

ARKANSAS STATE BANK DEPARTMENT EXAMINATION POLICY

Policy Number	<u>14-04</u>
Effective Date	<u>08/01/14</u>
Supersedes	<u>99-3</u>
Approval	<u>08/21/25</u>

SUBJECT: **Investments in Bank Premises and Payment of Dividends**

Occasionally, the Arkansas State Bank Department learns that a state-chartered bank has violated Arkansas Code Annotated (A.C.A.) §23-47-103 by investing in bank premises or paying excessive dividends without obtaining the prior approval of the Bank Commissioner per 23 Code of Arkansas Rules (C.A.R.) § 320-1701. Inasmuch as the referenced statute and rule require prior approval, the prior approval contemplated by the statute and rule cannot be given retroactively.

POLICY

In the future, such cases should not be submitted to the Bank Commissioner except by mention in the Report of Examination. There is no need for the bank to write the Commissioner requesting "retroactive" approval. Violation of these sections should be contained in the Report of Examination ensuring that such violations are brought to the attention of the bank's Board of Directors. In most cases, the Bank Commissioner will advise the bank by letter that he/she will not "object" to the expenditure or dividend payment. This has the effect of notifying the bank that the Commissioner is aware of the violation but does not intend to take disciplinary action. This letter will also caution the bank against future violations.

If the financial condition of the bank has been adversely affected to a serious extent by the investment or dividend payment, the case should be reported directly to the Bank Commissioner for appropriate action.