

As Passed by the Senate

131st General Assembly

Regular Session

2015-2016

Sub. H. B. No. 229

Representatives Hambley, Bishoff

Cosponsors: Representatives Terhar, Dovilla, Amstutz, Anielski, Baker, Buchy, Conditt, Grossman, Henne, Hill, Johnson, T., Koehler, Perales, Reineke, Rezabek, Rogers, Romanchuk, Schaffer, Sears, Thompson, Speaker Rosenberger

Senators Bacon, Beagle, Coley, Eklund, Hackett, Hite, Hottinger, Jordan, Oelslager, Patton, Seitz

A BILL

To amend section 1111.01 and to enact sections 1
1112.01, 1112.02, 1112.03, 1112.04, 1112.05, 2
1112.06, 1112.07, 1112.08, 1112.09, 1112.10, 3
1112.11, 1112.12, 1112.13, 1112.14, 1112.15, 4
1112.16, 1112.17, 1112.18, 1112.19, 1112.20, 5
1112.21, 1112.22, 1112.23, 1112.24, 1112.25, 6
1112.26, 1112.27, 1112.28, and 1112.99 of the 7
Revised Code to create the Ohio Family Trust 8
Company Act. 9

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

Section 1. That section 1111.01 be amended and sections 10
1112.01, 1112.02, 1112.03, 1112.04, 1112.05, 1112.06, 1112.07, 11
1112.08, 1112.09, 1112.10, 1112.11, 1112.12, 1112.13, 1112.14, 12
1112.15, 1112.16, 1112.17, 1112.18, 1112.19, 1112.20, 1112.21, 13
1112.22, 1112.23, 1112.24, 1112.25, 1112.26, 1112.27, 1112.28, 14
and 1112.99 of the Revised Code be enacted to read as follows: 15

Sec. 1111.01. As used in this chapter: 16

(A) "Charitable trust" means a charitable remainder 17
annuity trust as defined in section 664(d) of the Internal 18
Revenue Code, a charitable remainder unitrust as defined in 19
section 664(d) of the Internal Revenue Code, a charitable lead 20
or other split interest trust subject to the governing 21
instrument requirements of section 508(e) of the Internal 22
Revenue Code, a pooled income fund as defined in section 642(c) 23
of the Internal Revenue Code, a trust that is a private 24
foundation as defined in section 509 of the Internal Revenue 25
Code, or a trust of which each beneficiary is a charity. 26

For purposes of this division and division (B) of this 27
section, "Internal Revenue Code" means the "Internal Revenue 28
Code of 1986," 100 Stat. 2085, 26 U.S.C.A. 1, as amended. 29

(B) "Charity" means a state university as defined in 30
section 3345.011 of the Revised Code, a community college as 31
defined in section 3354.01 of the Revised Code, a technical 32
college as defined in section 3357.01 of the Revised Code, a 33
state community college as defined in section 3358.01 of the 34
Revised Code, a private college or university that possesses a 35
certificate of authorization issued by the Ohio board of regents 36
pursuant to Chapter 1713. of the Revised Code, a trust or 37
organization exempt from taxation under section 501(c)(3) or 38
section 501(c)(13) of the Internal Revenue Code, or a 39
corporation, trust, or organization described in section 170(c) 40
(2) of the Internal Revenue Code. The term "charities" means 41
more than one trust or organization that is a charity. 42

(C) "Collective investment fund" means a fund established 43
by a trust company or an affiliate of a trust company for the 44
collective investment of assets held in a fiduciary capacity, 45

either alone or with one or more cofiduciaries, by the 46
establishing trust company and its affiliates. 47

(D) "Fiduciary investment company" means a corporation 48
that is both of the following: 49

(1) An investment company; 50

(2) Incorporated, owned, and operated in accordance with 51
rules adopted by the superintendent of financial institutions 52
for the investment of funds held by trust companies in a 53
fiduciary capacity and for true fiduciary purposes, either alone 54
or with one or more cofiduciaries. 55

(E) "Home" has the same meaning as in section 3721.10 of 56
the Revised Code. 57

(F) "Instrument" includes any will, declaration of trust, 58
agreement of trust, agency, or custodianship, or court order 59
creating a fiduciary relationship. 60

~~(F)~~ (G) "Residential facility" has the same meaning as in 61
section 5123.19 of the Revised Code. 62

(H) "Investment company" means any investment company as 63
defined in section 3 and registered under section 8 of the 64
"Investment Company Act of 1940," 54 Stat. 789, 15 U.S.C.A. 80a- 65
3 and 80a-8. 66

~~(G)~~ (I) "Trust business" means accepting and executing 67
trusts of property, serving as a trustee, executor, 68
administrator, guardian, receiver, or conservator, and providing 69
fiduciary services as a business. "Trust business" does not 70
include any of the following: 71

(1) Any natural person acting as a trustee, executor, 72
administrator, guardian, receiver, or conservator pursuant to 73

appointment by a court of competent jurisdiction; 74

(2) Any natural person serving as a trustee who does not 75
hold self out to the public as willing to act as a trustee for 76
hire. For purposes of division ~~(G)~~ (I) of this section, the 77
solicitation or advertisement of legal or accounting services by 78
a person licensed in this state as an attorney or a person 79
holding an Ohio permit to practice public accounting issued 80
under division (A) of section 4701.10 of the Revised Code shall 81
not be considered to be the act of holding self out to the 82
public as willing to act as a trustee for hire. 83

(3) A charity, an officer or employee of a charity, or a 84
person affiliated with a charity, serving as trustee of a 85
charitable trust of which the charity, or another charity with a 86
similar purpose, is a beneficiary; 87

(4) Any natural person, home, or residential facility 88
serving as trustee or taking other actions relative to a 89
qualified income trust described in section 1917(d)(4)(B) of the 90
"Social Security Act," 42 U.S.C. 1396p(d)(4)(B), as amended; 91

(5) Other fiduciary activities the superintendent 92
determines are not undertaken as a business. 93

Sec. 1112.01. As used in this chapter: 94

(A) "Affiliate" means any individual or entity 95
controlling, controlled by, or under common control with a 96
family trust company. 97

(B) "Business entity" means a partnership, corporation, 98
limited liability company, or other entity. 99

(C) "Control" means the power to direct or cause the 100
direction of the management and policies of a business entity, 101

whether through ownership of voting securities, by contract, or 102
otherwise. 103

(D) (1) With respect to a licensed family trust company or 104
a family trust company applying for a license under this 105
chapter, "designated relative" means the common ancestor of the 106
family, whether living or deceased, who is designated in the 107
application for a license. 108

(2) With respect to any other family trust company, 109
"designated relative" means the common ancestor of the family, 110
whether living or deceased, who is designated in a written 111
document by the family trust company, which document is 112
maintained with the permanent records of the family trust 113
company. 114

(3) Once designated, a "designated relative" may not be 115
changed. 116

(E) "Family affiliate" means a business entity controlled 117
by family members or affiliates. 118

(F) (1) "Family client" means all of the following: 119

(a) Any family member; 120

(b) Any former family member; 121

(c) Any key employee; 122

(d) Any former key employee provided that, upon the end of 123
the individual's employment by the family trust company, the 124
individual does not receive investment advice from the family 125
trust company, or invest additional assets with a family trust 126
company-advised trust, foundation, or entity, other than with 127
respect to assets advised directly or indirectly by the family 128
trust company immediately prior to the end of the individual's 129

employment. Nothing in division (F) (1) (d) of this section shall 130
be considered to preclude a former key employee from being a 131
family client if the employee received investment advice from 132
the family trust company with respect to additional investments 133
that the individual was contractually obligated to make, and 134
that relate to a family trust company-advised investment 135
existing, prior to the end of the individual's employment by the 136
family trust company. 137

(e) Any nonprofit organization, charitable foundation, 138
charitable trust, including a charitable lead trust and 139
charitable remainder trust whose only current beneficiaries are 140
other family clients and charitable or nonprofit organizations, 141
or other charitable organization, so long as all of the 142
contributions to the organization, foundation, or trust came 143
exclusively from one or more other family clients; 144

(f) Any estate of a family member, former family member, 145
key employee, or former key employee; 146

(g) Any irrevocable trust in which one or more other 147
family clients are the only current beneficiaries; 148

(h) Any irrevocable trust funded exclusively by one or 149
more other family clients in which other family clients and 150
nonprofit organizations, charitable foundations, charitable 151
trusts, or other charitable organizations are the only current 152
beneficiaries; 153

(i) Any revocable trust of which one or more other family 154
clients are the sole grantors; 155

(j) Any trust to which both of the following conditions 156
apply: 157

(i) Each trustee or other person authorized to make 158

decisions with respect to the trust is a key employee. 159

(ii) Each settlor or other person who has contributed 160
assets to the trust is a key employee or the key employee's 161
current or former spouse or spousal equivalent who, at the time 162
of the contribution, holds a joint, community property, or other 163
similar shared ownership interest with the key employee. 164

(k) Any business entity wholly owned, either directly or 165
indirectly, exclusively by and operated for the sole benefit of 166
one or more other family clients. 167

(2) With respect to licensed family trust companies only, 168
"family client" also means a family affiliate and any 169
shareholder, partner, member, director, officer, or employee of 170
a family affiliate who is an individual described in division 171
(F)(1) of this section. 172

(G)(1) "Family member" means all of the following, 173
provided that the designated relative is not more than ten 174
generations removed from the youngest generation of family 175
members: 176

(a) All lineal descendants, including adopted children, 177
stepchildren, foster children, and individuals who were a minor 178
when another family member became a legal guardian of the 179
individual, of the designated relative; 180

(b) Such lineal descendants' spouses or spousal 181
equivalents. 182

(2) With respect to licensed family trust companies only, 183
"family member" also means all of the following: 184

(a) An ancestor or sibling of a spouse or spousal 185
equivalent described in division (G)(1) of this section; 186

(b) Any individual who is a beneficiary of a will or trust 187
established by an individual described in division (G)(1) of 188
this section, provided that, at any given time, the number of 189
individuals qualifying as family members under division (G)(2) 190
(b) of this section does not exceed twenty-five. 191

(H) "Family trust company" means a corporation or limited 192
liability company organized under the laws of this state that 193
meets all of the following requirements: 194

(1) It is organized to serve only family clients. 195

(2) It is wholly owned by family clients and is 196
exclusively controlled, either directly or indirectly, by one or 197
more family members or family entities. For purposes of division 198
(H)(2) of this section, "family entity" means any of the trusts, 199
estates, or other entities described in division (F)(1)(e), (f), 200
(g), (h), (i), or (k) of this section, except for key employees 201
and their trusts. 202

(3) It acts as a fiduciary. 203

(4) It does not transact trust business with, propose to 204
act as a fiduciary for, or accept trust business from, a person 205
that is not a family client. 206

(I) "Former family member" means a spouse, spousal 207
equivalent, or stepchild who was a family member but is no 208
longer a family member due to a divorce or other similar event. 209

(J) "Key employee" means all of the following: 210

(1) Any natural person who is an executive officer, 211
director, trustee, or general partner of, or a person serving in 212
a similar capacity to, the family trust company. For purposes of 213
division (J)(1) of this section, "executive officer" means the 214

president, any vice-president in charge of a principal business unit, division, or function such as administration or finance, any other officer who performs a policymaking function, or any other person who performs a similar policymaking function. 215
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(2) The spouse or spousal equivalent of a person described in division (J) (1) of this section, if the spouse or spousal equivalent holds a joint, community property, or other similar shared ownership interest with that person; 219
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(3) Any employee of the family trust company, other than an employee performing solely clerical, secretarial, or administrative functions or duties, who participates in the investment activities of the family trust company, provided that the employee has been participating in those investment activities for or on behalf of the family trust company, or has been performing similar functions or duties for or on behalf of another business entity, for at least one year. 223
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(K) "Licensed family trust company" means a family trust company licensed under this chapter. 231
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(L) "Spousal equivalent" means a cohabitant occupying a relationship generally equivalent to that of a spouse. 233
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(M) "Trust business" has the same meaning as in section 1111.01 of the Revised Code. 235
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Sec. 1112.02. Except as otherwise provided in this chapter or in any other provision of the Revised Code, a family trust company is subject to this chapter only to the extent that the family trust company transacts trust business in this state. 237
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Sec. 1112.03. (A) (1) A family trust company may be, but is not required to be, licensed under this chapter. If a family trust company does not apply for a license under this chapter, 241
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it is not subject to supervision by the superintendent of 244
financial institutions, so long as the family trust company 245
meets the criteria as set forth in this chapter for an 246
unlicensed family trust company. It shall, however, before 247
commencing operations as a family trust company and annually 248
thereafter, submit to the superintendent an affidavit signed by 249
a senior officer of the family trust company verifying that the 250
family trust company meets all of the requirements set forth 251
under this chapter to transact business as an unlicensed family 252
trust company in this state. The superintendent may charge and 253
collect a fee from the unlicensed family trust company when the 254
unlicensed family trust company files the affidavit with the 255
superintendent. 256

(2) If the superintendent requires a fee under division 257
(A) (1) of this section, the superintendent shall adopt rules in 258
accordance with Chapter 119. of the Revised Code to establish 259
the amount of the fee. 260

(B) Except as otherwise provided in this chapter, a family 261
trust company licensed under this chapter is not subject to any 262
other chapter of Title XI of the Revised Code. 263

Sec. 1112.04. (A) A family trust company may do any of the 264
following for the benefit of family clients only: 265

(1) Act as a fiduciary, including as a personal 266
representative, within and outside this state; 267

(2) Act within and outside this state as advisory agent, 268
agent, assignee, assignee for the benefit of creditors, attorney 269
in fact, authenticating agent, bailee, bond or indenture 270
trustee, conservator, conversion agent, curator, custodian, 271
escrow agent, exchange agent, fiscal or paying agent, financial 272

adviser, investment adviser, investment manager, managing agent, 273
purchase agent, receiver, registrar, safekeeping agent, 274
subscription agent, transfer agent except for public business 275
entities, warrant agent, or in any similar capacity generally 276
performed by corporate trustees and, in so acting, possess, 277
purchase, sell, invest, reinvest, safe keep, or otherwise manage 278
or administer the real or personal property of other persons; 279

(3) Exercise the powers of a corporation or limited 280
liability company organized under the laws of this state and any 281
incidental powers to enable it to fully exercise any power 282
authorized under this chapter. 283

(B) A family trust company shall not do any of the 284
following: 285

(1) Except as otherwise provided in division (A) (10) of 286
section 1112.05 of the Revised Code, receive money or its 287
equivalent from any individual or entity for deposit, make loans 288
of any nature to any individual or entity, or otherwise conduct 289
a general banking business; 290

(2) Engage in trust business with, or advertise its 291
services to, the public; 292

(3) Use "trust" or any direct derivative of that word as 293
any part of its name, unless it is a licensed family trust 294
company. 295

Sec. 1112.05. (A) Notwithstanding any other provision of 296
law to the contrary, while acting as the fiduciary of a trust, a 297
family trust company may do all of the following: 298

(1) Invest in a security of an investment company or 299
investment trust for which the family trust company or a family 300
affiliate provides services in a capacity other than as a 301

<u>fiduciary;</u>	302
<u>(2) Place a security transaction using a broker that is a</u>	303
<u>family affiliate;</u>	304
<u>(3) Invest in an investment contract that is purchased from</u>	305
<u>an insurance company or carrier owned by or affiliated with the</u>	306
<u>family trust company or a family affiliate;</u>	307
<u>(4) Enter into an agreement with a beneficiary or grantor</u>	308
<u>of a trust relative to the appointment or compensation of the</u>	309
<u>fiduciary or a family affiliate;</u>	310
<u>(5) Transact with another trust, estate, guardianship, or</u>	311
<u>conservatorship for which the family trust company is a</u>	312
<u>fiduciary or in which a beneficiary has an interest;</u>	313
<u>(6) Make an equity investment in a nonpublicly traded</u>	314
<u>entity that may or may not be marketable and that is owned or</u>	315
<u>controlled, either directly or indirectly, by one or more</u>	316
<u>beneficiaries, family members, or family affiliates;</u>	317
<u>(7) Deposit trust money in a financial institution that is</u>	318
<u>owned or operated by a family affiliate;</u>	319
<u>(8) Delegate the authority to conduct any transaction or</u>	320
<u>action under this section to an agent of the family trust</u>	321
<u>company or a family affiliate;</u>	322
<u>(9) Purchase, sell, hold, own, or invest in any security,</u>	323
<u>bond, real or personal property, stock, or other asset of a</u>	324
<u>family affiliate;</u>	325
<u>(10) Loan money to or borrow money from a family member or</u>	326
<u>the family member's legal representative, another trust managed</u>	327
<u>by the family trust company, or a family affiliate;</u>	328

<u>(11) Act as proxy in voting any shares of stock that are</u>	329
<u>assets of the trust;</u>	330
<u>(12) Exercise any powers of control with respect to any</u>	331
<u>interest in a business entity that is an asset of the trust,</u>	332
<u>including, without limitation, the appointment of officers or</u>	333
<u>directors who are family members;</u>	334
<u>(13) Receive reasonable compensation for its services.</u>	335
<u>(B) After full disclosure to the governing body of the</u>	336
<u>family trust company is provided, nothing in this section</u>	337
<u>prohibits a family trust company from entering into a</u>	338
<u>transaction with or investing in any asset of any of the</u>	339
<u>following:</u>	340
<u>(1) A trust, estate, guardianship, or conservatorship for</u>	341
<u>which the family trust company is a fiduciary;</u>	342
<u>(2) A family affiliate;</u>	343
<u>(3) Any other business entity, agent, or person for which</u>	344
<u>a conflict of interest may exist.</u>	345
<u>Sec. 1112.06. Each member of the governing board of a</u>	346
<u>family trust company shall take and subscribe an oath that the</u>	347
<u>member will administer the affairs of the family trust company</u>	348
<u>diligently and honestly and that the member will not knowingly</u>	349
<u>or willfully permit noncompliance with or violation of any of</u>	350
<u>the laws relating to family trust companies.</u>	351
<u>Sec. 1112.07. (A) A family trust company wishing to be</u>	352
<u>licensed under this chapter shall file an application with the</u>	353
<u>superintendent of financial institutions. The application shall</u>	354
<u>be in the form prescribed by the superintendent and shall be</u>	355
<u>accompanied by a nonrefundable application fee of five thousand</u>	356

dollars. 357

(B) Within sixty days after a complete application for a 358
license is filed, the division of financial institutions shall 359
investigate the relevant facts concerning the applicant. If the 360
application involves investigation outside this state, the 361
division may require the applicant to advance sufficient funds 362
to pay any of the actual expenses of that investigation. 363

(C) In determining whether to approve or disapprove an 364
application for a family trust company license, the 365
superintendent shall consider all of the following: 366

(1) Whether the applicant is a corporation or limited 367
liability company described in division (H) of section 1112.01 368
of the Revised Code; 369

(2) Whether the applicant's articles of incorporation or 370
articles of organization authorize the applicant to serve as a 371
trustee; 372

(3) Whether the applicant satisfies the requirements of 373
section 1112.13 of the Revised Code; 374

(4) Whether it is reasonable to believe the applicant will 375
comply with applicable laws and observe sound fiduciary 376
standards in conducting trust business in this state. 377

(D) If an application for a license does not contain all 378
of the information required or is not accompanied by the 379
required fee, and if that information or fee is not submitted to 380
the superintendent within twelve months after the superintendent 381
first requests the information or fee, or within such later 382
period as determined by the superintendent, the superintendent 383
shall consider the application withdrawn. If an application is 384
considered withdrawn under this division or if an applicant 385

otherwise withdraws its application, the superintendent shall 386
not issue a license to the applicant unless the applicant 387
submits a new application and pays the required fee. 388

(E) When an applicant has satisfied all prior conditions 389
imposed by the superintendent in approving the applicant's 390
application for a family trust company license and has pledged 391
securities as required by section 1112.12 of the Revised Code, 392
the superintendent shall issue the applicant a trust company 393
license. A license issued pursuant to this section shall remain 394
in force and effect until surrendered by the licensee pursuant 395
to section 1112.17 of the Revised Code or suspended or revoked 396
by the superintendent pursuant to section 1112.24 or 1112.25 of 397
the Revised Code. 398

Sec. 1112.08. (A) Upon the conclusion of the investigation 399
required under section 1112.07 of the Revised Code, the 400
superintendent of financial institutions shall issue a license 401
to the applicant if the superintendent finds that all of the 402
following conditions are met: 403

(1) The applicant is organized as a corporation or limited 404
liability company under the laws of this state. 405

(2) The articles of incorporation or articles of 406
organization of the applicant contain both of the following: 407

(a) A name for the family trust company that includes 408
"family trust company" or "FTC" and that distinguishes it from 409
any trust company licensed under Chapter 1111. of the Revised 410
Code or any other family trust company licensed under this 411
chapter; 412

(b) The purpose for which it is formed, including a 413
statement that its services will be provided only to family 414

clients of a designated relative. 415

(3) The individuals who will serve as directors or 416
officers of the corporation, or the managers or family members 417
acting in a managerial capacity for the limited liability 418
company, as applicable: 419

(a) Have a reputation for honesty, trustworthiness, and 420
integrity and display competence to transact the business of a 421
licensed family trust company; 422

(b) Have not been convicted of, or pleaded guilty or nolo 423
contendere to, a felony or any crime involving fraud, 424
misrepresentation, or moral turpitude; 425

(c) Have not made a false statement of material fact on the 426
application; 427

(d) Have not had a license issued under Chapter 1111. of 428
the Revised Code or under this chapter suspended or revoked 429
within the ten years immediately preceding the date of the 430
application; 431

(e) Have not had a trust company license issued in any 432
other state or any foreign country suspended or revoked within 433
the ten years immediately preceding the date of the application; 434

(f) Have not failed to comply with any of the provisions of 435
this chapter or any rule adopted thereunder that, in the 436
judgment of the superintendent, would render the person unfit 437
for the proposed position. 438

(4) The qualifications of the directors and the president, 439
vice-presidents, and treasurer of the corporation, or the 440
managers and family members acting in a managerial capacity for 441
the limited liability company, as applicable, are consistent 442

with their responsibilities and duties. 443

(5) The initial stockholders' equity meets the minimum 444
requirement set forth in division (E) (2) of section 1112.14 of 445
the Revised Code. 446

(B) If the superintendent does not find that all of the 447
conditions set forth in division (A) of this section have been 448
met, the superintendent shall enter an order denying the 449
application and notify the applicant of the denial and the 450
applicant's reasonable opportunity to be heard in accordance 451
with Chapter 119. of the Revised Code, excepting any such 452
related hearings shall not be open to the public. The notice 453
shall be in writing, either served personally or sent by 454
certified mail. 455

Sec. 1112.09. A family trust company's license to engage 456
in trust business in this state is not transferable or 457
assignable. 458

Sec. 1112.10. Not more than one place of business shall be 459
maintained under the same license issued under this chapter, but 460
the superintendent of financial institutions may issue 461
additional licenses to the same licensee. For every additional 462
place of business in this state, the licensee shall submit an 463
application in the form prescribed by the superintendent and pay 464
a one-time nonrefundable fee of five hundred dollars. For every 465
additional place of business outside of this state, the licensee 466
shall give written notice thereof to the superintendent. 467

Sec. 1112.11. The existence of any licensed family trust 468
company shall date from the filing of its articles of 469
incorporation or articles of organization, from which time it 470
shall have and may exercise the incidental powers conferred by 471

law upon corporations or limited liability companies, as 472
applicable. However, until it has obtained a license issued 473
under this chapter, a family trust company shall not transact 474
any business as a licensed family trust company, other than the 475
election of officers, the taking and approving of their official 476
bonds, the receipts of payment upon stock subscriptions, and 477
other business incidental to its organization. 478

Sec. 1112.12. (A) Prior to transacting any business as a 479
licensed family trust company, a family trust company shall 480
pledge to the treasurer of state interest-bearing securities 481
authorized in division (B) of this section, having a par value, 482
not including unaccrued interest, of one hundred thousand 483
dollars, and approved by the superintendent of financial 484
institutions. The family trust company may pledge the securities 485
either by delivery to the treasurer of state or by placing the 486
securities with a qualified trustee for safekeeping to the 487
account of the treasurer of state. 488

(B) Securities pledged by a family trust company to 489
satisfy the requirements of division (A) of this section shall 490
be one or more of the following, provided that the bonds or 491
other obligations are rated at the time of purchase in the three 492
highest classifications established by at least one nationally 493
recognized standard rating service and purchased through a 494
registered securities broker or dealer: 495

(1) Bonds, notes, or other obligations of or guaranteed by 496
the United States or for which the full faith and credit of the 497
United States is pledged for the payment of principal and 498
interest; 499

(2) Bonds, notes, debentures, or other obligations or 500
securities issued by any agency or instrumentality of the United 501

States. 502

(C) The treasurer of state shall accept delivery of 503
securities pursuant to this section when accompanied by the 504
superintendent's approval of the securities or the written 505
receipt of a qualified trustee describing the securities and 506
showing the superintendent's approval of the securities, and 507
shall issue a written acknowledgment of the delivery of the 508
securities or the qualified trustee's receipt and the 509
superintendent's approval to the family trust company. 510

(D) The superintendent shall approve securities to be 511
pledged by a family trust company pursuant to this section if 512
the securities are all of the following: 513

(1) Interest-bearing and of the value required by division 514
(A) of this section; 515

(2) Of one or more of the kinds authorized by division (B) 516
of this section and not a derivative of or merely an interest in 517
any of those securities; 518

(3) Not in default. 519

(E) The treasurer of state shall, with the approval of the 520
superintendent, permit a family trust company to pledge 521
securities in substitution for securities pledged pursuant to 522
this section and the withdrawal of the securities substituted 523
for so long as the securities remaining pledged satisfy the 524
requirements of division (A) of this section. The treasurer of 525
state shall permit a family trust company to collect interest 526
paid on securities pledged pursuant to this section so long as 527
the family trust company is solvent. The treasurer of state 528
shall, with the approval of the superintendent, permit a 529
licensed family trust company to withdraw securities pledged 530

pursuant to this section when the family trust company has 531
discontinued its business as a licensed family trust company in 532
this state. 533

(F) For purposes of this section, a qualified trustee is a 534
federal reserve bank, a federal home loan bank, a trust company 535
as defined in section 1101.01 of the Revised Code, or a bank or 536
savings association that has pledged securities pursuant to 537
section 1111.04 of the Revised Code, is authorized to accept and 538
execute trusts, and is doing business under authority granted by 539
the comptroller of the currency. 540

(G) The superintendent, with the approval of the treasurer 541
of state, shall prescribe the form of all receipts and 542
acknowledgments provided for by this section, and upon request 543
shall furnish a copy of each form, with the superintendent's 544
certification attached, to each qualified trustee eligible to 545
hold securities for safekeeping under this section. 546

Sec. 1112.13. (A) Each licensed family trust company shall 547
obtain and maintain all of the following: 548

(1) Fidelity bonds in such amounts as it considers 549
advisable, but not less than an aggregate amount of one million 550
dollars, on any active officer, manager, family member acting in 551
a managerial capacity, or employee, whether or not such persons 552
receive a salary or other compensation from the family trust 553
company, to indemnify it against loss because of any dishonest, 554
fraudulent, or criminal act or omission by any of the persons 555
bonded, acting alone or in combination with any other person. 556
The bonds may be in any form and may be paid for by the family 557
trust company. 558

(2) Directors and officers liability insurance coverage in 559

the amount of at least one million dollars. 560

(B) A licensed family trust company may also procure 561
property and casualty insurance of a nature and with such 562
coverage amounts as it considers advisable. 563

Sec. 1112.14. Each licensed family trust company shall do 564
all of the following: 565

(A) Maintain office space in this state for the 566
transaction of trust business and for the storage of, and access 567
to, family trust company records; 568

(B) Hold in this state at least two governing board 569
meetings per year at which a quorum of the board members are 570
physically present; 571

(C) Employ, engage, or contract with at least one 572
individual, on a part-time basis, to provide services in this 573
state for the family trust company; 574

(D) Perform at least three of the following trust 575
administration activities wholly or partly in this state for the 576
accounts under the management, administration, or custody of the 577
family trust company: 578

(1) Annual account reviews; 579

(2) Annual investment reviews; 580

(3) Trust accountings; 581

(4) Account correspondence; 582

(5) Completion of trust account tax returns; 583

(6) Distribution of account statements. 584

(E) Maintain all of the following: 585

(1) A minimum of three directors or managers, at least one 586
of whom is a resident of this state; 587

(2) A minimum stockholders' equity of an amount determined 588
by the division of financial institutions, which amount shall be 589
at least two hundred thousand dollars but not more than five 590
hundred thousand dollars. The equity may be comprised of cash, 591
securities, including stock of a nonpublicly traded business 592
entity, or other reasonably liquid assets exclusive of all 593
organization expenses. 594

(3) All applicable state and local business licenses and 595
permits; 596

(4) A bank account with a state chartered or national bank 597
having a principal or branch office in this state. 598

Sec. 1112.15. The governing board of a licensed family 599
trust company shall hold at least one regular meeting during 600
each calendar quarter. At each of the quarterly meetings, the 601
board, or an auditor selected by the board, shall thoroughly 602
review the books, records, funds, and securities held by the 603
family trust company. If the board selects an auditor, the 604
auditor's findings shall be reported directly to the board. In 605
lieu of the quarterly examinations, the board may accept an 606
annual audit conducted by a certified public accountant or an 607
independent auditor selected by the board. 608

Sec. 1112.16. Except as otherwise provided in section 609
1112.04 of the Revised Code, a licensed family trust company has 610
all the rights, privileges, and exemptions from licensing and 611
regulation requirements that are granted by any law of this 612
state to trust companies licensed under Chapter 1111. of the 613
Revised Code, including, without limitation, the requirements 614

for registration, licensing, and supervision set forth in 615
Chapter 1707. of the Revised Code. A family trust company 616
established under Chapter 1112. of the Revised Code is not 617
subject to taxation under Chapter 5726. of the Revised Code. 618

Sec. 1112.17. (A) A family trust company licensed under 619
this chapter may cease doing trust business and voluntarily 620
surrender its license to engage in trust business in this state, 621
and as a consequence be relieved of the necessity to comply with 622
the requirements of this chapter, only with the consent of the 623
superintendent of financial institutions. 624

(B) A licensed family trust company proposing to cease 625
doing trust business in this state shall submit both of the 626
following to the superintendent: 627

(1) A certified copy of the resolution of the licensed 628
family trust company's board of directors reflecting the board's 629
decision that the trust company should cease doing trust 630
business in this state and adopting a plan for winding up its 631
trust business in this state; 632

(2) The licensed family trust company's plan for winding 633
up its trust business in this state. 634

(C) The superintendent may approve or deny the licensed 635
family trust company's plan for winding up its trust business in 636
this state based on the superintendent's evaluation of whether 637
the plan provides adequate protection for those persons and 638
interests that the trust company serves as a fiduciary. The 639
superintendent's approval may be subject to any condition the 640
superintendent determines appropriate under the circumstances. 641

(D) During the implementation of a licensed family trust 642
company's plan for winding up its trust business in this state, 643

the superintendent shall retain the authority to supervise the 644
trust company and may conduct any examination relating to either 645
the trust company or the plan the superintendent considers 646
necessary or appropriate. 647

(E) If the superintendent has reason to conclude that the 648
licensed family trust company is not safely or expeditiously 649
implementing the approved plan for winding up the licensed 650
family trust company's trust business in this state, the 651
superintendent may do either of the following: 652

(1) Begin revocation proceedings under section 1112.24 of 653
the Revised Code; 654

(2) Take possession of the trust company's trust business 655
in this state in the same manner, with the same effect, and 656
subject to the same rights accorded to the trust company under 657
section 1112.26 of the Revised Code. 658

(F) The superintendent shall cancel the family trust 659
company's license to do trust business in this state if the 660
superintendent has approved the licensed family trust company's 661
plan for winding up its trust business in this state and, when 662
applicable, the licensed family trust company has met all of the 663
following conditions: 664

(1) The licensed family trust company has completed its 665
plan for winding up its trust business in this state consistent 666
with any conditions imposed by the superintendent in approving 667
the plan. 668

(2) The licensed family trust company has been relieved in 669
accordance with the law of all duties as trustee, executor, 670
administrator, registrar of stocks and bonds, or any other 671
fiduciary under court, private, or other appointment the trust 672

company had accepted. 673

(3) The licensed family trust company has, in accordance 674
with the law, wound up its trust business in each of the other 675
jurisdictions in which the family trust company solicited 676
appointment or served as a fiduciary or engaged in trust 677
business. 678

(G) Upon the superintendent's canceling the licensed 679
family trust company's license to do trust business in this 680
state, the company shall no longer, without obtaining a license 681
from the superintendent, engage in trust business in this state. 682

Sec. 1112.18. (A) A family trust company shall keep 683
separate and complete records for each fiduciary account or 684
relationship, including a record of any securities constituting 685
assets of each particular estate, trust, or account. 686

(B) A family trust company may place securities it holds 687
in any fiduciary capacity with a qualified custodian of 688
securities. A qualified custodian of securities that has custody 689
of securities held by a family trust company in a fiduciary 690
capacity may place those securities with another qualified 691
custodian of securities. 692

(C) A family trust company may register and hold 693
securities it holds in any fiduciary capacity in its own name, 694
in the name of a nominee, or, if appropriate to the securities, 695
in bearer form. A custodian of securities that has custody of 696
securities held by a family trust company in a fiduciary 697
capacity may hold or place those securities in the name of the 698
family trust company, the custodian's own name, the name of 699
either of their nominees, or, if appropriate to the securities, 700
in bearer form. 701

(D) A family trust company, and a custodian of securities 702
that has custody of securities held by a family trust company in 703
any fiduciary capacity, may hold securities it holds in any 704
fiduciary capacity, including those held in bearer form, in 705
bulk, whether or not the securities are certificated, without 706
certification of ownership attached to the securities. 707

(E) (1) A family trust company that serves as a cofiduciary 708
may, with the consent of the other cofiduciaries, do any of the 709
following: 710

(a) Place securities it holds in any fiduciary capacity 711
with a custodian of securities, as provided in division (B) of 712
this section; 713

(b) Register and hold securities it holds in any fiduciary 714
capacity in its own name, in the name of a nominee, or in bearer 715
form, as provided in division (C) of this section; 716

(c) Hold securities it holds in any fiduciary capacity in 717
bulk, as provided in division (D) of this section. 718

(2) Any person that serves as a cofiduciary with a family 719
trust company for any property in this state consisting of 720
securities may consent to the family trust company taking any of 721
the actions authorized by division (E) (1) of this section. 722

Sec. 1112.19. (A) A family trust company may, for any 723
business purpose, retain a document, paper, or other instrument. 724
A family trust company may record by use of a process to record, 725
copy, photograph, or store a representation of the original 726
document, paper, or other instrument or record if all of the 727
following apply: 728

(1) The process correctly and accurately copies or 729
reproduces, or provides a means for correctly and accurately 730

copying or reproducing, the original document, paper, or other 731
instrument or record with regard to both its substance and 732
appearance, except the copy or reproduction need not reflect the 733
original paper or other medium, size, or color, unless the 734
medium, size, or color is necessary to establish the 735
authenticity of the original. 736

(2) The process does not permit the recording, copy, 737
photographic image, or stored representation of the original 738
document, paper, or other instrument or record to be altered or 739
manipulated. 740

(3) Any medium the process uses to record, copy, 741
photograph, or store a representation of the original document, 742
paper, or other instrument or record is a durable medium for 743
retaining and reproducing records. 744

(B) The superintendent of financial institutions shall 745
identify and publish a list of processes that satisfy the 746
conditions of division (A) of this section. 747

(C) Each family trust company that uses a process 748
authorized by this section to preserve any of its records shall 749
also provide for safekeeping and for examining, viewing, or 750
projecting the records preserved, and for producing 751
reproductions of the original records. 752

Sec. 1112.20. (A) Any licensed family trust company is 753
subject to all powers of, and remedies and sanctions available 754
to, the superintendent of financial institutions and the 755
division of financial institutions under Chapters 1101. to 1127. 756
of the Revised Code, in addition to the specific powers, 757
remedies, and sanctions provided for in this chapter. 758

(B) (1) With regard to a licensed family trust company, 759

"regulated person," as used in division (B) of this section, 760
means a director, officer, employee, or controlling shareholder 761
of or agent for the licensed family trust company or a person 762
who participates in the management of the licensed family trust 763
company, whether or not the person is assigned to an office of 764
the licensed family trust company in this state or specifically 765
to the licensed trust company's trust business in this state. 766

(2) An order to cease and desist issued under section 767
1121.32 of the Revised Code, a removal or prohibition order 768
issued under section 1121.33 of the Revised Code, or a 769
suspension order issued under section 1121.34 of the Revised 770
Code, which order is issued against a regulated person who is a 771
regulated person because of the person's relationship with a 772
licensed family trust company doing trust business in this 773
state, does not affect the relationship between the regulated 774
person and the licensed family trust company except as it 775
relates to the conduct of the licensed family trust company's 776
trust business in this state. 777

Sec. 1112.21. Each family trust company licensed under 778
this chapter shall file with the superintendent of financial 779
institutions any report the superintendent may require, in the 780
form and manner and containing the information prescribed by the 781
superintendent. 782

Sec. 1112.22. (A) Not later than eighteen months after a 783
licensed family trust company receives its initial license under 784
this chapter, and as often thereafter as the superintendent of 785
financial institutions considers necessary, but at least once 786
each thirty-six-month cycle, the superintendent, or any deputy 787
or examiner appointed by the superintendent for that purpose, 788
shall thoroughly examine the records and affairs of the licensed 789

family trust company. For purposes of the examination, the 790
superintendent may require the attendance of, and examine under 791
oath, any governing board member, officer, manager, employee, or 792
agent of a licensed family trust company. A licensed family 793
trust company shall produce and make available all records or 794
other documents requested by the superintendent, in either 795
electronic or paper form, whether the examination is conducted 796
at the office of the family trust company or wholly or partially 797
off-site. 798

(B) The findings of any examination conducted under this 799
section shall be recorded in a written examination report that 800
contains a full, true, and careful statement of the condition of 801
the licensed family trust company. The superintendent shall 802
provide a copy of the written examination report to the 803
governing board of the licensed family trust company. 804

(C) A licensed family trust company being examined shall 805
pay the expense of any examination conducted under this section, 806
including salaries, travel expenses, supplies, and equipment. 807

Sec. 1112.23. (A) Except as provided in division (D) of 808
this section, the superintendent of financial institutions, the 809
superintendent's agents, and employees shall keep privileged and 810
confidential all of the following information: 811

(1) Application information and other information obtained 812
from a family trust company, including the names and addresses 813
of the directors and officers, the names and addresses of the 814
stockholders, family members, or other owners, capital 815
contributions, and business affiliations; 816

(2) Information required to be reported to, or filed with, 817
the superintendent of financial institutions under this chapter, 818

<u>including the affidavit described in division (A) (1) of section</u>	819
<u>1112.03 of the Revised Code;</u>	820
<u>(3) Information leading to, arising from, or obtained in</u>	821
<u>the course of an examination or investigation conducted under</u>	822
<u>the authority of this chapter;</u>	823
<u>(4) Information relating to a family trust company that</u>	824
<u>qualifies as nonpublic personal information under 15 U.S.C. 6809</u>	825
<u>and the regulations adopted thereunder;</u>	826
<u>(5) Information or agreements relating to any merger,</u>	827
<u>consolidation, or transfer;</u>	828
<u>(6) Any other private information relating to a family</u>	829
<u>trust company.</u>	830
<u>(B) Any person who receives privileged and confidential</u>	831
<u>information as described in division (A) of this section is</u>	832
<u>subject to the requirements of this section. No person, knowing</u>	833
<u>the information is privileged and confidential, shall purposely</u>	834
<u>divulge the information in any manner.</u>	835
<u>(C) Neither the superintendent, nor any agent or employee</u>	836
<u>of the superintendent, shall purposely make, or cause to be</u>	837
<u>made, any false statements or reports regarding the affairs or</u>	838
<u>condition of a family trust company.</u>	839
<u>(D) The information described in division (A) of this</u>	840
<u>section shall remain confidential and not discoverable from any</u>	841
<u>source, and shall not be introduced into evidence, except in the</u>	842
<u>following circumstances:</u>	843
<u>(1) When it is necessary for the superintendent to take</u>	844
<u>official action regarding the affairs of a family trust company;</u>	845
<u>(2) To assist another state or a federal agency</u>	846

investigating activities regulated under this chapter; 847

(3) When obtained by a law enforcement officer pursuant to 848
a subpoena, court order, search warrant, or other lawful means. 849

(E) The discovery of information pursuant to division (D) 850
of this section shall be limited to information that directly 851
relates to the family trust company that is the subject of the 852
enforcement action or litigation. 853

Sec. 1112.24. (A) The superintendent of financial 854
institutions may revoke a license issued under this chapter if, 855
after notice and an opportunity for hearing in accordance with 856
Chapter 119. of the Revised Code (which hearing shall not be 857
open to the public), the superintendent finds either of the 858
following: 859

(1) An officer or director of, or any manager or family 860
member acting in a managerial capacity for, the licensed family 861
trust company has failed to comply with any provision of this 862
chapter. 863

(2) The licensed family trust company, or any person 864
authorized to act on its behalf, refuses to allow the 865
superintendent or any deputy or examiner appointed by the 866
superintendent to inspect all books, records, papers, and 867
effects related to the family trust company's business. 868

(B) In addition to any other remedy provided under this 869
chapter, the superintendent may impose a fine of not more than 870
ten thousand dollars upon either of the following: 871

(1) A person who fails to comply with any provision of 872
this chapter or any rule adopted thereunder; 873

(2) A family trust company that is not licensed under this 874

chapter that operates in any manner that is authorized only for 875
licensed family trust companies. 876

Sec. 1112.25. (A) The superintendent of financial 877
institutions may revoke a trust company's license to do trust 878
business in this state, if the superintendent determines, after 879
notice in accordance with section 1121.37 of the Revised Code 880
and opportunity for hearing in accordance with section 1121.38 881
of the Revised Code, that any of the following factors is true: 882

(1) The existence of the family trust company, or its 883
authority to transact business, has been terminated or suspended 884
under the laws of the state or country in which the trust 885
company is incorporated. 886

(2) The family trust company's authority to transact trust 887
business has been terminated or suspended under the laws of the 888
state or country in which the trust company is incorporated, or 889
its license to engage in trust business has been terminated or 890
suspended under the laws of any other jurisdiction in which the 891
family trust company had been licensed to engage in trust 892
business. 893

(3) A receiver, liquidator, or conservator has been 894
appointed for the family trust company under the laws of the 895
state or country in which the family trust company is 896
incorporated or for its business in any other jurisdiction in 897
which the family trust company transacts business. 898

(4) The family trust company is violating or has violated, 899
or the superintendent has reasonable cause to believe the family 900
trust company is about to violate, any of the following: 901

(a) A law or rule; 902

(b) A condition imposed by the superintendent in writing 903

in connection with approving an application or notice or 904
granting any other request of the family trust company; 905

(c) A written agreement the family trust company entered 906
into with the superintendent; 907

(d) A cease and desist order issued by the superintendent 908
under section 1121.32 of the Revised Code. 909

(5) The family trust company is engaging or has engaged, 910
or the superintendent has reasonable cause to believe the family 911
trust company is about to engage, in any unsafe or unsound 912
practice. 913

(6) The family trust company has ceased to pay its debts 914
in the ordinary course of business, is incapable of paying its 915
debts as they mature, has liabilities in excess of its assets, 916
or is subject to or has applied for an adjudication in 917
bankruptcy, reorganization, or other relief under any 918
bankruptcy, reorganization, insolvency, or moratorium law. 919

(7) The family trust company has ceased or failed to 920
conduct trust business in this state. 921

(8) The family trust company has failed to pay any fees, 922
charges, forfeitures, or penalties assessed under Chapters 1101. 923
to 1127. of the Revised Code. 924

(B) (1) If the superintendent has reasonable cause to 925
believe any of the factors in division (A) of this section is 926
true, and the superintendent determines it is necessary to 927
protect the persons and interests in this state that the family 928
trust company serves as a fiduciary or the property in this 929
state that the trust company holds title to or an interest in a 930
fiduciary, the superintendent may immediately suspend the family 931
trust company's license to do trust business in this state. 932

(2) Within ten days after the order suspending a family trust company's license to do trust business in this state is served upon it, the family trust company may apply to the court of common pleas of any county in this state in which the family trust company is doing business, or the court of common pleas of Franklin county, for an injunction setting aside, limiting, or suspending enforcement of the suspension order pending an opportunity for hearing on whether the family trust company's license to do trust business in this state should be revoked, and the court has jurisdiction to issue the injunction. 933
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Sec. 1112.26. (A) If the superintendent of financial institutions revokes a family trust company's license to do trust business in this state pursuant to division (A) of section 1111.32 of the Revised Code, the superintendent may take possession of the family trust company's trust business in this state and may appoint a receiver for the liquidation of the trust business in this state. If the family trust company has its principal place of business in this state, the superintendent may take possession of, and appoint a receiver for the liquidation of, its entire trust business wherever it is conducted. 943
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(B) The superintendent's taking possession of, and appointing a receiver for the liquidation of, a family trust company's trust business in this state under division (A) of this section and the liquidation of the family trust company's trust business in this state shall be conducted in accordance with the procedures and subject to the rights, powers, duties, requirements, and limitations provided in Chapter 1125. of the Revised Code for taking possession of the business and property and liquidation of a bank, except for the following: 954
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(1) After payment of the expenses of the liquidation and 963
claims against the family trust company arising from its doing 964
trust business in this state in accordance with divisions (A) 965
and (B) of section 1125.25 of the Revised Code, the receiver 966
shall distribute any remaining funds from the liquidation of the 967
trust company's trust business in this state to the receiver for 968
liquidation of the family trust company's trust business in 969
another state of the United States or for conducting a 970
liquidation of all or part of the family trust company's trust 971
business under laws of the United States, or equitably among the 972
receivers if the trust company's trust business is being 973
liquidated under the laws of more than one other state or the 974
United States, for payment of the expenses of liquidation and 975
claims against the family trust company's trust business. If 976
there is no liquidation of the family trust company's trust 977
business under way in any other state or under laws of the 978
United States, the receiver shall, after satisfying the 979
requirements of divisions (A) and (B) of section 1125.25 of the 980
Revised Code, pay any remaining funds from the liquidation of 981
the family trust company's trust business in this state to the 982
family trust company. 983

(2) When the receiver has completed the liquidation of the 984
family trust company's trust business in this state, the 985
receiver shall, with notice to the superintendent, petition the 986
court for an order declaring the family trust company's trust 987
business in this state is properly wound up in the manner 988
provided in section 1125.30 of the Revised Code. Upon the filing 989
of the petition, the court shall proceed as provided in section 990
1125.30 of the Revised Code. 991

An order issued by the court pursuant to a petition filed 992
under division (B) (2) of this section shall comply with section 993

1125.30 of the Revised Code. However, the order shall only 994
declare the family trust company's trust business in this state 995
has been properly wound up and shall not declare the family 996
trust company is dissolved. The court may make whatever 997
additional orders and grant whatever additional relief the court 998
determines is proper upon the evidence submitted. 999

Once the order is issued declaring the family trust 1000
company's trust business in this state is properly wound up, 1001
both of the following shall occur: 1002

(a) The family trust company shall, except for any further 1003
winding up, cease engaging in trust business in this state and, 1004
if the family trust company has its principal place of business 1005
in this state, cease engaging in trust business in any 1006
jurisdiction. 1007

(b) The receiver shall promptly file, with both the 1008
secretary of state and the superintendent, a copy of the order, 1009
certified by the clerk of the court. 1010

(C) If the family trust company is a bank doing business 1011
under authority granted by the superintendent, all of the 1012
following apply: 1013

(1) If the family trust company is being liquidated under 1014
Chapter 1125. of the Revised Code, the trust company's trust 1015
business shall also be liquidated even if there would not be 1016
independent grounds for liquidation of the trust business under 1017
this section. 1018

(2) If the family trust company's trust business is being 1019
liquidated under this section and the trust company as a whole 1020
is being liquidated under Chapter 1125. of the Revised Code, the 1021
liquidations shall be merged. 1022

(3) If the family trust company is not authorized to 1023
engage in any business other than trust business, its 1024
liquidation shall be of the company as a whole, conducted under 1025
Chapter 1125. of the Revised Code, and completed by the 1026
dissolution of the trust company. 1027

Sec. 1112.27. The superintendent of financial institutions 1028
shall not have an ownership interest in a licensed family trust 1029
company. 1030

Sec. 1112.28. The superintendent of financial institutions 1031
may, in accordance with Chapter 119. of the Revised Code, adopt 1032
any rule necessary to carry out the purposes of this chapter. 1033

Sec. 1112.99. Whoever violates division (B) of section 1034
1112.23 of the Revised Code is guilty of a felony of the fourth 1035
degree. 1036

Section 2. That existing section 1111.01 of the Revised 1037
Code is hereby repealed. 1038