



February 17, 2021

To the Members of the Iowa General Assembly,

The Iowa Banking Act, Iowa Code chapter 524 (“Act”), has not been comprehensively reviewed and updated since 1995. Some individual changes have been made but the Act is outdated and does not reflect the current conditions facing the banking industry at both the state and national levels—including issues and trends such as interstate banking, online banking, and financial technology. Some provisions of the Act are outdated and need to be updated, and some important matters (e.g., innovation and adopting new financial technologies) are not adequately addressed.

The Division of Banking has thoroughly reviewed the Act, with input from stakeholders, and has drafted amendments that will: enable Iowa-chartered banks to engage, as appropriate and in a safe and sound manner, in new activities; eliminate unnecessary regulatory requirements (e.g., newspaper publications, multiple filings, etc.); clarify outdated language; protect the customers of Iowa banks; and promote the continued success and vitality of the banking industry across the state. Some specific changes include:

- Increased flexibility for Iowa-chartered banks to adopt innovative financial products and technologies, including authority to engage in electronic activities and invest in innovative fintech firms.
- Amendments designed to facilitate bank lending and investing in community, economic, and rural development throughout Iowa, including locations that may currently be ineligible.
- Amendments reflecting broad changes to interstate banking activity, including redefining the terms “bank” and “business of banking” and adding the term “out-of-state bank.”
- Streamlined statutory procedure for closing a bank and appointing FDIC as receiver.
- Modernization of corporate procedures applicable to banks, such as notice requirements and electronic and/or digital options for meetings, notices, etc.
- Proposal to remove never-used authority to organize Iowa-chartered banks as LLCs.
- Clarifications to application processes for voluntary dissolution and merger.
- Amendments to superintendent of banking’s enforcement authority for violations of the banking act to close enforcement gaps.
- Updated provisions for transfer of fiduciary accounts between financial institutions.

- Proposal to strengthen and codify safeguards and procedures for when the superintendent of banking is a shareholder, member, partner, owner, director, officer, or employee of a supervised entity.

The Division of Banking anticipates that modernizing the Act will streamline the code, eliminate unnecessary requirements, and better position Iowa-chartered banks to continue to thrive in the 21st Century by acknowledging and accommodating ongoing developments in the banking and financial services industries.

Please feel free to contact me if you have any additional questions.

Sincerely,



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