



Ohio Revised Code

Section 1109.23 Extending credit to executive officers, directors, principal shareholders or to related interests.

Effective: January 1, 2018

Legislation: House Bill 49 - 132nd General Assembly

(A) No state bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any of their related interests, except as authorized by this section and, with respect to executive officers, as authorized by section 1109.24 of the Revised Code.

(B)(1) A state bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any of their related interests, only if all of the following apply to the extension of credit:

(a) The extension of credit is made on substantially the same terms, including interest rates and collateral, as those terms prevailing at the time for comparable transactions by the bank with persons who are not executive officers, directors, principal shareholders, or employees of the bank.

(b) The extension of credit does not involve more than the normal risk of repayment or present other unfavorable features.

(c) The bank follows credit underwriting procedures that are not less stringent than those applicable to comparable transactions by the bank with persons who are not executive officers, directors, principal shareholders, or employees of the bank.

(2) Nothing in division (B)(1) of this section shall be construed to prohibit any extension of credit made pursuant to a benefit or compensation program that meets both of the following conditions:

(a) The program is available to all employees of the bank;

(b) The program does not give preference to any officer, director, or principal shareholder of the bank, or to any related interest of an officer, director, or principal shareholder, over other employees of the bank.



(C) A state bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any of their related interests, in an amount that, when aggregated with the amount of all outstanding extensions of credit by the bank to the executive officer, director, or principal shareholder and that person's related interests, would exceed an amount prescribed by the superintendent of financial institutions, only if both of the following conditions are met:

(1) The extension of credit has been approved in advance by a majority vote of the bank's entire board of directors.

(2) The executive officer, director, or principal shareholder, who or whose related interest would be obligated on the extension of credit, has abstained from participating, directly or indirectly, in the deliberations or voting on the extension of credit.

(D) A state bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any of their related interests, only if the extension of credit is in an amount that, when aggregated with the amount of all outstanding extensions of credit by the bank to the executive officer, director, or principal shareholder and that person's related interests, would not exceed the limit on loans to a single borrower established by section 1109.22 of the Revised Code.

(E)(1) A state bank may extend credit to any of its executive officers, directors, or principal shareholders, or to any of their related interests, if the extension of credit is in an amount that, when aggregated with the amount of all outstanding extensions of credit by the bank to all of its executive officers, directors, principal shareholders, and their related interests, would not exceed the bank's unimpaired capital.

(2) The superintendent may prescribe a limit that is more stringent than the limit contained in division (E)(1) of this section.

(3) The superintendent may make exceptions to division (E)(1) of this section for state banks with less than one hundred million dollars in deposits, if the superintendent determines that the exceptions are important to avoid constricting the availability of credit in small communities or to attract directors to those banks. In no case may the aggregate amount of all outstanding extensions of credit



by a state bank to all of its executive officers, directors, principal shareholders, and their related interests, be more than two times the bank's unimpaired capital.

(F)(1) If any executive officer or director of a state bank has an account at the bank, the bank may not pay from that account an amount exceeding the funds on deposit in the account.

(2) Division (F)(1) does not prohibit the bank from paying funds in accordance with either of the following:

(a) A written, preauthorized, interest-bearing extension of credit specifying a method of repayment;

(b) A written preauthorized transfer of funds from another account of the executive officer or director at that bank.

(G) No executive officer, director, or principal shareholder shall knowingly receive, or knowingly permit any of that person's related interests to receive, from a state bank, directly or indirectly, any extension of credit not authorized under this section.

(H)(1) Subject to division (H)(2) of this section, for purposes of this section, any executive officer, director, or principal shareholder of any company of which the state bank is a subsidiary, or of any other subsidiary of that company, is deemed to be an executive officer, director, or principal shareholder, respectively, of the bank.

(2) The superintendent may make exceptions to the application of division (H)(1) of this section for any person who is an executive officer or director of a subsidiary of a company that controls a state bank, if both of the following apply:

(a) The person does not have authority to participate, and does not participate, in major policymaking functions of the bank.

(b) The assets of the subsidiary do not exceed ten per cent of the consolidated assets of the company that controls the bank, and the subsidiary is not controlled by any other company.



(I) For purposes of this section:

(1) "State bank" includes any subsidiary of a state bank.

(2)(a) "Company" means any corporation, limited liability company, partnership, business or other trust, association, joint venture, pool syndicate, sole proprietorship, unincorporated organization, or other business entity.

(b) "Company" does not include either of the following:

(i) A bank, savings bank, or savings association, the deposits of which are insured by the federal deposit insurance corporation;

(ii) A corporation the majority of the shares of which are owned by the United States or by any state of the United States.

(3) "Control" of a company or state bank by a person means the person, directly or indirectly, or acting through or in concert with one or more persons, meets any of the following:

(a) The person owns, controls, or has the power to vote twenty-five per cent or more of any class of the company's or, in the case of a stock state bank, the bank's voting securities.

(b) The person controls in any manner the election of a majority of the company's or state bank's directors.

(c) The person has the power to exercise a controlling influence over the company's or state bank's management or policies.

(4) "Executive officer" means a person who participates or has the authority to participate, other than as a director, in major policymaking functions of a company or state bank.

(5) To "extend credit" or to make an "extension of credit" means to make or renew any loan, to grant a line of credit, or to enter into any similar transaction as a result of which an executive officer,



director, or principal shareholder, or any of that person's related interests, becomes obligated, directly, indirectly, or by any means whatsoever, to pay money or its equivalent to the state bank.

(6) "Principal shareholder" means a person who, directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has the power to vote more than ten per cent of any class of voting securities of a stock state bank or company, other than a company of which the bank is a subsidiary.

(7) "Related interest" of a person means either of the following:

(a) Any company controlled by that person;

(b) Any political committee or campaign committee that is controlled by that person or the funds or services of which will benefit that person.

(8) "Subsidiary" means any company of which a state bank or company meets any of the following:

(a) The bank or company owns twenty-five per cent or more of the voting shares of the company.

(b) The bank or company controls in any manner the election of a majority of the directors of the company.

(c) The bank or company has the power, directly or indirectly, to exercise a controlling influence with respect to the management or policies of the company.