

1 AN ACT concerning banking.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Illinois Banking Act is amended by  
5 changing Section 16 as follows:

6 (205 ILCS 5/16) (from Ch. 17, par. 323)

7 Sec. 16. Directors. The business and affairs of a State  
8 bank shall be managed by its board of directors that shall  
9 exercise its powers as follows:

10 (1) Directors shall be elected as provided in this Act.  
11 Any omission to elect a director or directors shall not  
12 impair any of the rights and privileges of the bank or of any  
13 person in any way interested. The existing directors shall  
14 hold office until their successors are elected and qualify.

15 (2) (a) Notwithstanding the provisions of any charter  
16 heretofore or hereafter issued, the number of directors,  
17 not fewer than 5 nor more than 25, may be fixed from time  
18 to time by the stockholders at any meeting of the  
19 stockholders called for the purpose of electing directors  
20 or changing the number thereof by the affirmative vote of  
21 at least two-thirds of the outstanding stock entitled to  
22 vote at the meeting, and the number so fixed shall be the  
23 board regardless of vacancies until the number of  
24 directors is thereafter changed by similar action.

25 (b) Notwithstanding the minimum number of directors  
26 specified in paragraph (a) of this subsection, a State  
27 bank that has been in existence for 10 years or more and  
28 has less than \$20,000,000 in assets, as of the December  
29 31 immediately preceding the annual meeting of  
30 shareholders at which directors are elected, may, subject  
31 to the approval of the Commissioner, have a minimum of 3

1 directors; provided that if a State bank has fewer than 5  
2 directors, at least one director shall not be an officer  
3 or employee of the bank. The Commissioner shall annually  
4 review the appropriateness of the grant of authority to  
5 have a reduced minimum number of directors pursuant to  
6 this paragraph (b).

7 (3) Except as otherwise provided in this paragraph (3),  
8 directors shall hold office until the next annual meeting of  
9 the stockholders succeeding their election or until their  
10 successors are elected and qualify. If the board of directors  
11 consists of 6 or more members, in lieu of electing the  
12 membership of the whole board of directors annually, the  
13 charter or by-laws of a State bank may provide that the  
14 directors shall be divided into either 2 or 3 classes, each  
15 class to be as nearly equal in number as is possible. The  
16 term of office of directors of the first class shall expire  
17 at the first annual meeting of the stockholders after their  
18 election, that of the second class shall expire at the second  
19 annual meeting after their election, and that of the third  
20 class, if any, shall expire at the third annual meeting after  
21 their election. At each annual meeting after classification,  
22 the number of directors equal to the number of the class  
23 whose terms expire at the time of the meeting shall be  
24 elected to hold office until the second succeeding annual  
25 meeting, if there be 2 classes, or until the third succeeding  
26 annual meeting, if there be 3 classes. Vacancies may be  
27 filled by stockholders at a special meeting called for the  
28 purpose.

29 If authorized by the bank's by-laws or an amendment  
30 thereto, the directors of a State bank may properly fill a  
31 vacancy or vacancies arising between shareholders' meetings,  
32 but at no time may the number of directors selected to fill a  
33 vacancy in this manner during any interim period between  
34 shareholders' meetings exceed 33 1/3% of the total membership

1 of the board of directors.

2 (4) The board of directors shall hold regular meetings  
3 at least once each month, provided that, upon prior written  
4 approval by the Commissioner, the board of directors may hold  
5 regular meetings less frequently than once each month but at  
6 least once each calendar quarter. A special meeting of the  
7 board of directors may be held as provided by the by-laws. A  
8 special meeting of the board of directors may also be held  
9 upon call by the Commissioner or a bank examiner appointed  
10 under the provisions of this Act upon not less than 12 hours  
11 notice of the meeting by personal service of the notice or by  
12 mailing the notice to each of the directors at his residence  
13 as shown by the books of the bank. A majority of the board  
14 of directors shall constitute a quorum for the transaction of  
15 business unless a greater number is required by the charter  
16 or the by-laws. The act of the majority of the directors  
17 present at a meeting at which a quorum is present shall be  
18 the act of the board of directors unless the act of a greater  
19 number is required by the charter or by the by-laws.

20 (5) A member of the board of directors shall be elected  
21 president. The board of directors may appoint other officers,  
22 as the by-laws may provide, and fix their salaries to carry  
23 on the business of the bank. The board of directors may make  
24 and amend by-laws (not inconsistent with this Act) for the  
25 government of the bank and may, by the affirmative vote of a  
26 majority of the board of directors, establish reasonable  
27 compensation of all directors for services to the corporation  
28 as directors, officers, or otherwise. An officer, whether  
29 elected or appointed by the board of directors or appointed  
30 pursuant to the by-laws, may be removed by the board of  
31 directors at any time.

32 (6) The board of directors shall cause suitable books  
33 and records of all the bank's transactions to be kept.

34 (7) (a) In discharging the duties of their respective

1 positions, the board of directors, committees of the  
2 board, and individual directors may, in considering the  
3 best long term and short term interests of the bank,  
4 consider the effects of any action (including, without  
5 limitation, action that may involve or relate to a merger  
6 or potential merger or to a change or potential change in  
7 control of the bank) upon employees, depositors,  
8 suppliers, and customers of the corporation or its  
9 subsidiaries, communities in which the main banking  
10 premises, branches, offices, or other establishments of  
11 the bank or its subsidiaries are located, and all  
12 pertinent factors.

13 (b) In discharging the duties of their respective  
14 positions, the board of directors, committees of the  
15 board, and individual directors shall be entitled to rely  
16 on advice, information, opinions, reports or statements,  
17 including financial statements and financial data,  
18 prepared or presented by: (i) one or more officers or  
19 employees of the bank whom the director believes to be  
20 reliable and competent in the matter presented; (ii) one  
21 or more counsels, accountants, or other consultants as to  
22 matters that the director believes to be within that  
23 person's professional or expert competence; or (iii) a  
24 committee of the board upon which the director does not  
25 serve, as to matters within that committee's designated  
26 authority; provided that the director's reliance under  
27 this paragraph (b) is placed in good faith, after  
28 reasonable inquiry if the need for such inquiry is  
29 apparent under the circumstances and without knowledge  
30 that would cause such reliance to be unreasonable.

31 (Source: P.A. 90-301, eff. 8-1-97; 91-452, eff. 1-1-00.)

32 Section 99. Effective date. This Act takes effect upon  
33 becoming law.