

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

As Engrossed: S3/5/25

A Bill

SENATE BILL 242

5 By: Senator Hill
6 By: Representative Beaty Jr.
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING LOANS INVOLVING
10 THE STOCK OF A STATE BANK; AND FOR OTHER PURPOSES.
11

Subtitle

12
13 TO AMEND THE LAW CONCERNING LOANS
14 INVOLVING THE STOCK OF A STATE BANK.
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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19 SECTION 1. Arkansas Code § 23-47-503 is amended to read as follows:
20 23-47-503. Loans involving stock of state bank - Definition.

21 (a) ~~It~~ Except as provided in subsections (b) and (c) of this section,
22 it shall be unlawful for ~~any~~ a state bank to knowingly:

23 (1) Loan its funds to its stockholders on its own stock, or
24 stock in its bank holding company, as collateral security;

25 (2) Make ~~any~~ a loan, the proceeds of which are used to purchase
26 its own stock or stock of its bank holding company; or

27 (3) (A) Carry as an asset ~~any~~ a loan representing, either
28 directly or indirectly, an investment in its own stock or that of its bank
29 holding company.

30 (B) ~~Provided, however, that there shall be no~~ It is not a
31 violation of this subdivision (a)(3) when a bank acquires its own stock or
32 stock in its bank holding company in the regular course of collecting a debt
33 previously contracted in good faith if the bank:

34 (i) ~~complied~~ Complied with subdivisions (a)(1) and
35 (2) of this section at the time the loan was made; and

36 (ii) ~~if the bank divests~~ Divests the stock within



1 two (2) years.

2 (b)(1) In connection with the merger of a target institution with a
3 state bank or a similar transaction as determined by the Bank Commissioner, a
4 state bank may acquire a loan or other extension of credit that is secured,
5 in whole or in part, by the state bank's own stock or its bank holding
6 company stock.

7 (2) A state bank may maintain a loan or other extension of
8 credit that is secured, in whole or in part, by its own stock or its bank
9 holding company stock that it has acquired under subdivision (b)(1) of this
10 section, including by renewing, extending, modifying, or refinancing the loan
11 or other extension of credit, if:

12 (A) The state bank does not increase the committed amount
13 of the loan or other extension of credit above the committed amount as of the
14 time at which it was acquired; and

15 (B) Each renewal, extension, modification, or refinancing
16 of the loan or other extension of credit is undertaken on substantially the
17 same terms and following credit underwriting procedures that are no less
18 stringent than those prevailing at the time for comparable transactions by
19 the state bank for which the state bank's own stock or its bank holding
20 company stock does not serve as collateral security.

21 (c) This section does not prohibit a state bank from making or
22 maintaining a loan or other extension of credit that is secured, in whole or
23 in part, by a securities account, notwithstanding that the state bank's own
24 stock or its bank holding company stock is credited to the securities
25 account, if:

26 (1) The state bank or bank holding company whose stock is
27 credited to the securities account is exempted by § 23-48-316(b)(3);

28 (2) The state bank maintains written policies and procedures
29 that require the exclusion of the state bank's own stock or its bank holding
30 company stock from consideration during the state bank's credit underwriting
31 of the loan or other extension of credit; and

32 (3) The state bank complies with other applicable laws or rules.

33 (d)(1) ~~Any~~ An officer or director of ~~any~~ a state bank or ~~any~~ a
34 stockholder violating ~~the provisions of~~ this section shall be subject to
35 civil money penalties of one thousand dollars (\$1,000) per day, up to a
36 maximum of one hundred thousand dollars (\$100,000) in the aggregate, for each

1 violation.

2 (2) The civil penalties may be imposed by the commissioner
3 pursuant to his or her power to and the procedure for issuing cease and
4 desist orders.

5 (e) As used in this section, "target institution" means:

6 (1) A state bank;

7 (2) An out-of-state state-chartered bank;

8 (3) A national bank; or

9 (4) Another depository institution or financial institution.

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/s/Hill

APPROVED: 3/20/25