

*As Engrossed: 3/1/93*

1 **State of Arkansas**  
2 **79th General Assembly**  
3 **Regular Session, 1993**

# **A Bill**

**ACT 982 OF 1993**  
**HOUSE BILL 1705**

4 **By: Representatives Pryor, Hinshaw and Shaver**

5

6

7

## **For An Act To Be Entitled**

8 "AN ACT TO AMEND ARKANSAS CODE § 23-32-224 TO ESTABLISH A  
9 STANDARD OF CONDUCT FOR DIRECTORS OF BANKS IN ARKANSAS;  
10 AND FOR OTHER PURPOSES."

11

12

## **Subtitle**

13 "AN ACT TO ESTABLISH A STANDARD OF CONDUCT FOR DIRECTORS  
14 OF BANKS IN ARKANSAS."

15

16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

17

18 SECTION 1. Arkansas Code § 23-32-224 is hereby amended to read as  
19 follows:

20 "23-32-224. Board of directors - Standard of conduct.

21 (a) (1) The affairs of any incorporated bank organized under the laws of  
22 this state shall be managed and controlled by a board of directors of not less  
23 than three (3), who shall be selected from stockholders either of the bank or  
24 of its bank holding company, as defined in § 23-32-303 at such times and in  
25 such manner as may be provided by its bylaws.

26 (2) The initial board of directors may be elected by the  
27 incorporators, the privilege of cumulative voting to have no application to  
28 the election of the initial board.

29 (b) Any vacancy in the board of directors of any bank or trust company  
30 shall be filled by appointment by the remaining directors, and any director  
31 qualified as other directors and so appointed shall hold his place until the  
32 election and qualification of his successor.

33 (c) Unless the articles of agreement, or an amendment thereto, shall  
34 provide to the contrary, the directors shall have exclusive power to  
35 promulgate, amend, or repeal bylaws of the bank.

36 (d) A director of a bank which maintains its principal place of

1 business in the state shall discharge his or her duties as a director,  
2 including his or her duties as a member of any committees:

3 (1) In good faith;

4 (2) With the care an ordinary prudent person in a like position  
5 would exercise under similar circumstances; and

6 (3) In a manner he or she reasonably believes to be in the best  
7 interest of the bank.

8 (e) In discharging his or her duties, a director shall be entitled to  
9 rely on information, opinions, reports, or statements, including financial  
10 statements and other financial data, if prepared or presented by:

11 (1) One (1) or more officers or employees of the bank whom the  
12 director reasonably believes to be reliable and competent in matters  
13 presented;

14 (2) Legal counsel, public accountants, or other persons as to  
15 matters the director reasonably believes are within the person\_s professional  
16 or expert competence; or

17 (3) A committee of the board of directors of which he or she is  
18 not a member, if the director reasonably believes the committee merits  
19 confidence.

20 (f) A director is not acting in good faith if he or she has knowledge  
21 concerning the matter in question that makes reliance otherwise permitted in  
22 subsection (f) of the section unwarranted.

23 (g) A director is not liable for any action taken as a director, or any  
24 failure to take any action, if he or she performed the duties of his or her  
25 office in compliance with this section.

26 (h) The term bank for the purposes of this section shall include all  
27 national banks, banks chartered by the State of Arkansas, and any other bank  
28 as defined in § 23-30-101."

29

30 SECTION 2. All provisions of this act of general and permanent nature  
31 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
32 Revision Commission shall incorporate the same in the Code.

33

34 SECTION 3. If any provisions of this act or the application thereof to  
35 any person or circumstance is held invalid, the invalidity shall not affect

1 other provisions or applications of the act which can be given effect without  
2 the invalid provisions or application, and to this end the provisions of this  
3 act are declared to be severable.

4

5 SECTION 4. All laws and parts of laws in conflict with this act are  
6 hereby repealed.

7

8

9

10

11

12

13

14

15

*/s/Mark Pryor, et al*

16

17

18

APPROVED: 4/9/93

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

