



Common Sense Initiative

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Business Impact Analysis RESCINDED PACKAGES

Agency Name: Department of Commerce, Division of Financial Institutions _____

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Regulation/Package Title: Rules for Savings Banks _____

Rule Number(s): 1301:12-1-02; 1301:12-1-03; 1301:12-2-01; 1301:12-3-01; 1301:12-3-02;
1301:12-3-03; 1301:12-3-04; 1301:12-3-05; 1301:12-4-01; 1301:12-4-02; 1301:12-4-03; 1301:12-4-
04; 1301:12-4-05; 1301:12-4-06; 1301:12-4-07; 1301:12-5-01; 1301:12-5-02 _____

Date: _____

Rule Type:

✓ Rescinded

The Common Sense Initiative is established in R.C. 107.61 to eliminate excessive and duplicative rules and regulations that stand in the way of job creation. Under the Common Sense Initiative, agencies must balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, responsiveness, predictability, and flexibility while developing regulations that are fair and easy to follow. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent

1. Please describe in plain language the regulation that is being rescinded.

1301:12-1-02 Reimbursement for providing financial records – 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.

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

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

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

1301:12-3-02 Repurchase and reverse repurchase agreements – 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.

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

1301:12-3-04 Commercial lending – 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.

1301:12-3-05 Lending limits – 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.

1301:12-4-01 Incorporation – 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.

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

1301:12-4-03 Agency agreement between savings banks and affiliate and non-affiliate depository institutions – 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.

1301:12-4-04 Conversion from mutual to stock – 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.

1301:12-4-05 Conversion to savings bank charter – 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.

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

1301:12-4-07 Retention of “federal” in name of converted federal savings association – 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.

1301:12-5-01 Directors – The rule sets forth the minimum number of directors of a savings bank.

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

2. Why is the regulation being rescinded?

Please be specific (ORC change, request of stakeholders, etc.)

Ohio’s banking code was recently amended. *See* 132nd General Assembly, H.B. 49, § 130.23, eff. Jan. 1, 2018. The amendment created a universal state bank charter and 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.

3. Please describe in general terms the adverse impacts to business, including currently impacted industries, in the existing rule(s).

Each of the existing rules apply to the savings banks industry.

1301:12-1-02 Reimbursement for providing financial records – The rule does not have an adverse impact to the savings bank industry.

1301:12-1-03 Record retention – A savings bank may need to expend a minimal amount of time and resources to compile records in accordance with the rule.

1301:12-2-01 Net worth requirement – Capital requirements have historically been an integral component of financial institution regulation to protect against risk and unexpected losses. A capital requirement can be described as a cost to a savings bank. The cost varies by each institution’s financial condition, business model, and other factors.

1301:12-3-01 Activities of service corporations – A savings bank may expend minimal time and resources to file the required letter of intent with the Division when intending to engage in an activity not expressly authorized by the rule.

1301:12-3-02 Repurchase and reverse repurchase agreements – A savings bank might need to expend minimal time and resources to establish the guidelines required by the rule before entering repurchase agreements.

1301:12-3-03 Operating subsidiaries – A savings bank may need to expend minimal time and resources in to provide the Division with the written notice required when establishing, acquiring, or engaging in new activities in an operating subsidiary.

1301:12-3-04 Commercial lending – To maintain a certain level of reserves could be described as a cost to a savings bank. As required by former R.C. 1161.46, adequate reserves protect a savings bank against the risk of increased commercial lending allowed by the rule.

1301:12-3-05 Lending limits – The rule does not increase the cost of compliance with the savings banks statutes, as it clarifies the lending limits set forth in former R.C. 1161.38.

1301:12-4-01 Incorporation – As with the incorporation of any business, there would be a cost to a proposed savings bank wishing to organize in the State of Ohio. The requirements set out in the rule are necessary for the Division to comply with its responsibilities under former R.C. 1161.03 to properly certify that a proposed savings bank may commence business.

1301:12-4-02 Change in control – A person or entity acquiring control of a savings bank may need to expend time and resources to comply with the rule’s notice provisions.

1301:12-4-03 Agency agreement between savings banks and affiliate and non-affiliate depository institutions – A savings bank may need to expend a minimal amount of time and resources to comply with the rule’s notice requirements. Former R.C. 1161.071, however, required prior approval – and such approval is necessary to ensure the safety and soundness of the unaffiliated institution and to protect depositors.

1301:12-4-04 Conversion from mutual to stock – As with any corporate reorganization, a savings bank would expend legal, time, and resources to apply to the Division to convert from mutual to stock form. The rule’s conditions are similar to those applicable to federal savings associations and are necessary for the Division to ensure that the proposed transaction adequately protects the converting institution’s depositors.

1301:12-4-05 Conversion to savings bank charter – As with any corporate reorganization, a financial institution wishing to apply to the Division to convert to an Ohio-chartered savings bank would expend legal, time, and resource costs. Application requirements, however, were necessary for the Division to ensure that it had a complete understanding of the institution prior to conversion, and that the proposed transaction adequately protected the institution’s depositors/members.

1301:12-4-06 Remote service units – The cost to comply with the rule’s remote service unit IT security provisions varies by institution. The requirements align with federal rules governing the protection of consumer financial information.

1301:12-4-07 Retention of “federal” in name of converted federal savings association –

A savings bank converting from a federal to a state charter would be unlikely to incur costs related to choosing to retain the word “federal” in its name pursuant to this rule.

1301:12-5-01 Directors – A savings bank may need to expend minimal time and resources to maintain a board of directors in compliance with the rule.

1301:12-5-02 Bonds for officers and employees – There is a cost for a savings bank to maintain a fidelity bond in compliance with the rule. Similar coverage is required for all financial institutions and is necessary to protect depositors and others from the risk of loss.

4. **Are there other regulations (either existing or to be created) which will replace the regulation being rescinded or which will now apply because this regulation is being rescinded? This can include rules, statute, federal regulations, agency policies, or industry standards etc.**

Banks, savings and loan associations, and savings banks now operate under and with the same standards and powers.

1301:12-1-02 Reimbursement for providing financial records – Ohio Adm.Code 1301:1-1-05 provides for reimbursement to state banks for assembling or providing financial records.

1301:12-1-03 Record retention – R.C. 1109.69 outlines record retention requirements for state banks, which apply in the absence of a longer federal law or regulation.

1301:12-2-01 Net worth requirement – Ohio Adm.Code 1301:1-2-01, which amplifies section 1101.01 of the Revised Code, outlines how to compute capital.

1301:12-3-01 Activities of service corporations – Ohio Adm.Code 1301:1-3-11 outlines the process for a state bank to obtain approval prior to acquiring, establishing, or performing a new activity through a bank service corporation.

1301:12-3-02 Repurchase and reverse repurchase agreements – While the bank code and the bank administrative rules do not contain express safety and soundness standards for a state bank wishing to invest in repurchase or reverse repurchase agreements, a state bank’s investments must promote the state bank’s safety and soundness.

1301:12-3-03 Operating subsidiaries – Ohio Adm.Code 1301:1-3-10 provides the process for a state bank to notify the Division of its intention to acquire, establish, or perform new activities in an operating subsidiary.

1301:12-3-04 Commercial lending – R.C. 1109.16 and Ohio Adm.Code 1301:1-3-02 contain standards related to commercial loans.

1301:12-3-05 Lending limits – Ohio Adm.Code 1301:1-3-01, which amplifies R.C. 1109.22, clarifies the limits on a state bank’s ability to lend money.

1301:12-4-01 Incorporation – R.C. 1113.02 and 1114.02 outline the requirements for a proposed stock state bank and mutual state bank, respectively, to incorporate.

1301:12-4-02 Change in control – Ohio Adm.Code 1301:1-4-06 clarifies requirements applicable to a change in control of a state bank.

1301:12-4-03 Agency agreement between savings banks and affiliate and non-affiliate depository institutions – Ohio Adm.Code 1301:1-4-13 outlines requirements applicable to an agency agreement between a bank and an affiliate an unaffiliated depository institution.

1301:12-4-04 Conversion from mutual to stock – R.C. 1115.03 outlines the procedure by which a mutual state bank may convert into a stock state bank.

1301:12-4-05 Conversion to savings bank charter – As described herein, the amended banking code created a universal state bank charter. Proposed Ohio Adm.Code 1301:1-4-15 will amplify R.C. 1115.02 and will clarify the procedure for a national or other financial to follow when it wishes to convert to into a state-chartered bank.

1301:12-4-06 Remote service units – R.C. 1101.01 stipulates that the term “banking office” does not include a remote service unit.

1301:12-4-07 Retention of “federal” in name of converted federal savings association – Ohio Adm.Code 1301:1-4-14 provides that any federal savings association converting to a state bank may retain the term “federal” in its name.

1301:12-5-01 Directors – R.C. 1105.01(A) sets forth the minimum number of directors a state bank (at least five).

1301:12-5-02 Bonds for officers and employees – R.C. 1105.04 requires each officer and employee of a state bank, before the officer or employee begins the to be covered by an individual, schedule, or blanket fidelity bond in favor of the bank.

5. Does the rescission of this regulation eliminate flexibility or create more adverse impacts for stakeholders? If yes, please describe stakeholder outreach and justify the impacts.

No, the rescission of these rules does not eliminate flexibility or create more adverse impacts for stakeholders.