

ADVANTAGES OF A STATE CHARTER

Accessibility – The Division of Banking has offices in Pierre and in Sioux Falls; personnel are very accessible. This promotes better communication and allows a banker to talk directly to a decision-maker. The Division considers and responds to requests in a timely and efficient manner.

Local Supervision – The Division’s examiners grew up and live in the areas in which they work. As a result, examiners understand the concerns communities and citizens encounter in their local economies. In addition, examiners are guided through comprehensive formal schooling and unmatched on-the-job training to prepare them to competently examine more complex financial institutions.

Outreach – Division personnel regularly attend meetings and conferences around the state where bankers can engage in meaningful dialogue with top Division personnel.

State Parity Statute – South Dakota has a broad parity statute. South Dakota Codified Laws 51A-2-14.1 and 51A-2-14.2 state:

51A-2-14.1

State chartered banks granted powers allowed federally chartered banks. Notwithstanding any restrictions, limitations, and requirements of law, in addition to all powers, expressed or implied, that a state bank has under the laws of this state, a state bank shall have the powers and authorities conferred as of January 1, 2008, upon federally chartered banks doing business in this state. A state bank may exercise the powers and authorities conferred on a federally chartered bank after this date only if the director finds that the exercise of such powers and authorities:

- (1) Serves the convenience and advantage of depositors, borrowers, or the general public; and*
- (2) Maintains the fairness of competition and parity between state chartered and federally chartered banks.*

If the director finds that the before-mentioned conditions have been met, the director shall make a declaratory ruling allowing state banks the same powers and authorities.

51A-2-14.2

Restrictions on federally chartered banks apply to state chartered banks. The restrictions, limitations, and requirements applicable to specific powers or authorities of federally chartered banks apply to state banks exercising those powers or authorities permitted under § 51A-2- 14.1 but only insofar as the restrictions, limitations, and requirements relate to exercising the powers or authorities granted banks solely under § 51A-2-14.1.

State Governance – South Dakota state-chartered banks are regulated according to South Dakota laws and administrative rules. South Dakota laws are constructed to meet the unique needs of the citizens of the state. Federal laws, by their nature, must apply to various regions and many different circumstances. The state legislature enacts statutes affecting South Dakota state-chartered banks. The state legislature is more aware of the needs and concerns of local communities than the U.S. Congress. State bankers also have considerably more opportunity to affect banking policy at the state level than at the federal level.

Multi-State Operations – South Dakota chartered banks have the authority to operate on a multi-state basis, allowing for consistency for interest rates, lending limits, and corporate governance laws. As the

“home state” regulator, the Division is the single point of contact for all information on banking issues such as branching, examination issues, governing laws, etc.

Cooperative Agreements – The Division has entered into agreements with other states to streamline the process of opening new branches and to utilize their examiners, if necessary, in order to examine out-of-state branches of a South Dakota chartered bank. There are no additional fees associated with the examination of these branches.

Coordinated Examination Process – In order to reduce the burden on state-chartered banks, the Division has entered into agreements with the FDIC and FRB to perform alternating examinations.

Lower Cost – For state banks in South Dakota, assessments are lower than the assessments for comparable national banks. Consider the following comparison:

Asset Size	Total OCC Assessment¹	Total South Dakota Assessment Fee²	Savings from Using South Dakota Charter
\$2 Million	\$9,686	\$220	\$9,466
\$5 Million	\$10,833	\$550	\$10,283
\$10 Million	\$12,746	\$1,100	\$11,646
\$20 Million	\$16,570	\$2,200	\$14,370
\$30 Million	\$19,630	\$3,300	\$16,330
\$40 Million	\$22,690	\$4,400	\$18,290
\$50 Million	\$25,749	\$5,500	\$20,249
\$75 Million	\$33,399	\$8,250	\$25,149
\$100 Million	\$41,048	\$11,000	\$30,048
\$125 Million	\$46,020	\$13,625	\$32,395
\$150 Million	\$50,992	\$16,250	\$34,742
\$200 Million	\$60,934	\$21,500	\$39,434
\$300 Million	\$77,762	\$32,000	\$45,762
\$500 Million	\$111,417	\$52,000	\$59,417
\$1 Billion	\$195,556	\$99,500	\$96,056
\$2 Billion	\$333,238	\$119,500	\$213,738
\$5 Billion	\$700,384	\$179,500	\$520,884
\$10 Billion	\$1,239,302	\$279,500	\$959,802
\$20 Billion	\$2,280,642	\$479,500	\$1,801,142
\$40 Billion	\$3,849,482	\$879,500	\$2,969,982

¹ Calculated according to <https://www.occ.treas.gov/topics/supervision-and-examination/examinations/assessments-and-fees/notice-of-fees-semiannual-assessment.html>. Accessed June 11, 2021.

² ARSD 20:07:06:01