

SENATE BILL NO. 484

BY SENATOR DUPLESSIS

1 AN ACT

2 To amend and reenact R.S. 6:263, relative to capital, surplus, and dividends of state banks;  
3 to provide relative to state bank dividends and stock purchased or redeemed; to  
4 require capital surplus; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 6:263 is hereby amended and reenacted to read as follows:

7 §263. ~~Cash dividends~~ **Dividends**; stock ~~repurchase~~ **purchased** or ~~redemption~~  
8 **redeemed**; capital surplus required

9 A. The board of directors of a state bank may not declare or pay any  
10 **dividends in cash dividends or property** for a period of two years from the issuance  
11 of its certificate of authority or ~~for such shorter period~~ as the commissioner may  
12 prescribe. Thereafter, the board of directors of ~~any a~~ state bank may ~~quarterly,~~  
13 ~~semiannually, or annually~~ declare **or pay cash or property** dividends on **shares of**  
14 its **capital** stock by complying with the provisions of this Section and the bank's  
15 articles of incorporation and bylaws.

16 B. ~~No~~ **A state bank shall not declare or pay cash or property** dividends  
17 ~~may be declared or paid, or purchase or redeem shares of its capital stock~~ unless  
18 the bank has unimpaired surplus ~~equal to~~ **that equals or exceeds** fifty percent of the  
19 outstanding capital stock of the bank. The bank's unimpaired surplus shall not be  
20 reduced below fifty percent ~~by~~ **as a result of** the payment of any **combination of**  
21 ~~cash dividend or property dividends, or the purchase or redemption of any~~  
22 **shares of its capital stock.**

23 C. ~~A state bank may purchase or redeem its own stock if after such purchase~~  
24 ~~or redemption the bank is in compliance with applicable statutory and regulatory~~  
25 ~~capital requirements, and its remaining unimpaired surplus equals or exceeds fifty~~  
26 ~~percent of the outstanding capital stock of the state bank remaining after such~~  
27 ~~purchase or redemption, provided that:~~

1 (1) Prior approval of the commissioner shall be required if the total of all  
 2 ~~year-to-date~~ cash ~~or property~~ dividends declared and paid by the state bank and  
 3 amounts used to ~~redeem or repurchase~~ by the state bank's stock during any one year  
 4 ~~bank to redeem or purchase shares of its capital stock~~ would exceed the total of  
 5 ~~the bank's year-to-date~~ net profits of that year income combined with ~~the~~ its net  
 6 profits income from the immediately preceding year. ~~For the purposes of this~~  
 7 Section, "net profits" is defined as the remainder of all earnings from current  
 8 operations and other assets, after deducting from the total thereof all current  
 9 operating expenses, paid and accrued cash dividends on preferred stock, if any, all  
 10 federal and state taxes, cash dividends on common stock paid or accrued, and all of  
 11 the following:

12 (a) Amounts paid or accrued to ~~redeem or repurchase~~ stock for the payments  
 13 of cash dividends.

14 (b) The value of all property paid in dividends.

15 (c) Amounts paid or accrued to redeem or purchase shares of the bank's  
 16 capital stock over the calculation period.

17 (2) Negative net profits income shall not be rounded to zero in the  
 18 calculation.

19 (2) ~~D.~~ D. A state bank shall not purchase or redeem shares of its capital stock  
 20 when its combined capital stock and unimpaired surplus is accounts are less than,  
 21 or such purchase or redemption would reduce its combined capital stock and  
 22 unimpaired surplus accounts below, the aggregate amount payable on liquidation  
 23 upon any issued shares which have a preferential right to participate in the assets in  
 24 the event of liquidation and that remain after the purchase ~~of~~ or redemption ~~and~~  
 25 ~~cancellation~~ of any shares in connection therewith.

26 (3) ~~Stock which has been redeemed or repurchased must be accounted for~~  
 27 ~~under the par method of accounting.~~

28 (4) ~~Stock purchased or redeemed is~~ E. Shares of a state bank's capital stock  
 29 acquired pursuant to R.S. 6:416(B) shall be canceled and thereby restored to the  
 30 status of authorized and unissued shares, ~~unless the articles provide otherwise, except~~

1 ~~that stock of the state bank acquired pursuant to R.S. 6:416(B) shall be canceled~~  
2 ~~upon the expiration of the period permitted under that Section unless prior to that~~  
3 ~~date the stock had been disposed of by the state bank.~~

4 ~~(5) The redemption or repurchase of a state bank's own stock or the stock of~~  
5 ~~its parent company may not be effected for the sole purpose of speculation or to~~  
6 ~~evade any applicable requirements of federal or state law. Such acquisitions must~~  
7 ~~comply with all applicable federal and state securities laws.~~

8 **F. Shares of a state bank's capital stock purchased or redeemed by the**  
9 **bank shall be deemed cancelled and thereby restored to the status of authorized**  
10 **and unissued shares unless the bank's articles, bylaws, or a resolution of the**  
11 **board of directors provides that such shares may be held as treasury stock**  
12 **following the purchase or redemption thereof.**

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PRESIDENT OF THE SENATE

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_