

808 KAR 15:030. Bank branches, offices, and loan production offices.

RELATES TO: KRS 286.3-102, 286.3-180, 286.3-185, 286.3-820, 12 C.F.R. 208.43, 325

STATUTORY AUTHORITY: KRS 286.1-020, 286.3-180(2), 286.3-185, 286.3-820

NECESSITY, FUNCTION, AND CONFORMITY: KRS 286.3-180(2) and 286.3-185 authorize the Department of Financial Institutions to designate those banks that do not have to apply for approval of the commissioner for permission to establish a branch or to relocate their principal office or branch. KRS 286.3-820(2) authorizes the Department of Financial Institutions to designate those banks that do not have to apply for approval of the commissioner to establish a loan production office. KRS 286.3-102 authorizes a qualified state bank to engage in any banking activity in which the bank could engage in other states if the bank meets specified conditions. Other states permit statewide branching as part of their authorized banking activities. This administrative regulation establishes criteria for a bank to meet in order to be designated as not having to obtain commissioner approval to establish a branch or loan production office, or relocate a principal office or branch, and clarifies what banking operations may or may not be conducted at a loan production office.

Section 1. Permitted Activities Without Commissioner Approval. A bank that meets the criteria set forth in Section 2 of this administrative regulation and provides the notices required in Section 3 of this administrative regulation may do any of the following in any county of the state, whether or not already located in the county, without commissioner approval:

- (1) Establish a branch;
- (2) Establish a loan production office; or
- (3) Relocate its main office or branch office.

Section 2. Criteria to Act Without Commissioner Approval. The following criteria shall be satisfied before a bank may undertake the activities described in Section 1 of this administrative regulation without commissioner approval:

- (1) The bank shall have received its bank charter at least three (3) years prior to undertaking the activities;
- (2) The bank shall be well-capitalized:
 - (a) As defined in 12 C.F.R. Part 325 by the Federal Deposit Insurance Corporation, if the bank is a nonmember bank; or
 - (b) As defined in 12 C.F.R. 208.43(b)(1) by the Federal Reserve Board of Governors, if the bank is a member bank of the Federal Reserve System;
- (3) The bank shall have received a CAMELS composite rating of one (1) or two (2) on its most recent state or federal regulatory examination;
- (4) The bank shall have received a management rating of one (1) or two (2) on its most recent state or federal regulatory examination;
- (5) The bank shall not be a party to any formal or informal enforcement action initiated by a state or federal regulatory agency; and
- (6) The bank's activity shall not cause the bank to exceed the fixed asset limitation established in KRS 286.3-100.

Section 3. Required Notices. A bank that desires to engage in the activities described in Section 1 of this administrative regulation without commissioner approval shall submit the notices required by this section, except that the notice requirement of subsection (2) of this section shall not apply to a bank that desires to establish a loan production office.

- (1) A notice shall be sent to the department within thirty (30) days after the bank's board of

directors approves the activity. The notice shall provide as follows:

(a) The address of the new location where the bank intends to establish or relocate its new branch, office, or loan production office;

(b) The expected date the new branch, office, or loan production office shall open; and

(c) A statement by the bank that it satisfies the criteria set forth in Section 2 of this administrative regulation signed by an authorized officer or agent of the bank.

(2) A notice shall be sent to any state bank with its main office located in the county where the new branch or office, but not a loan production office, will be located within thirty (30) days after the bank's board of directors approves the activity. The notice shall provide as follows:

(a) The address of the new location where the bank intends to establish or relocate its new branch or office; and

(b) The expected date the new branch or office shall open.

(3) A notice shall be sent to the department within thirty (30) days after the bank has opened its branch, office, or loan production offices, at the new location advising the department of the opening.

Section 4. Effect of Subsequent Noncompliance with Criteria. If, subsequent to the establishment or relocation of an office, a branch, or a loan production office without commissioner approval, the bank no longer meets the requirements established in Section 2 of this administrative regulation, the bank shall obtain commissioner approval prior to establishing or relocating any additional offices, branches, or loan production offices until the bank again meets the criteria. The establishment or relocation already completed by the bank shall not be rendered ineffective.

Section 5. A bank's board of directors may by resolution establish maximum dollar limits on the lending authority of officers located at a loan production office, and if the designated limits are consistent with bank wide limits on lending authority, the department will consider loans made by those officers under those limits to be approved at the principal office for the purpose of KRS 286.3-820(1)(a). An officer at a loan production office may accept a loan application and act upon it without further action by the principal office.

Section 6. A bank may maintain a transaction account at the principal office into which funds representing loan proceeds earmarked for loan production office loans are deposited, and an officer at a loan production office may draw instruments on that account in order to disburse loan proceeds. The department then will consider funds to have been disbursed at the principal office for purposes of KRS 286.3-820(1)(a) and (b).

Section 7. Loans originated at a loan production office may be closed at that loan production office. No loan payments, whether the loan originated at the loan production office, a main or branch bank office, or another loan production office, may be received at a loan production office.

Section 8. A bank customer may receive information at the loan production office on any lending account which that customer may have with the bank whether or not the loan was originated at that loan production office. (45 Ky.R. 2281, 2913; eff. 5-3-2019.)