

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 745 (Substitute S-2 as reported by the Committee of the Whole)

Sponsor: Senator Joanne G. Emmons

Committee: Banking and Financial Institutions

CONTENT

The bill would repeal the Banking Code of 1969 and establish the "Banking Code of 1999" to provide for the regulation of banks; prescribe their powers and duties; provide for bank structure and organization, and banking operations; and prescribe related powers and duties of the Financial Institutions Bureau and its Commissioner. The bill would do the following:

- Revise and recodify provisions regarding the issuance of bank stock.
- Require every bank employee who handled money, accounts, or securities to be bonded.
- Allow a board of directors to meet in person or by electronic communication devices.
- Specify that a bank holding company could file an application to organize a bank.
- Prescribe the procedures for submitting applications to the Commissioner for various required approvals, including approval to establish or consolidate banks.
- Provide that a bank could be converted to a stock association, stock savings bank, or national banking association (or such an entity could be converted to a bank), upon the affirmative vote of shareholders who represented over 50% of total shares. (Currently, a two-thirds majority is required.)
- Specify that banks could engage in any aspect of the insurance and surety business. (Currently, the Commissioner may not authorize banks to engage in an insurance business; however, banks may sell insurance as provided in the Insurance Code.)
- Specify that banks would have powers granted by order or declaratory ruling of the Commissioner.
- Revise and rewrite procedures that must be followed regarding the voluntary dissolution of a bank.
- Allow any number of depository institutions to organize a "bankers' bank", exclusively to serve the institutions and their officers and affiliates, that could provide trust services or other services authorized by the Commissioner, and require that the "bankers' bank" stock be owned by the member institutions.
- Specify that all personal property owned by banks would be exempt from taxation; and that all mortgages or other securities held by banks would be exempt from all municipal or other taxes under State law.
- Require each bank and its subsidiaries to be examined by the Commissioner or an authorized agent at least once every 18 months (rather than at least once a year).
- Allow the Commissioner, by order or declaratory ruling, to authorize a bank to invest in assets other than those specifically allowed under the bill.
- Prohibit the Commissioner from accepting employment with a State-chartered depository financial institution, for six months from the date he or she left office.

Legislative Analyst: G. Towne

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 10-27-99

Fiscal Analyst: M. Tyszkiewicz