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Client Alert: Ohio's New Bank Modernization Bill: Good News for Ohio Banks and Customers

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The first new comprehensive Ohio banking legislation in 20 years, Senate Bill 317, sponsored by Sen. Jim Hughes (R-Columbus), was introduced in the Ohio Senate on April 20, 2016. The goal of the bill is to help Ohio banks remain viable, competitive institutions and enable them to provide enhanced products and services, in a safe and sound manner, for Ohio bank customers and the communities served by Ohio institutions.

Among many other things, the groundbreaking bill would recognize a “universal” bank charter in Ohio. It is also focused on eliminating unnecessary regulatory duplication and burdens on Ohio banking organizations; eliminating unnecessary redundancy and duplication in Ohio banking laws and regulations; streamlining regulatory governing boards; and decreasing regulatory overhead costs of examination and training for Ohio banks.

Recognizing recent profound changes in the industry and the way in which banking products and services are provided, the bill would update and modernize banking law in Ohio in a fashion that will help Ohio banks broaden their products and services while continuing to provide those services in a safe and sound manner. The bill provides enhanced operating simplicity and enhanced competitive opportunities for both stock and mutual organizations to the benefit of both institutions and their customers.

To encourage the formation of new institutions, the bill also provides for “shelf” regulatory approvals for de novo banks. This would streamline the process for potential new bank organizers, and is consistent with recent FDIC moves to make de novo bank formations more attractive nationally.

While the bill is over 400 pages, the impact of the legislation will be to significantly reduce and simplify Ohio's banking code to make it much shorter and more “user friendly,” leading to a reduction of operating costs, increased competition and access to expanded products and services – all good things for Ohio banking customers.

The proposed legislation is an important step to help Ohio banks and their customers while recognizing changes in the industry and “right-sizing” regulation for institutions. It is a win-win for Ohio banks, their customers and the communities they serve.

Please contact your Vorys lawyer or Jeff Smith at 614.464.5436 with any questions.