

INTERPRETIVE LETTER 89-13 (OCTOBER 25, 1989)

State bank directors are not required to own qualifying shares unless required by bank's by-laws.

I am writing in response to your letter dated * in which you asked me to confirm the Agency's position regarding the amendments to Section 16(4) of the Illinois Banking Act (Ill. Rev. Stat. 1987, ch. 17, par. 323(4)) (the "Act") contained in Public Act 86-0368 (H.B. 1778).

Public Act 86-0368, which became effective on September 1, 1989, amended Section 16(4) of the Act to eliminate the requirement that a director own qualifying shares of a bank or its bank holding company. Section 16(4) of the Act now provides that: "Each state bank shall, in addition to any other matter included in its by-laws, provide for the ownership interest in the bank's stock or in any company which has control over such bank...." Therefore, as a result of Public Act 86-0368, each state bank must provide in its by-laws for whatever ownership interest in the bank it deems appropriate for the bank's directors. This Agency has interpreted this provision as allowing a bank to affirmatively provide that a director need not hold any ownership interest in the bank or its bank holding company.