

## OREGON BANKERS ASSOCIATION

### House Bill 2350 February 11, 2015

House Bill 2350 is a proposal put forward and introduced at the request of the Oregon Bankers Association. The OBA is the primary trade association for the banking industry in Oregon. Its membership is composed of state and federally chartered banking institutions doing business in Oregon.

The Oregon Bank Act is composed of ORS chapters 706 through 716 of the Oregon Revised Statutes. The current Bank Act was enacted by the 1997 legislative assembly. Many changes in the banking industry have occurred during the ensuing 18 years. - The OBA believes it is time to update the Bank Act, to make its provisions better fit the realities of the industry in the 21<sup>st</sup> century.

House Bill 2350 does not contain any sweeping reforms or bold new initiatives. Rather, it is a collection of relatively minor modernizations and corrections to the existing Act. The drafting of this bill was the work of a small committee of bankers and bank lawyers, with extensive input from representatives of the Department of Consumer and Business Services.

The main features of House Bill 2350 are as follows:

- Modifications to the definitions for the Bank Act, which are primarily collected in sections 706.005 and 706.008;
- Narrowing definition of "trust business" to acting as trustee of a trust;
- Updating cross-references throughout the Act to federal laws in effect as of January 1, 2016;
- Expressly requiring banking institutions that take deposits in Oregon to keep books and accounts;
- Revises the rules regarding the names used by banking institutions;
- Limits incorporators of institutions to individuals, vs "persons";
- Modifies the rules in ORS chapter 707 regarding the submission for approval of stock offering documents and the payment of stock subscriptions;
- Permits amended or restated articles of incorporation to have a delayed effective date;
- Clarifies process for gaining DCBS approval for exchange of real property for stock;

- Enhances disclosure to shareholder of orders received by an institution;
- Enhances statutory duties of directors and officers of institution regarding good faith, prudent care, actions in the institution's best interests;
- Corrects problems with nomenclature used throughout the Bank Act, identifying various types of financial institutions;
- Requiring that institution's audit committee be composed of at least 3 outside directors;
- Allowing institutions to be members of LLCs to strengthen its capital structure, own ATMs, etc;
- Deletes requirement that rents payable under a personal property lease must exceed the bank's total expenditures;
- Permits sending change-of-terms notices to customers via email;
- Authorizes bank refusal to pay check where it suspects that customer is victim of financial exploitation; and
- Permits approval of conversion of Oregon bank by simple board and stockholder majorities;

As with many lengthy technical bills, in our review of the draft, we have noted a number of provisions that did not come through the drafting process exactly as intended. We are working, with the assistance of the DCBS representative, to draft proposed amendments, which we expect to submit to you at your next hearing.