



Ohio Administrative Code Rule 1301:1-3-10 Operating subsidiaries.

Effective: November 22, 2019

(A) A state bank may exercise all powers, other than deposit taking, that the state bank may exercise pursuant to section 1109.02 of the Revised Code by means of an operating subsidiary. An operating subsidiary in which a state bank may invest includes a corporation, limited liability company, limited partnership, or similar entity. In order to qualify as an operating subsidiary, the parent bank must have the ability to control the management and operations of the subsidiary; the parent bank must own more than fifty per cent of the voting stock, or an equivalent equity interest with limited liability, of the entity; and the operating subsidiary must be consolidated with the state bank under generally accepted accounting principles.

An operating subsidiary is not a bank subsidiary corporation as described in division (C)(1) of section 1109.44 of the Revised Code, and the acquisition, establishment, or performance of new activities in an operating subsidiary is not an investment in a bank subsidiary corporation pursuant to division (A) of section 1109.44 of the Revised Code. Investments in and extensions of credit to operating subsidiaries shall not be subject to section 1109.22, 1109.47, 1109.54, or 1109.55 of the Revised Code, but shall continue to be subject to other provisions of law applicable to loans and investments in stocks, bonds, debentures, and other obligations by state banks.

(B) A state bank that intends to acquire, establish, or perform new activities in an operating subsidiary shall submit a letter of notification to the superintendent of financial institutions. The letter must:

- (1) Provide details of the transaction in which the state bank intends to acquire, establish, or perform new activities in an operating subsidiary;
- (2) State the name and location of the operating subsidiary, and whether any activity of the operating subsidiary will be conducted at some location other than a previously approved banking office of the state bank;



(3) Describe the proposed activities in which the operating subsidiary will engage, and cite the legal authority for the permissibility of the proposed activities of the operating subsidiary;

(4) Provide evidence that the parent state bank will have the ability to control the management and operations of the operating subsidiary;

(5) Provide evidence that the parent state bank will own more than fifty per cent of the voting stock, or an equivalent equity interest with limited liability, of the operating subsidiary; and

(6) State that the operating subsidiary will be consolidated with the state bank under generally accepted accounting principles.

(C) The state bank may establish, acquire, or perform new activities in an operating subsidiary after thirty days from the date the superintendent acknowledges receipt of the bank's letter of notification, unless notified to the contrary, or in less than thirty days if so notified by the superintendent. The superintendent will utilize the thirty-day period to review the state bank's proposal to determine if the proposed activities are legally permissible for an operating subsidiary, to ensure that the proposal is consistent with safe and sound banking practices, and to determine whether the state bank's proposal is consistent with prudent banking principles and the policies of the division of financial institutions and does not endanger the safety or soundness of the parent bank. The thirty-day period may be extended upon notice to the state bank if the state bank's letter raises issues that require additional information from the state bank or time for analysis by the superintendent. If the thirty-day period is extended, the state bank may establish, acquire, or perform new activities in the operating subsidiary only upon written notification by the superintendent.

The superintendent reserves the right to grant written approval of a state bank's proposal to establish, acquire, or perform new activities in an operating subsidiary subject to conditions when there are legal or supervisory concerns.

(D) A state bank may establish or acquire an operating subsidiary without notifying the superintendent, provided:

(1) The activities of the new operating subsidiary are limited to those activities previously reported



by the state bank pursuant to this rule in connection with the establishment or acquisition of a prior operating subsidiary;

(2) The establishment or acquisition of the prior operating subsidiary was considered permissible by the superintendent;

(3) The activities in which the new operating subsidiary will engage continue to be considered legally permissible by the superintendent; and

(4) The activities will be conducted in accordance with any conditions imposed by the superintendent in approving the conduct of these activities for any prior operating subsidiary of the state bank.

(E) Unless otherwise provided by statute or rule, all provisions of state banking statutes and rules applicable to the operations of the parent state bank shall be equally applicable to the operations of its operating subsidiaries.

(F) Unless otherwise provided by statute or rule, pertinent book figures of the parent state bank and its operating subsidiaries shall be consolidated for the purpose of applying applicable statutory limitations, such as sections 1109.22, 1109.23, 1109.24, 1109.31, 1109.32, 1109.39, 1109.40, and 1109.44 of the Revised Code.

(G) Each operating subsidiary shall be subject to examination and supervision by the superintendent in the same manner and to the same extent as the parent state bank. If, upon examination, the superintendent ascertains that the operating subsidiary was created or is being operated in violation of a law or rule, that the manner of operation is unsafe or unsound or that the operating subsidiary otherwise threatens the safety or soundness of the state bank, the superintendent shall direct the state bank to take appropriate remedial action, which may include discontinuing specified activities or disposing of all or part of the operating subsidiary.