

**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>                    </u>

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

Occasionally, the State Bank Department learns that a state chartered bank has violated Section 23-47-103 of the Arkansas Banking Code of 1997 by investing in bank premises or paying excessive dividends without obtaining the prior approval of the Bank Commissioner. Inasmuch as the referenced statute and regulation require prior approval, the prior approval contemplated by the regulations obviously cannot be given.

**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, of course, and this will ensure that the violations are brought to the attention of the bank's board of directors. In the majority of cases, the Bank Commissioner will advise the bank by letter that he 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, of course, be reported directly to the Bank Commissioner for appropriate action.