

1 State of Arkansas  
2 95th General Assembly  
3 Regular Session, 2025  
4

# A Bill

SENATE BILL 242

5 By: Senator Hill  
6 By: Representative Beaty Jr.  
7

## For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING LOANS INVOLVING  
10 THE STOCK OF A STATE BANK; AND FOR OTHER PURPOSES.  
11

## Subtitle

12 TO AMEND THE LAW CONCERNING LOANS  
13 INVOLVING THE STOCK OF A STATE BANK.  
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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19 SECTION 1. Arkansas Code § 23-47-503 is amended to read as follows:  
20 23-47-503. Loans involving stock of state bank - Definition.

21 (a) ~~It~~ Except as provided in subsections (b) and (c) of this section,  
22 it shall be unlawful for ~~any~~ a state bank to knowingly:

23 (1) Loan its funds to its stockholders on its own stock, or  
24 stock in its bank holding company, as collateral security;

25 (2) Make ~~any~~ a loan, the proceeds of which are used to purchase  
26 its own stock or stock of its bank holding company; or

27 (3)(A) Carry as an asset ~~any~~ a loan representing, either  
28 directly or indirectly, an investment in its own stock or that of its bank  
29 holding company.

30 ~~(B) Provided, however, that there shall be no~~ It is not a  
31 violation of this subdivision (a)(3) when a bank acquires its own stock or  
32 stock in its bank holding company in the regular course of collecting a debt  
33 previously contracted in good faith if the bank:

34 (i) ~~complied~~ Complied with subdivisions (a)(1) and  
35 (2) of this section at the time the loan was made; and

36 (ii) ~~if the bank divests~~ Divests the stock within



1 two (2) years.

2 (b)(1) In connection with the merger of a target institution with a  
3 state bank or a similar transaction as determined by the Bank Commissioner, a  
4 state bank may acquire a loan or other extension of credit that is secured,  
5 in whole or in part, by the state bank's own stock or its bank holding  
6 company stock.

7 (2) A state bank may maintain a loan or other extension of  
8 credit that is secured, in whole or in part, by its own stock or its bank  
9 holding company stock that it has acquired under subdivision (b)(1) of this  
10 section, including by renewing, extending, modifying, or refinancing the loan  
11 or other extension of credit, if:

12 (A) The state bank does not increase the committed amount  
13 of the loan or other extension of credit above the committed amount as of the  
14 time at which it was acquired; and

15 (B) A renewal, extension, modification, or refinancing of  
16 the loan or other extension of credit is undertaken on substantially the same  
17 terms and following credit underwriting procedures that are no less stringent  
18 than those prevailing at the time for comparable transactions by the state  
19 bank for which the state bank's own stock or its bank holding company stock  
20 does not serve as collateral security.

21 (c) This section does not prohibit a state bank from making or  
22 maintaining a loan or other extension of credit that is secured, in whole or  
23 in part, by a securities account, notwithstanding that the state bank's own  
24 stock or its bank holding company stock is credited to the securities  
25 account, if:

26 (1) The state bank or bank holding company whose stock is  
27 credited to the securities account is exempted by § 23-48-316(b)(3);

28 (2) The state bank maintains written policies and procedures  
29 that require the exclusion of the state bank's own stock or its bank holding  
30 company stock from consideration during the state bank's credit underwriting  
31 of the loan or other extension of credit; and

32 (3) The state bank complies with other applicable laws or rules.

33 (d)(1) ~~Any~~ An officer or director of ~~any~~ a state bank or ~~any~~ a  
34 stockholder violating ~~the provisions of~~ this section shall be subject to  
35 civil money penalties of one thousand dollars (\$1,000) per day, up to a  
36 maximum of one hundred thousand dollars (\$100,000) in the aggregate, for each

1 violation.

2 (2) The civil penalties may be imposed by the commissioner  
3 pursuant to his or her power to and the procedure for issuing cease and  
4 desist orders.

5 (e) As used in this section, "target institution" means:

- 6 (1) A state bank;
- 7 (2) An out-of-state state-chartered bank;
- 8 (3) A national bank; or
- 9 (4) Another depository institution or financial institution.

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