

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
95th General Assembly  
Regular Session, 2025

As Engrossed: S3/5/25

## A Bill

SENATE BILL 242

By: Senator Hill

By: Representative Beaty Jr.

### For An Act To Be Entitled

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

### Subtitle

TO AMEND THE LAW CONCERNING LOANS  
INVOLVING THE STOCK OF A STATE BANK.

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

SECTION 1. Arkansas Code § 23-47-503 is amended to read as follows:

23-47-503. Loans involving stock of state bank - Definition.

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

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

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

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

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

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

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



two (2) years.

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

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

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

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

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

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

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

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

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

violation.

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

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

(1) A state bank;

(2) An out-of-state state-chartered bank;

(3) A national bank; or

(4) Another depository institution or financial institution.

*/s/Hill*