
DIVISION OF BANKING

1714 Lincoln Avenue, Suite 2, Pierre, SD 57501
605-773-3421

MEMORANDUM

NUMBER: 20-037

DATE: June 1, 2026

TO: SOUTH DAKOTA FINANCIAL INSTITUTIONS

FROM: BRET AFDAHL, Director

RE: LEGISLATION TO PREVENT FINANCIAL EXPLOITATION

The following is a summary of House Bill 1238 (HB 1238). HB 1238 was introduced by the House Commerce and Energy Committee and signed into law by Governor Larry Rhoden. HB 1238 will become effective on July 1, 2026. I would encourage you to review HB 1238 in detail at your convenience at the following link: [2026 House Bill 1238 - SD Legislature protect financial institutions taking action to prevent the financial exploitation of consenting, senior, or vulnerable adults.](#)

If you would like additional information regarding HB 1238, or if you have any questions, please do not hesitate to contact the South Dakota Division of Banking at 605-773-3421.

House Bill 1238

HB 1238 allows banks and other financial institutions in South Dakota to temporarily refuse to process transactions to allow enough time to contact another person in that customer's life to verify the transactions are legitimate.

HB 1238 includes seven sections:

- Section 1 –Definitions, including: consenting adult; senior adult; and vulnerable adult.
- Section 2 – HB 1238 provides that if a financial institution in South Dakota or an employee of a financial institution in South Dakota reasonably believes or has received information from a state agency or law enforcement demonstrating that it is reasonable to believe financial exploitation of a consenting, senior, or vulnerable adult may have occurred, may be attempted, is occurring, or is being attempted, the financial institution may delay or refuse the transaction.
- Section 3 – HB 1238 does not require financial institutions in South Dakota or their employees to take action and instead provides discretion to act based on the information available at that time.
- Section 4 – HB 1238 provides that a financial institution in South Dakota or an employee of a financial institution in South Dakota may notify any third party reasonably associated with a consenting, senior, or vulnerable adult that financial exploitation of the consenting, senior, or vulnerable adult may have occurred, may be

attempted, is occurring, or is being attempted. This section also provides a definition of allowable third parties.

- Section 5 – provides time limits for the authority provided in HB 1238.
- Section 6 – provides immunity for South Dakota financial institutions and their bank holding companies, if any, and their employees, agents, officers, and directors for any civil, criminal, or administrative liability for acting, or for deciding not to act, in accordance with HB 1238.
- Section 7 – refusal by a financial institution to engage in a transaction in accordance with HB 1238 does not constitute a wrongful dishonor of an item under SDCL 57A-4-402.