

Ohio Senate Insurance and Financial Institutions Committee

HB 34 - Proponent Testimony

21 February 2017



Chairman Dever, Vice Chair Sprague, Ranking Member Smith and members of the House Financial Institutions Housing, and Urban Development Committee, my name is Jeff Quayle; I am Senior Vice President and General Counsel for the Ohio Bankers League. On behalf of the FDIC insured banks and thrifts doing business in Ohio, the OBL appreciates the opportunity to discuss with you today the importance of HB 35, a true modernization piece of legislation.

This bill is a reintroduction of Senate Bill 317 from the last General Assembly that passed the Senate unanimously.

This is the first comprehensive piece of Ohio banking legislation in approximately 20 years and it has been considerably longer since Ohio laws governing the state's savings banks as well as savings, and loans have been thoroughly reviewed and updated. The goal of HB 34 is to help Ohio banks remain competitive and enable Ohio institutions to provide enhanced products and services in a safe and sound manner for Ohio bank customers and the communities served by Ohio institutions. One of the reasons that banking employment has remained strong in Ohio is because it is one of the few states that periodically does an extensive top-to-bottom banking code review.

Among many other things, the bill would recognize a "universal" bank charter in Ohio. Currently three separate statutes independently govern commercial banks, savings and loan associations and savings banks. This causes unnecessary redundancy and a potential cause for conflict among the three charters. As bank and thrift business models have evolved, there is simply no need for three charters with subtly different missions. Merging these three chapters will offer more consistent oversight that will be easier to work with for all concerned and will have the practical impact of strengthening consumer protections. This will in turn save the Department of Commerce and the industry in training, development and compliance costs. Great care is also being taken to preserve and strengthen the Ohio mutual charter. These are a unique financial institution where the institution is owned not by investors, but by its depositors and borrowers. This bill also provides comprehensive provisions governing mutual holding companies.

The bill also eliminates unnecessary regulatory duplication and burdens on Ohio banking organizations, streamlining regulatory governing boards and decreasing regulatory overhead costs for Ohio banks. At the same time, this bill ensures that future Division of Financial Institutions superintendents, and deputies are well qualified and have the applicable experience to properly lead the industry's regulatory body.

The bill also provides for "shelf" charters to facilitate the formation of de novo banks. This is consistent with recent FDIC moves to make new bank formations more attractive nationally. There have only been three de novo banks formed nationwide since 2010, none in Ohio. Both stats are well below normal industry trend lines.

While the bill is over 400 pages, the impact of the legislation will be to significantly reduce and simplify Ohio's banking code and make it more "user friendly," leading to a reduction of operating costs, increased competition and access to expanded products and services – all good things for Ohio banking customers. For example, most of the specialized corporate governance provisions are deleted, and the banking code will just defer in almost all instances to Ohio's well thought-out general corporate code in Chapter 1701.

The proposed legislation is an important step to help Ohio banks and their customers while recognizing changes in the industry and tailoring regulatory oversight so it is consistent with the size and risk profile of Ohio institutions. The industry has certainly changed substantially in recent years and the way in which banking products and services are brought to market has also been revolutionized through new technology. This bill will help OBL members broaden their products and services while continuing to operate in a safe and sound manner.

Highlight of Provisions in the Revised Bill

Expands permissible investments in debt securities The goal is to mirror the investments permitted to national banks or federal savings banks or savings associations.

Misleading Use of a Bank Name Strengthens this provision, by giving the Superintendent the authority to charge a civil money penalty of up to \$1,000 per day.

Corporate Applications The provision moving the DFI approval *before* submission to shareholders includes additional language that approval of the application was not a DFI endorsement of the proposal.

Confidentiality of Administrative Hearings To protect bank safety and soundness, hearings will be confidential unless DFI determined an open hearing would be in the public interest. The presumption for hearings related to regulated persons will be public hearings, unless the regulated person requests for a confidential hearing that is also approved by the Superintendent.

Tightening up timeframes Superintendent has to act on applications For major corporate applications such as mergers and acquisitions, in the modern age we suggested that DFI be given 45 days to approve or deny. DFI retains the right to request additional data. By way of historical context, during the last round of recodification, the General Assembly agreed to shorten these timeframes from 90 days to the current 60 days.