

NOTICE OF PUBLIC HEARING

Ohio Department of Commerce Division of Financial Institutions

Pursuant to Section 119.03 of the Ohio Revised Code, notice is hereby given that the Ohio Department of Commerce, Division of Financial Institutions in accordance with its five year rule review intends to amend, rescind and adopt new rules under Ohio Administrative Code Chapter 1301:1 Division of Financial Institutions: Banks. Also pursuant to Section 119.03 of the Revised Code, notice is hereby given that the agency intends to rescind all rules under Ohio Administrative Code Chapters 1301:2 Division of Financial Institutions: Savings and Loan Associations and 1301:12 Division of Financial Institutions: Savings Banks. The proposed rules are summarized as follows:

Banks

1301:1-1-02 Open public meetings of the banking commission (Amend) – This rule addresses public notice requirements of the banking commission meetings and other related requirements. Proposed amendments correct typographical errors.

1301:1-1-04 Designations and names that include “bank,” “banker,” “banking,” or “trust” (Amend) – This rule provides guidance as it pertains to prohibitions contained in R.C. 1101.15 against using names that include bank, banker, banking, or trust. Amendments will reflect a change to R.C. 1101.15, which adds to the naming restriction the terms “savings association,” “savings and loan,” or “savings bank,” or a word or combination of words of similar meaning.

1301:1-2-01 Computation of capital (Rescind, New) – This rule details capital requirements for state banks as defined by R.C. 1101.01. At present the rule mirrors a former version of the Federal Deposit Insurance Corporation’s (“FDIC”) regulation regarding capital adequacy. The Division seeks to streamline the computation of capital by all state banks by replacing a reference to the FDIC regulation with a reference to the Office of the Comptroller of the Currency’s method of computing capital. Pursuant to LSC’s fifty per cent guideline, because the change will amend more than fifty per cent of the existing rule, the Division is rescinding the existing rule and enacting a new rule bearing the same rule number.

1301:1-3-01 Lending limits (Amend) – This rule details the lending limits for state banks. The proposed amendment would change references from the term “bank” to “state bank.”

1301:1-3-01.1 Derivative transactions (Amend) – This rule clarifies the definitions of the terms “loans and extensions of credit” and “derivative transaction” as those terms are used in R.C. 1109.22. The proposed amendment would change references from the term “bank” to “state bank.”

1301:1-3-02 Real estate lending standards (Amend) – As required by Revised Code Section 1109.16, this rule sets forth requirements pertaining to a bank’s real estate lending standards and policies. The proposed amendment would change references from the term “bank” to “state bank.”

NOTICE OF PUBLIC HEARING
Ohio Department of Commerce
Division of Financial Institutions

1301:1-3-03 Letters of credit (Amend) – This rule addresses requirements that apply when a bank issues a letter of credit. The proposed amendments would change references from the term “bank” to “state bank.”

1301:1-3-04 Insider loans (Rescind, New) – This rule explains the authority and conditions necessary for a state bank to extend credit to its insiders as set forth in R.C. 1109.23 and 1109.24. The existing rule substantially mirrors federal Regulation O, 12 C.F.R. Part 215. The Division proposes to replace the language contained in the existing rule with a simpler reference to the federal regulation. Pursuant to LSC’s fifty per cent guideline, because the change will amend more than fifty per cent of the existing rule, the Division is rescinding the existing rule and enacting a new rule bearing the same rule number.

1301:1-3-05 Insider loan reporting (Rescind) – This rule speaks to certain reporting requirements for state bank insiders with extensions of credit with a correspondent bank, as required by R.C. 1109.23 and 1109.24. The Division proposes to rescind this rule, which mirrors an old version of Reg. O. Several years ago, Reg. O was amended to eliminate certain requirements, including the correspondent loan requirement this rule mirrors. The elimination of the federal reporting requirements did not alter restrictions on loans to executive officers, directors, principal shareholders. Likewise, the Division’s rescission of this rule would not alter a state bank’s insider loan reporting requirements.

1301:1-3-06 Revenue bonds (Amend) – This rule details the conditions under which revenue bonds are permissible investments. Proposed amendments modernize the rule, promote parity with federal regulations, and change a reference from the term “bank” to “state bank.” Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act required federal agencies to modify their regulations to remove references to and requirements of reliance on credit ratings. The Division proposes to replace the rule’s reference to investment rating services with a reference to the OCC regulation that defines the term “investment grade” in accordance with section 939A of the Dodd-Frank Act.

1301:1-3-10 Operating subsidiaries (Amend) – This rule details requirements and conditions applicable to a bank intending to acquire, establish, or perform new activities in an operating subsidiary. Proposed amendments would clarify the information required to be included in a letter notifying the Superintendent of a state bank’s intention to acquire, establish, or perform new activities in an operating subsidiary, and would modify delivery requirements for notification letters. Proposed amendments also change references from the term “bank” to “state bank.”

1301:1-3-11 Bank subsidiary corporations and bank service corporations (Amend) – This rule clarifies the process for a bank seeking Division approval to acquire, establish, or perform new activities in a bank subsidiary corporation or a bank service corporation. The proposed amendments would clarify the process for a state bank seeking the Superintendent’s approval to acquire, establish, or perform new activities in a bank subsidiary corporation or a bank service corporation. Proposed amendments would also shorten the timeframe within which the Superintendent would render a decision on a proposal to invest in, acquire, establish, or perform new activities in a bank subsidiary corporation or bank service corporation. The amendment also changes a reference from the term “bank” to “state bank.”

NOTICE OF PUBLIC HEARING
Ohio Department of Commerce
Division of Financial Institutions

1301:1-3-12 Mutual funds (*Amend*) – This rule addresses those situations in which a state bank’s investment in mutual funds operates as an exception to certain investment restrictions. The amendment corrects a typographical error and changes references from the term “bank” to “state bank.”

1301:1-4-03 Definition of an outside director under section 1105.02 of the Revised Code (*Rescind*) – This rule defines the term “outside director” for purposes of R.C. 1105.02. Because R.C. 1105.02 now contains a definition of that term, the Division proposes to rescind the rule.

1301:1-4-04 Bank’s purchase of its own shares (*Amend*) – This rule clarifies the process for a bank seeking Division approval when it intends to purchase its own stock. The rule amendments change references from the term “bank” to the term “stock state bank”; clarify the requirement that a state bank obtain prior Division approval before purchasing its stock; and correct a reference to the statute it amplifies, which was changed in recent legislation (HB 49, 132nd General Assembly).

1301:1-4-06 Change in bank control (*Amend*) – This rule clarifies the requirements to a change in bank control as set forth in R.C. 1115.06. The rule amendments would correct typographical errors; add a provision that clarifies items required in a state bank’s notification to the superintendent; and rescind several paragraphs that duplicate requirements enumerated in R.C. 1115.06.

1301:1-4-11 Procedures for relocating a banking office (*Amend*) – This rule details requirements applicable to the relocation of a banking office. The rule amendment reflects changes to R.C. 1117.04, which now defines the term “service area” as a one-mile radius for determining whether the Division must approve a branch relocation.

1301:1-4-15 Converting into a state bank (*New*) – This rule clarifies the procedure a national bank or other institution must follow when it wishes to convert into a state-chartered bank pursuant to R.C. 1115.02. The conversion requirements were codified before the enactment of HB 49 of the 132nd General Assembly but were removed through the bill’s enactment; this rule substantially mirrors the previous statutory language.

1301:1-4-16 Institution-affiliated party (*New*) – This rule promotes clarity by defining the term “institution-affiliated party” by reference to federal law. HB 49 of the 132nd General Assembly added a reference to institution-affiliated parties but did not define the term.

1301:1-5-01 Management duties regarding shareholder meetings (*Amend*) – This rule expands on and clarifies the notice requirements with which a bank must comply related to a meeting of the shareholders. The proposed amendments account for changes to R.C. 1103.13 and 1103.14, which were renumbered to 1113.14 and 1113.15, respectively. The changes specifically remove material that is now duplicative and correct typographical errors.

1301:1-6-01 Qualified trustees (*Amend*) – This rule clarifies the procedure to which a trust company adheres when it applies to be a qualified trustee as required by R.C. 135.18 and 135.181. Proposed amendments seek to modernize the rule by revising a reference to a bank’s vault system.

Savings and Loan Associations

HB 49 of the 132nd General Assembly repealed Revised Code Chapters 1151, 1153, 1155, and 1155 (the Savings and Loan Association statutes). The repeal of the Savings and Loan Association statutes necessitates the rescission of the administrative rules amplifying those laws.

1301:2-1-02 Reimbursement for providing financial records (Rescind) – This rule describes establishes the rates and conditions for reimbursement of actual and necessary costs directly incurred by savings and loan associations in assembling or providing customer financial records to any party. The rule is being rescinded.

1301:2-1-03 Record retention (Rescind) – This rule sets forth the record retention schedule for savings and loan associations. The rule is being rescinded.

1301:2-2-01 Net worth requirement (Rescind) – This rule expands on the net worth (capital) requirements applicable to savings and loan associations. The rule is being rescinded.

1301:2-3-01 Activities of service corporations (Rescind) – This rule sets forth activities in which a service corporation that is a wholly-owned subsidiary of a savings and loan association may engage. The rule is being rescinded.

1301:2-3-02 Repurchase and reverse repurchase agreements (Rescind) – This rule outlines safety and soundness standards for a savings and loan association wishing to invest in repurchase or reverse repurchase agreements. The rule is being rescinded.

1301:2-3-03 Operating subsidiaries (Rescind) – This rule provides the conditions under which a savings and loan association may establish, acquire, or engage in new activities in an operating subsidiary. The rule is being rescinded.

1301:2-3-04 Commercial lending (Rescind) – This rule states maximum amount of commercial loans a savings and loan association can make, contingent on maintaining a certain amount of reserves. The rule is being rescinded.

1301:2-4-01 Incorporation (Rescind) – This rule details the application process for an organization to commence business as a savings and loan association in Ohio. The rule is being repealed.

1301:2-4-02 Change in control (Rescind) – This rule clarifies requirements applicable to a change in control of a savings and loan association. The rule is being rescinded.

1301:2-4-03 Agency agreement between savings and loan association and affiliate and non-affiliate depository institutions (Rescind) – This rule sets forth requirements with which a savings and loan association must comply when contracting with an affiliate or non-affiliate depository institution. The rule is being rescinded.

NOTICE OF PUBLIC HEARING
Ohio Department of Commerce
Division of Financial Institutions

1301:2-4-04 Conversion from mutual to stock (Rescind) – This rule sets forth the application process for a mutual savings and loan association to convert to a stock savings and loan association. The rule is being rescinded.

1301:2-4-05 Remote service units (Rescind) – This rule sets forth the conditions under which a savings and loan association may establish or use a remove service unit. The rule is being rescinded.

1301:2-5-01 Directors (Rescind) – This rule sets forth the minimum number of directors of a savings and loan association. The rule is being rescinded.

1301:2-5-02 Bonds for officers and employees (Rescind) – This rule states the minimum fidelity bond coverage that a savings and loan association must maintain. The rule is being rescinded.

Savings Banks

HB 49 of the 132nd General Assembly repealed Revised Code Chapters 1161, 1163, and 1165 (the Savings Banks statutes). The repeal of the Savings Banks statutes necessitates the rescission of the administrative rules amplifying those laws.

1301:12-1-02 Reimbursement for providing financial records (Rescind) – The rule establishes the rates and conditions for reimbursement for costs incurred by a savings bank in assembling or providing financial records to any party. The rule is being rescinded.

1301:12-1-03 Record retention (Rescind) – The rule sets forth the record retention schedule for savings banks as allowed by former R.C. 1163.09. The rule is being rescinded.

1301:12-2-01 Net worth requirement (Rescind) – As required by former R.C. 1161.53, the rule expands on the net worth (capital) requirements applicable to savings banks. The rule is being rescinded.

1301:12-3-01 Activities of service corporations (Rescind) – As required by former R.C. 1161.58(B), this rule sets forth the allowable services for certain savings bank-controlled service corporations. The rule is being rescinded.

1301:12-3-02 Repurchase and reverse repurchase agreements (Rescind) – As required by former R.C. 1161.35, this rule sets forth the safety and soundness standards for a savings bank wishing to invest in repurchase or reverse repurchase agreements. The rule is being rescinded.

1301:12-3-03 Operating subsidiaries (Rescind) – The rule sets forth the conditions for a savings bank to establish, acquire, or engage in new activities in an operating subsidiary. The rule is being rescinded.

NOTICE OF PUBLIC HEARING
Ohio Department of Commerce
Division of Financial Institutions

1301:12-3-04 Commercial lending (Rescind) – As allowed by former R.C. 1161.46, the rule increases the maximum amount of commercial loans a savings bank can make, along with the amount of reserves the state bank must maintain. The rule is being rescinded.

1301:12-3-05 Lending limits (Rescind) – The rule explains lending limits for savings banks set forth in former R.C. 1161.38, provides exceptions to those limits, and explains how to analyze certain loans for the purpose of complying with lending limit requirements. The rule is being rescinded.

1301:12-4-01 Incorporation (Rescind) – The rule expands on and details the application process with which a proposed savings bank must comply before commencing business in the State of Ohio, in accordance with former R.C. Chapter 1161. The rule is being rescinded.

1301:12-4-02 Change in control (Rescind) – The rule clarifies the requirements applicable to a change of control of a savings bank as required by former R.C. 1161.78. The rule is being rescinded.

1301:12-4-03 Agency agreement between savings banks and affiliate and non-affiliate depository institutions (Rescind) – The rule details the conditions a savings bank must meet to provide services through another depository institution. The rule expands upon and relates back to former R.C. 1161.071. The rule is being rescinded.

1301:12-4-04 Conversion from mutual to stock (Rescind) – The rule sets forth the Division's application process for a mutual savings bank to convert to a stock savings bank in accordance with former R.C. 1161.111. The rule is being rescinded.

1301:12-4-05 Conversion to savings bank charter (Rescind) – The rule clarifies the Division's application requirements for an institution wishing to convert to an Ohio-chartered savings bank in accordance with former R.C. 1161.64 and 1161.631. The rule is being rescinded.

1301:12-4-06 Remote service units (Rescind) – The rule sets forth the conditions under which a savings bank may establish or use a remote service unit. The rule is being rescinded.

1301:12-4-07 Retention of "federal" in name of converted federal savings association (Rescind) – Consistent with federal regulation, the rule clarifies that a federal thrift that converts to a state savings bank may retain the word "federal" in its name. The rule is being rescinded.

1301:12-5-01 Directors (Rescind) – The rule sets forth the minimum number of directors of a savings bank. The rule is being rescinded.

NOTICE OF PUBLIC HEARING
Ohio Department of Commerce
Division of Financial Institutions

1301:12-5-02 Bonds for officers and employees (*Rescind*) – The rule sets forth the minimum bonding coverage that a savings bank must maintain in accordance with former R.C. 1161.71. The rule is being rescinded.

The agency will conduct a public hearing on the proposed changes on October 7, 2019 at 1:00 p.m. at the offices of the Division of Financial Institutions located at 77 South High Street, 21st Floor, Large Conference Room, Columbus, Ohio 43215-6123.

Copies of the proposed rules may be obtained from the Department of Commerce's webpage located at <http://com.ohio.gov/ProposedRules.aspx>, by contacting the Division at the aforementioned address, or by calling the Division at (614) 644-4408. Copies of the proposed rules may also be obtained from the Register of Ohio's webpage located at www.registerofohio.state.oh.us/.

At the public hearing, any person affected by the proposed actions may appear and be heard in person, by the person's attorney, or both, may present the person's position, arguments, or contentions, orally or in writing, offer and examine witnesses, and present evidence tending to show that the proposed rule, amendments, or rules to be rescinded, if adopted and effectuated, will be unreasonable or unlawful.

Any person who wishes to present his or her position, arguments, or contentions in writing may do so by mailing their written comments to the Ohio Department of Commerce, Division of Financial Institutions at the aforementioned address. Written comments may also be submitted at the hearing.