

TITLE 26
BANKS AND BANKING

CHAPTER 5
BANK HOLDING COMPANIES

26-501. DEFINITIONS. As used in this chapter, unless the context otherwise requires:

- (1) "Bank" shall mean any bank chartered under this act.
- (2) "Company" shall mean any corporation, business trust, association, or similar organization but shall not include:
 - (a) An individual; or
 - (b) Any corporation the majority of shares of which are owned by the United States or any state.
- (3) "Business trust" shall mean a business organization wherein a business or other property is conveyed to trustees who manage the business or other property for the benefit of the certificate or shareholders of the trust. Business trust shall not include a voting trust.
- (4) "Bank holding company" shall mean any company:
 - (a) Which directly or indirectly owns or controls twenty-four percent (24%) or more of the voting shares of a bank;
 - (b) Which controls in any manner the election of the majority of the directors of a bank; or
 - (c) For the benefit of whose shareholders or members twenty-four percent (24%) or more of the voting shares of a bank is held by trustees;For the purposes of any proceeding under subsection (4) (b) of this section, there is a presumption that any company which directly or indirectly owns, controls or has power to vote less than five percent (5%) of the voting shares of a bank does not have control over that bank; and
- (5) Notwithstanding the foregoing:
 - (a) No estate, trust, guardianship, or conservatorship or fiduciary thereof shall be a bank holding company by virtue of its ownership or control of shares of stock of a bank unless such trust is a business trust or a voting trust which by its terms or by law does not expire within ten (10) years from the effective date of the voting trust;
 - (b) No company shall be a bank holding company by virtue of its ownership or control of shares acquired by it in connection with its underwriting of bank shares and which are held only for such period of time as will permit the sale thereof on a reasonable basis; and
 - (c) No company shall be a bank holding company by virtue of its ownership or control of shares acquired and held in the ordinary course of securing or collecting a debt previously contracted in good faith and which are held only for such period of time as will permit the sale thereof on a reasonable basis.
- (6) "Financial holding company" shall mean a bank holding company that, notwithstanding subsection (4) of this section, may engage in any activity, and may acquire and retain the shares of any company engaged in any activity, that the director determines, by rule or order:
 - (a) To be financial in nature or incidental to such financial activity; or
 - (b) Is complementary to a financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system in general.

[26-501, added 1979, ch. 41, sec. 2, p. 81; am. 2001, ch. 137, sec. 1, p. 496.]

26-502. APPROVAL OF BANK HOLDING COMPANY. Every bank holding company hereafter formed shall register with the department of finance and receive the approval of the director to become a bank holding company. The director shall approve an application to form a bank holding company if he finds that the persons who are officers, directors or stockholders are of such character and fitness that a bank or banks acquired by the bank holding company will be operated in a safe, prudent and profitable manner. The application shall include such information with respect to the financial condition and operations, management, and intercompany relationships of the bank holding company and its subsidiaries and related matters, as the director may deem necessary or appropriate. The director may, in his discretion, accept copies of federal registration in lieu of state requirements.

[26-502, added 1979, ch. 41, sec. 2, p. 82.]

26-503. APPROVAL TO ACQUIRE A BANK -- REQUIREMENTS -- APPROVAL TO COMMENCE ACTION OR ACQUIRE A COMPANY. (1) A bank holding company shall apply to the department of finance and receive the approval of the department of finance prior to acquiring a bank. The application shall include such information with respect to the financial condition and operations, management and intercompany relationships of the bank to be acquired and the holding company as the director may deem necessary or appropriate. In considering an application to acquire a bank, the director shall consider at least:

(a) The financial condition of the bank holding company and any banks already owned by the holding company;

(b) The probable effect of the acquisition on the holding company, any banks already owned by the holding company and the bank which is to be acquired; and

(c) The effect of the acquisition on competition in the providing of banking services.

(2) A financial holding company shall apply to the department of finance and receive the approval of the department of finance prior to commencing any activity or acquiring any company as described in section 26-501(6), Idaho Code.

[26-503, added 1979, ch. 41, sec. 2, p. 82; am. 2001, ch. 137, sec. 2, p. 497.]

26-505. DIRECTOR OF FINANCE -- REPORTS -- REQUIREMENTS. The director may require reports made under oath to be filed in the department of finance to keep it informed as to the operation of any bank holding company. The director may make examinations of each bank holding company and each subsidiary thereof under the provisions of section 26-1102, Idaho Code, the actual cost of which may be assessed against and paid by such holding company. The director may accept reports of examinations made by the federal reserve board, the comptroller of the currency, or the federal deposit insurance corporation in lieu of making an examination by the department.

[26-505, added 1979, ch. 41, sec. 2, p. 83; am. 2001, ch. 137, sec. 3, p. 498.]

26-506. CHANGE IN CONTROL. All transfers of a major portion of the outstanding stock or trust certificates of a bank holding company by sale, gift,

or otherwise shall be approved by the director prior to such transfer. For the purposes of this section, a major portion of the outstanding stock or trust certificates of a bank holding company is any number of any class of shares of a bank holding company the acquisition of which will result in a person acquiring the shares having voting control of the bank holding company. The director shall not approve a transfer of stock if he finds that the transferee has been removed from a position as a director, officer or employee of a bank holding company, a bank or other financial institution pursuant to an order of a state or federal agency. The director may disapprove a transfer of stock if in his opinion the transferee does not meet the requirements of a stockholder, director, or officer as set out in section 26-502, Idaho Code.

[26-506, added 1979, ch. 41, sec. 2, p. 83.]

26-507. VIOLATION -- PENALTY. Any person who willfully violates any provision of this chapter shall be guilty of a felony.

[26-507, added 1979, ch. 41, sec. 2, p. 83.]