savings bank,
15 or a federally chartered savings association. For purposes of
16 this subsection, "bank" means the same as defined in section
17 524.103.

18 EXPLANATION

19 The inclusion of this explanation does not constitute agreement with
20 the explanation's substance by the members of the general assembly.

21 This bill relates to financial institutions, including the
22 assets, liabilities, and merger of state banks and state credit
23 unions.

24 Current law provides that a state bank that has commenced
25 business may propose to voluntarily dissolve upon the adoption
26 of a plan of dissolution that includes provisions for the
27 acquisition of its assets and assumption of its liabilities
28 and for the continuance of its business if acquisition is not
29 effected. The bill provides that a state bank's adoption of
30 a plan involving the acquisition of its assets or the payment
31 or assumption of its liabilities by a credit union shall not
32 be deemed sufficient to cause voluntary dissolution of a state
33 bank.

34 The bill modifies Code section 524.1309 to strike references
35 to a state bank continuing as a limited liability company after

1 ceasing to carry on the business of banking.

2 Current law provides that a state bank that has commenced
3 business may propose to cease carrying on the business of
4 banking and become a corporation subject to Code chapter 490
5 upon the adoption of a plan that includes provisions for the
6 acquisition of its assets and assumption of its liabilities
7 and for the continuance of its business if acquisition is not
8 effected. The bill provides that a state bank's adoption of
9 a plan involving the acquisition of its assets or the payment
10 or assumption of its liabilities by a credit union shall not
11 be deemed sufficient to cause a state bank to cease to carry
12 on the business of banking and become a corporation subject to
13 Code chapter 490.

14 The bill authorizes one or more state banks, out-of-state
15 banks, national banks, federal savings associations, and
16 corporations, pursuant to a plan of merger and with the
17 approval of the superintendent, to merge into a state bank.

18 The bill creates new Code section 524.1423, which authorizes
19 a state bank, subject to the provisions of Code section
20 524.907, to sell or transfer participations. The bill requires
21 a state bank to provide a written notice and application for
22 approval to the superintendent of banking not less than 30
23 days prior to completion of the proposed sale or transfer if
24 the state bank proposes to sell or transfer greater than or
25 equal to 25 percent of the total value of its participations
26 to a credit union chartered under state or federal law. The
27 bill also requires a state bank to provide a written notice and
28 application for approval to the superintendent not less than
29 30 days prior to completion of a proposed sale or transfer of
30 its real property assets if the state bank proposes to sell
31 or transfer greater than or equal to 25 percent of its real
32 property assets to a credit union chartered under state or
33 federal law or real property containing a bank office or any
34 other physical location of the state bank.

35 The bill authorizes the superintendent to approve a sale

1 or transfer of a state bank's participations or real property
2 assets if the superintendent makes certain determinations
3 enumerated in the bill.

4 The bill prohibits a state credit union from merging with,
5 purchasing the assets of, or assuming the liabilities of a
6 bank, a federally chartered savings bank, or a federally
7 chartered savings association, except as provided in new Code
8 section 524.1423.