

## CHAPTER 1114

## STATE BANKS AND HOLDING COMPANIES

S. F. 1008

AN ACT relating to bank holding companies, bank offices, certain real estate loans by state banks, and fees paid by state banks for management, financial advice, consultation or services, and prescribing penalties for violations.

*Be It Enacted by the General Assembly of the State of Iowa:*

1 SECTION 1. Section five hundred twenty-four point nine hundred  
2 five (524.905), Code 1971, is amended as follows:

3 1. By inserting after existing subsection three (3) a new subsection  
4 to read as follows:

5 "A state bank may make loans secured by liens on real property  
6 repayable in one or more payments provided that the entire principal  
7 of any such loan shall mature in not more than five years from the  
8 date of the loan, but no such loan shall exceed fifty percent of the  
9 appraised value of the real property offered as security."

10 2. By amending subsection four (4), paragraph "a", to read as  
11 follows:

12 a. The terms of any such loan, except ~~a loan~~ loans made pursuant  
13 to subsection 3 of this section, *or section one (1), subsection one (1),*  
14 *of this Act*, shall require substantially equal payments of principal or  
15 principal and interest at successive intervals of not more than one  
16 year. In the case of any such loan which shall constitute a combined  
17 construction and permanent loan to finance farm buildings or single  
18 family and two family residences, the initial payment on the loan may  
19 be deferred for a period not to exceed one year from the date of the  
20 loan and, in the case of a combined construction and permanent loan to  
21 finance buildings or other improvements on industrial, manufacturing  
22 or commercial properties or residential properties housing more than  
23 two families, the initial payment on the loan may be deferred for a  
24 period not to exceed two years from the date of the loan.

25 3. By renumbering the succeeding subsections accordingly.

1 SEC. 2. Section five hundred twenty-four point eleven hundred  
2 six (524.1106), Code 1971, is amended to read as follows:

3 524.1106 Fees paid to an affiliate. ~~In any case where an affiliate~~  
4 ~~has a~~ Any contract or arrangement for management, financial advice,  
5 ~~consultation, or other~~ or financial services which involves payment for  
6 these services by a state bank to ~~an~~ a person who owns shares in that  
7 bank, or to any other affiliate, ~~the~~ must be approved by the superin-  
8 tendent prior to such contract or arrangement becoming binding upon  
9 the state bank, and may also be reviewed at any time after original  
10 approval. Any contract or arrangement for consultation or other  
11 services which involve payment of those services by a state bank to  
12 any person who individually or whose spouse or immediate family or  
13 any combination thereof owns fifteen percent or more of the out-  
14 standing shares of that bank or is an officer or director thereof, or to  
15 an affiliate may be reviewed by the superintendent. The superin-  
16 tendent shall have authority to determine whether or not such fees  
17 are reasonable in relation to the services to be performed and, if he  
18 determines they are unreasonable, to require that they be reduced to  
19 a reasonable amount or eliminated and the excess refunded, or that  
20 such contract or arrangement not be entered into by the state bank.

1     SEC. 3. Section five hundred twenty-four point twelve hundred  
2 one (524.1201), Code 1971, is amended by striking the section and in-  
3 sserting in lieu thereof the following:  
4     **524.1201 Powers of offices.** No bank shall open or maintain a  
5 branch bank. A state bank may establish and operate bank offices  
6 subject to approval and regulation of the superintendent and to the  
7 restrictions upon location and number imposed by section 524.1202.  
8 A bank office may furnish all banking services ordinarily furnished to  
9 customers and depositors at the principal place of business of the state  
10 bank which operates the office. The central executive and official busi-  
11 ness and principal record-keeping functions of a state bank shall be  
12 exercised only at its principal place of business, except that data proc-  
13 essing services referred to in section 524.804 may be performed for  
14 the state bank at some other point. All transactions of a bank office  
15 shall be immediately transmitted to the principal place of business of  
16 the state bank which operates the office, and no current record-keep-  
17 ing functions shall be maintained at a bank office except to the extent  
18 the state bank which operates the office deems it desirable to keep  
19 there duplicates of the records kept at the principal place of business  
20 of the state bank.

1     SEC. 4. Section five hundred twenty-four point twelve hundred two  
2 (524.1202), Code 1971, is amended by striking the section and insert-  
3 ing in lieu thereof the following:

4     **524.1202 Location of offices.** The location of any new bank office,  
5 or any change of location of a previously established bank office, shall  
6 be subject to the approval of the superintendent. No state bank shall  
7 establish a bank office outside the boundaries of the counties contiguo-  
8 us to or cornering upon the county in which the principal place of  
9 business of the state bank is located.

10     1. Except as otherwise provided in subsection two (2) of this sec-  
11 tion, no state bank shall establish a bank office in a municipal corpo-  
12 ration or unincorporated area in which there is already an established  
13 state or national bank or office, however the subsequent chartering  
14 and establishment of any state or national bank, through the opening  
15 of its principal place of business within the municipal corporation  
16 where the bank office is located, shall not affect the right of the bank  
17 office to continue in operation in that municipal corporation.

18     2. A state bank located in a municipal corporation may establish  
19 not more than two bank offices within the boundaries of the municipal  
20 corporation, each of which shall have adequate off-street parking as  
21 determined by the superintendent, and may also have facilities to  
22 serve pedestrian customers. A state bank located in a municipal  
23 corporation, or in an urban complex composed of two or more Iowa  
24 municipal corporations each of which is contiguous to or corners upon  
25 at least one of the other municipal corporations within the complex,  
26 having a population of over 50,000 according to the most recent fed-  
27 eral census may establish two such offices within the boundaries of  
28 the municipal corporation or urban complex; if the municipal corpora-  
29 tion or urban complex has a population of over 100,000 but not over  
30 200,000, the state bank may establish three such offices within the  
31 boundaries of the municipal corporation or urban complex; if the mu-  
32 nicipal corporation or urban complex has a population of over 200,000,  
33 the state bank may establish four such offices within the boundaries

34 of the municipal corporation or urban complex. Such a facility  
 35 located in the proximity of a state bank's principal place of business  
 36 may be found by the superintendent to be an integral part of the  
 37 principal place of business, and not a bank office within the meaning  
 38 of this section.

1 SEC. 5. Section five hundred twenty-four point twelve hundred  
 2 three (524.1203), Code 1971, is amended to read as follows:

3 **524.1203 Cancellation of approval of offices.** Whenever an exami-  
 4 nation by the superintendent or other supervisory agencies discloses  
 5 that the operation of a bank office ~~or parking lot office~~ is being con-  
 6 ducted in violation of section 524.1201, the superintendent may forth-  
 7 with revoke the approval of the bank office ~~or parking lot office~~.

1 SEC. 6. Chapter five hundred twenty-four (524), Code 1971, is  
 2 amended by adding to Division twelve (XII) the following new sec-  
 3 tion:

4 "The privileges extended to state banks by sections five hundred  
 5 twenty-four point twelve hundred one (524.1201) and five hundred  
 6 twenty-four point twelve hundred two (524.1202) of the Code shall  
 7 be available on the same conditions to national banks to the extent  
 8 they are so authorized by federal law."

1 SEC. 7. As used in sections seven (7) through thirteen (13) of  
 2 this Act, "Bank Holding Company" means any corporation, business  
 3 trust, voting trust, association, partnership, joint venture, or sim-  
 4 ilar organization, other than an individual, which directly or indi-  
 5 rectly owns or controls twenty-five percent or more of the voting  
 6 shares of each of two or more banks or of a company which is a bank  
 7 holding company by virtue of this section, or which controls in any  
 8 manner the election of a majority of the directors of each of two  
 9 or more banks, or for the benefit of whose shareholders or members  
 10 twenty-five percent or more of the voting shares of each of two or  
 11 more banks or of a company which is a bank holding company by  
 12 virtue of this section is held by trustees. However, no company shall  
 13 be a bank holding company solely by virtue of its ownership or control  
 14 of shares:

- 15 1. In a fiduciary capacity arising in the ordinary course of business.
- 16 2. Acquired by it in connection with its underwriting of bank  
 17 shares and held only for such period of time as will permit sale of the  
 18 shares upon a reasonable basis.
- 19 3. Acquired and held in the ordinary course of securing or collect-  
 20 ing a debt previously contracted in good faith.

1 SEC. 8. No bank holding company shall directly or indirectly ac-  
 2 quire ownership or control of more than twenty-five percent of the  
 3 voting shares of any bank, or the power to control in any manner  
 4 the election of a majority of the directors of any bank, if upon such  
 5 acquisition the banks so owned or controlled by the bank holding com-  
 6 pany would have, in the aggregate, more than eight percent of the  
 7 total deposits, both time and demand, of all banks in this state, as  
 8 determined by the superintendent on the basis of the most recent re-  
 9 ports of the banks in the state to their supervisory authorities which  
 10 are available at the time of the acquisition.

1 SEC. 9. No bank holding company shall make any offer to pur-  
2 chase or acquire, directly or indirectly, the voting shares of any state  
3 or national bank without extending the same offer to the owners of  
4 all outstanding shares of the bank not owned or controlled by the  
5 holding company. The refusal of any shareholder to accept the offer  
6 shall not be a bar to purchase or acquisition of the shares of any other  
7 shareholder if all other pertinent requirements of this Act have been  
8 met by the bank holding company.

1 SEC. 10. Any bank holding company, or firm which would thereby  
2 become a bank holding company, which proposes to directly or indi-  
3 rectly acquire ownership or control of the voting shares of any bank,  
4 and which upon such acquisition would own or control more than  
5 twenty-five percent of the voting shares of the bank, shall provide to  
6 the superintendent a copy of any original application to the board of  
7 governors of the federal reserve system for permission to take such  
8 action, and a copy of any subsequent amendment thereto, at the same  
9 time the application or amendment is transmitted to the federal re-  
10 serve system. The superintendent may conduct such investigation  
11 into and evaluation of the proposed action as he deems necessary and  
12 appropriate, and may submit to the federal reserve board any infor-  
13 mation so obtained together with his own comments or recommenda-  
14 tions regarding the proposed acquisition.

1 SEC. 11. Nothing in this division shall be construed to authorize a  
2 bank holding company which is with respect to the state of Iowa an  
3 "out-of-state bank holding company", as defined or referred to in 12  
4 U.S.C. 1842(d), as amended to January 1, 1971, to acquire any of the  
5 voting shares of, any interest in, all or substantially all of the assets  
6 of, or power to control in any manner the election of any of the direc-  
7 tors of any bank in this state, unless such bank holding company was  
8 on January 1, 1971 registered with the federal reserve board as a bank  
9 holding company, and on that date owned at least two banks in this  
10 state.

1 SEC. 12. If any individual is a director or an officer, or both, of  
2 a bank holding company, or of a bank which is owned or controlled  
3 by a bank holding company in any manner, and to the extent, specified  
4 by section seven (7) of this Act, such individual shall also be deemed  
5 to be a director or an officer, or both, as the case may be, of each bank  
6 so owned or controlled by that bank holding company, for the purposes  
7 of sections five hundred twenty-four point six hundred twelve  
8 (524.612), five hundred twenty-four point six hundred thirteen  
9 (524.613) and five hundred twenty-four point seven hundred six  
10 (524.706) of the Code.

1 SEC. 13. Any bank holding company which willfully violates any  
2 provision of sections seven (7) through twelve (12) of this Act shall,  
3 upon conviction, be fined not less than one hundred dollars nor more  
4 than one thousand dollars for each day during which the violation con-  
5 tinues. Any individual who willfully participates in a violation of any  
6 provisions of sections seven (7) through twelve (12) of this Act shall  
7 be guilty of a misdemeanor and, upon conviction thereof, shall be  
8 subject to imprisonment in the county jail for a period not exceeding  
9 one year or a fine not exceeding one thousand dollars, or both.

1 SEC. 14. Sections seven (7) through thirteen (13) of this Act shall  
2 constitute a new division of chapter five hundred twenty-four (524)  
3 of the Code, which division shall be entitled "bank holding companies".

1 SEC. 15. Section five hundred twenty-four point five hundred nine-  
2 teen (524.519), subsection one (1), Code 1971, is amended to read as  
3 follows:

4 524.519 Change of control—shares as security—reports.

5 1. Whenever ~~a change occurs in the ownership~~ any person proposes  
6 to purchase or otherwise acquire directly or indirectly any of the out-  
7 standing shares of a state bank which will, and the proposed purchase  
8 or acquisition would result in control or in a change in control of  
9 a state the bank, the person proposing to purchase or acquire the  
10 shares shall first apply in writing to the superintendent for a certifi-  
11 cate of approval for the proposed change of control. The superin-  
12 tendent shall grant the certificate if he is satisfied that the person who  
13 proposes to obtain control of the bank is qualified by character, expe-  
14 rience and financial responsibility to control and operate the bank in  
15 a sound and legal manner, and that the interests of the depositors,  
16 creditors and shareholders of the bank, and of the public generally,  
17 will not be jeopardized by the proposed change of control. If the  
18 proposed purchaser or acquirer is a bank holding company as defined  
19 by section seven (7) of this Act, it shall comply with section ten (10)  
20 of this Act in lieu of seeking a certificate of approval under this sub-  
21 section. In any situation where he has reason to believe any of the  
22 foregoing requirements have not been complied with, it shall be the  
23 duty of the president or cashier ~~shall~~ of a bank to promptly report in  
24 writing such facts to the superintendent upon obtaining knowledge  
25 thereof. As used in this section, the term control means the power,  
26 directly or indirectly, to elect the board of directors. If there is any  
27 doubt as to whether a change in the ownership of the outstanding  
28 shares is sufficient to result in control thereof, or to effect a change  
29 in the control thereof, such doubt shall be resolved in favor of report-  
30 ing the facts to the superintendent.

Approved March 9, 1972.