

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1889

Session of
1981

INTRODUCED BY L. E. SMITH, F. E. TAYLOR, SPENCER, RAPPAPORT,
DOMBROWSKI, McVERRY, CESSAR, BRANDT, CAPPABIANCA, SNYDER,
FLECK, LEVIN, O'DONNELL, BURD, MAIALE, RIEGER, OLIVER, BOYES,
ITKIN, SIEMINSKI, GRUPPO, ANDERSON, SPITZ, SERAFINI,
GRABOWSKI, GALLEN, COWELL, SWEET, McCLATCHY, VAN HORNE, POTT
AND COHEN, OCTOBER 6, 1981

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
NOVEMBER 23, 1981

AN ACT

1 Amending the act of November 30, 1965 (P.L.847, No.356),
2 entitled "An act relating to and regulating the business of
3 banking and the exercise by corporations of fiduciary powers;
4 affecting persons engaged in the business of banking and
5 corporations exercising fiduciary powers and affiliates of
6 such persons; affecting the shareholders of such persons and
7 the directors, trustees, officers, attorneys and employes of
8 such persons and of the affiliates of such persons; affecting
9 national banks located in the Commonwealth; affecting persons
10 dealing with persons engaged in the business of banking,
11 corporations exercising fiduciary powers and national banks;
12 conferring powers and imposing duties on the Banking Board,
13 on certain departments and officers of the Commonwealth and
14 on courts, prothonotaries, clerks and recorders of deeds;
15 providing penalties; and repealing certain acts and parts of
16 acts," LIMITING DEPOSITS OF COMMONWEALTH FUNDS; PROVIDING FOR <—
17 A FIXED HOLIDAY ON JANUARY 15; relating to and regulating
18 bank holding companies; PROVIDING PROCEDURES; further <—
19 providing for changes of the principal place of business of
20 institutions and the addition and deletion of branches and
21 offices of institutions; affecting the location of branches
22 of institutions and national banks; conferring additional
23 powers on the Department of Banking, and making repeals.

24 The General Assembly of the Commonwealth of Pennsylvania

25 hereby enacts as follows:

26 ~~Section 1. The act of November 30, 1965 (P.L.847, No.356),~~ <—

1 ~~known as the "Banking Code of 1965," is amended by adding a~~
2 ~~section to read:~~

3 SECTION 1. SECTION 113, ACT OF NOVEMBER 30, 1965 (P.L.847, <—
4 NO.356), KNOWN AS THE "BANKING CODE OF 1965," ADDED JULY 30,
5 1975 (P.L.108, NO.56) AND CLAUSE (V) OF SUBSECTION (B) AMENDED
6 JULY 25, 1977 (P.L.101, NO.37), IS AMENDED TO READ:

7 SECTION 113. LEGAL HOLIDAYS

8 (A) FIXED HOLIDAYS--AN INSTITUTION SHALL OBSERVE AS A LEGAL
9 HOLIDAY:

10 (I) NEW YEAR'S DAY (JANUARY 1);

11 (I.1) DR. MARTIN LUTHER KING, JR. DAY (JANUARY 15)

12 (II) MEMORIAL DAY (THE LAST MONDAY IN MAY);

13 (III) INDEPENDENCE DAY (JULY 4);

14 (IV) LABOR DAY (THE FIRST MONDAY IN SEPTEMBER);

15 (V) THANKSGIVING DAY (THE FOURTH THURSDAY IN NOVEMBER);

16 (VI) CHRISTMAS DAY (DECEMBER 25);

17 (VII) EACH SUNDAY;

18 (VIII) EACH MONDAY FOLLOWING AN INDEPENDENCE DAY, A
19 CHRISTMAS DAY OR NEW YEAR'S DAY WHICH OCCURS ON A SUNDAY; AND

20 (IX) EACH DAY SPECIFICALLY APPOINTED BY THE PRESIDENT OF
21 THE UNITED STATES OR THE GOVERNOR OF THE COMMONWEALTH AS A
22 LEGAL HOLIDAY OR AS A BANK HOLIDAY.

23 (B) OPTIONAL HOLIDAYS--AN INSTITUTION MAY AT ITS OPTION
24 OBSERVE AS A LEGAL HOLIDAY:

25 (I) LINCOLN'S BIRTHDAY (FEBRUARY 12);

26 (II) WASHINGTON'S BIRTHDAY (THE THIRD MONDAY IN
27 FEBRUARY);

28 (III) GOOD FRIDAY;

29 (IV) FLAG DAY (JUNE 14);

30 (V) COLUMBUS DAY (THE SECOND MONDAY IN OCTOBER);

(VI) ELECTION DAY (THE FIRST TUESDAY AFTER THE FIRST MONDAY IN NOVEMBER);

(VII) VETERANS' DAY (NOVEMBER 11);

(VIII) EACH SATURDAY EITHER AS A HALF-HOLIDAY AFTER 12 O'CLOCK NOON OR AS A FULL HOLIDAY;

(IX) EACH MONDAY FOLLOWING AN INDEPENDENCE DAY, A CHRISTMAS DAY OR NEW YEAR'S DAY WHICH OCCURS ON A SATURDAY;
AND

(X) EACH DAY WHICH THE DEPARTMENT PERMITS ALL INSTITUTIONS BY PUBLIC ANNOUNCEMENT, OR AN INDIVIDUAL INSTITUTION BY WRITTEN PERMISSION, TO OBSERVE AS A LEGAL HOLIDAY.

(C) GEOGRAPHIC VARIATIONS--IN DESIGNATING A PERMISSIVE OPTIONAL HOLIDAY UNDER SUBSECTION (B), THE DEPARTMENT MAY LIMIT THE DESIGNATION TO PARTICULAR GEOGRAPHIC AREAS BASED ON POLITICAL SUBDIVISIONS, BANKING CLASSIFICATIONS SUCH AS FEDERAL RESERVE DISTRICTS OR OTHERWISE. AN INSTITUTION MAY OBSERVE ANY OPTIONAL HOLIDAY AT ONE OR MORE, BUT FEWER THAN ALL, OF ITS OFFICES.

(D) EFFECT OF SECTION--THIS EFFECT OF A LEGAL HOLIDAY UNDER THIS SECTION SHALL BE THAT PROVIDED BY LAW BUT THIS SECTION SHALL SUPERSEDE OTHER LAW AS TO THE DETERMINATION OF DAYS THAT ARE LEGAL HOLIDAYS FOR BANKING INSTITUTIONS.

(E) NATIONAL BANKS--THIS SECTION SHALL APPLY TO OFFICES OF NATIONAL BANKS LOCATED IN PENNSYLVANIA EXCEPT TO THE EXTENT THAT FEDERAL LAW SPECIFICALLY PROVIDES OTHERWISE.

SECTION 2. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:

SECTION 114. LIMITATION ON DEPOSIT OF COMMONWEALTH FUNDS

THE TREASURY DEPARTMENT SHALL NOT DEPOSIT ANY COMMONWEALTH FUNDS IN A FINANCIAL INSTITUTION SUBJECT TO THIS ACT THAT DOES

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1 NOT CONFORM TO THE FINANCE CHARGE LIMITATIONS IN THE ACT OF
2 OCTOBER 28, 1966 (SP.SESS NO.1 P.L.55, NO.7), KNOWN AS THE
3 "GOODS AND SERVICES INSTALLMENT SALES ACT."

4 Section ~~114~~ 115. Bank Holding Companies

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5 (a) Definitions--As used in this section:

6 (i) "Bank holding company"--a company, as defined by the
7 Federal Bank Holding Company Act of 1956 (70 Stat.133), which
8 is or becomes a bank holding company within the provisions of
9 the Federal act including, without limitation, its provisions
10 determining what constitutes control.

11 (ii) "Institution"--a national bank whose principal
12 place of business is located in Pennsylvania or a bank or
13 bank and trust company.

14 (iii) "Pennsylvania bank holding company"--a bank
15 holding company whose banking subsidiaries' operations are
16 principally conducted in this State as determined by the
17 state in which total deposits of all such banking
18 subsidiaries are largest.

19 (b) Control of institutions--

20 (i) No bank holding company other than a Pennsylvania
21 bank holding company may control an institution.

22 (ii) A Pennsylvania bank holding company may control one
23 or more institutions subject to the limitations that for a
24 period of four years after the effective date of this act it
25 may not control more than four institutions and for a period
26 of four years following such initial four-year period it may
27 not control more than eight institutions.

28 (C) LIMITATIONS ON DEPOSITS--EACH PENNSYLVANIA BANK HOLDING
29 COMPANY SHALL PROVIDE THAT AT LEAST FIFTY PERCENT OF THE
30 DEPOSITS AND FUNDS RECEIVED INTO EACH OF ITS INSTITUTIONS SHALL

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1 BE MADE AVAILABLE TO RESIDENTS OF THE COUNTY IN WHICH THE
2 INSTITUTIONS ARE LOCATED FOR LOCAL PURPOSES SUCH AS RESIDENTIAL
3 MORTGAGE LOANS, PERSONAL LOANS, HOUSING REHABILITATION LOANS,
4 SMALL BUSINESS LOANS AND CONSUMER CREDIT LOANS.

5 ~~(c)~~ (D) Enforcement--The department shall enforce the <—
6 provisions of this section and, to that end, is authorized to
7 issue such regulations and orders as may enable the department
8 to administer and carry out the purposes of this section. The
9 department may, from time to time, examine the books, records
10 and affairs of any Pennsylvania bank holding company, or require
11 reports, under oath, in order to keep informed as to whether the
12 provisions of this act and such regulations and orders made
13 thereunder have been or are being complied with. The cost of
14 such examination shall be assessed against and paid by such
15 Pennsylvania bank holding company.

16 ~~(d)~~ (E) Penalty provisions--Any company which violates any <—
17 provision of this section shall be guilty of a misdemeanor, and
18 upon conviction thereof, be sentenced to pay a fine of not more
19 than five thousand dollars (\$5,000) for each day during which
20 such violation continues. Any person who willfully participates
21 in a violation of any of the provisions of this act shall be
22 guilty of a misdemeanor, and, upon conviction thereof, be
23 sentenced to pay a fine of not more than five thousand dollars
24 (\$5,000) or imprisonment of not more than two years, or both.

25 SECTION 116. PROCEDURES FOR ACQUISITION <—

26 (A) ACQUIRING CONTROL--NO PENNSYLVANIA BANK HOLDING COMPANY
27 SHALL ACQUIRE CONTROL OF AN INSTITUTION EXCEPT AS PROVIDED IN
28 THIS SECTION.

29 (B) APPLICATION--EACH PENNSYLVANIA BANK HOLDING COMPANY
30 SHALL APPLY TO THE DEPARTMENT FOR AUTHORIZATION TO ACQUIRE

1 CONTROL OF AN INSTITUTION. EACH APPLICATION SHALL BE ACCOMPANIED
2 BY A PLAN OF ACQUISITION, TOGETHER WITH PROOF OF APPROVALS
3 REQUIRED BY SUBSECTION (C), SETTING FORTH THE MANNER IN WHICH
4 CONTROL WILL BE ACQUIRED, THE NUMBER OF SHARES OF THE VOTING
5 SECURITIES TO BE ACQUIRED, THE TOTAL NUMBER OF OUTSTANDING
6 VOTING SECURITIES OF THE INSTITUTION OVER WHICH CONTROL IS
7 SOUGHT TO BE ACQUIRED, THE NUMBER AND TYPES OF VOTING SECURITIES
8 OF OTHER INSTITUTIONS WHICH THE PENNSYLVANIA BANK HOLDING
9 COMPANY OWNS CONTROLS OR HAS POWER TO VOTE AND ANY OTHER
10 INFORMATION REQUIRED BY THE DEPARTMENT. NO APPLICATION SHALL BE
11 APPROVED IF THE DEPARTMENT FINDS THAT ACQUISITION OF CONTROL OF
12 AN INSTITUTION WOULD:

13 (I) THROUGH UNDUE CONCENTRATION OF RESOURCES PRODUCE A
14 MONOPOLISTIC AFFECT ON THE BANKING OR BANKING AND TRUST
15 INDUSTRY,

16 (II) HINDER, INHIBIT OR OTHERWISE ADVERSELY AFFECT
17 COMPETITION IN THE BANKING OR BANKING AND TRUST INDUSTRY; OR

18 (III) BE OTHERWISE HARMFUL TO THE PUBLIC WELFARE.

19 (C) APPROVAL OF PLAN--ACQUISITION OF CONTROL OF AN
20 INSTITUTION BY A PENNSYLVANIA BANK HOLDING COMPANY SHALL NOT BE
21 AUTHORIZED BY THE DEPARTMENT UNLESS APPROVED BY:

22 (I) A MAJORITY OF DISINTERESTED DIRECTORS OF THE
23 INSTITUTION OVER WHICH CONTROL IS SOUGHT TO BE ACQUIRED; AND

24 (II) TWO-THIRDS OF THE VOTES WHICH ALL SHAREHOLDERS ARE
25 ENTITLED TO CAST, AT A MEETING HELD NOT LESS THAN TEN DAYS
26 NOTICE TO ALL SHAREHOLDERS. DISSENTING SHAREHOLDERS SHALL BE
27 ENTITLED TO THE RIGHTS AND REMEDIES OF A DISSENTING
28 SHAREHOLDERS UNDER SECTION 1222.

29 (D) INVESTIGATION BY DEPARTMENT--UPON RECEIPT OF AN
30 APPLICATION FOR ACQUISITION OF CONTROL OF AN INSTITUTION BY A

1 PENNSYLVANIA BANK HOLDING COMPANY THE DEPARTMENT SHALL CONDUCT
2 SUCH INVESTIGATION AS IT MAY DEEM NECESSARY. WITHIN SIXTY DAYS
3 AFTER RECEIPT OF THE APPLICATION THE DEPARTMENT SHALL APPROVE OR
4 DISAPPROVE THE APPLICATION ON THE BASIS OF ITS INVESTIGATION.
5 THE DEPARTMENT SHALL IMMEDIATELY GIVE TO THE PARTIES TO THE
6 ACQUISITION WRITTEN NOTICE OF ITS DECISION AND IN THE EVENT OF
7 DISAPPROVAL, A STATEMENT IN DETAIL OF THE REASONS FOR SUCH
8 DISAPPROVAL. ALL ACTION OF THE DEPARTMENT SHALL BE SUBJECT TO
9 RIGHT OF HEARING, NOTICE AND APPEAL AS PROVIDED IN TITLE 2 OF
10 THE PENNSYLVANIA CONSOLIDATED STATUTES (RELATING TO
11 ADMINISTRATIVE LAW AND PROCEDURE).

12 Section ~~2~~ 3. Subsections (a), (b) and (d) of section 903 of <—
13 the act are amended to read:

14 Section 903. Change of Location of Office

15 (a) Change of principal place of business--An institution
16 may, with the prior written approval of the department and, in
17 the case of an incorporated institution by amendment of its
18 articles, change the location of its principal place of business
19 to a new location:

20 (i) in the same city, incorporated town, borough or
21 township, or

22 (ii) in the same county or in a county contiguous thereto
23 if

24 (A) the total of its surplus, unallocated reserves
25 and undivided profits in the case of a savings bank, or
26 its net worth in the case of a private bank or employees'
27 mutual banking association, at least equals a minimum
28 amount specified by the department, [or]

29 (B) in the case of any other institution, its capital
30 and surplus are at least equal to the minimum capital and

surplus which would be required by this act upon original incorporation with a principal place of business in the city, incorporated town, borough or township of the new location and, if the institution has branches, it has the additional capital and surplus required by this act for the establishment of such branches[.], or

(C) the institution has not previously changed the location of its principal place of business to a new location in a county contiguous to the county where the institution was originally chartered to do business. If an institution has made a previous change, it may relocate to the county where it was originally chartered to do business or to any county contiguous thereto.

(b) Change of branch--An institution may, pursuant to a resolution of its board of directors or trustees, or in the case of a private bank its owners, and with the prior written approval of the department, change the location of a branch to a new location[:

(i) in the same city, incorporated town, borough or village, or

(ii) in the county in which its principal place of business is located or in a county contiguous thereto,] in the same manner and subject to the same requirements and limitations as are prescribed by this act for the establishment of branches.

* * *

(d) Discontinuance of office--Upon the change of location of an office pursuant to subsections (a) and (b) of this section, the institution may not maintain [an office] a branch at the former location unless such office shall be authorized as a

1 branch pursuant to this act. [If the location of the principal
2 place of business of the institution is changed to another
3 county, the institution may not maintain any office in a county
4 not contiguous to the county of the new location.]

5 Section ~~3~~ 4. Section 904 of the act, amended July 23, 1970
6 (P.L.597, No.199) and October 5, 1978 (P.L.1131, No.265), is
7 amended to read:

8 Section 904. Authorization of New Branches

9 (a) Upon a merger or consolidation, a conversion of a
10 national bank into an institution or a conversion of a private
11 bank into an institution authorized by this act, the resulting
12 institution may, with the prior written approval of the
13 department, maintain as branches, in addition to its principal
14 place of business, every office which was maintained prior to
15 the merger or consolidation by the parties thereto or prior to
16 the conversion by the national bank or private bank and which is
17 located in the same county as the principal place of business of
18 the resulting institution [or] in a contiguous county or in a
19 bicontiguous county, except as provided in sections 907 and 908.
20 The term "bicontiguous county," as used in this section, means
21 one which, with respect to the county where the principal place
22 of business of an institution is located, is contiguous to a
23 county contiguous thereto but which is not contiguous to such
24 county in which the principal place of business is located. In
25 the case of a national bank which has changed the location of
26 its main office to a new location in a county contiguous to the
27 county where it was originally chartered to do business and
28 thereafter relocates its main office again, the determination of
29 what is a bicontiguous county shall be made on the basis of the
30 county of the first relocation of its main office unless the

1 county to which the most recent relocation has been made is the
2 county in which it was originally chartered to do business or a
3 county contiguous thereto.

4 (b) Except as provided in subsection (a) of this section and
5 in sections 907 and 908, an institution may establish [a branch]
6 branches after the effective date of this act only in the same
7 county in which its principal place of business is located [or]
8 in a contiguous county [contiguous thereto, and only] or in a
9 bicontiguous county OR IN A COUNTY OF THE FIRST CLASS, OR OF THE <—
10 SECOND CLASS OR OF THE SECOND CLASS A, upon compliance with the
11 following requirements:

12 (i) the proposed branch shall be authorized by
13 resolution of its board of directors or trustees, or in the
14 case of a private bank its owners,

15 (ii) the institution, in the case of a bank, a bank and
16 trust company or a trust company, shall have, in addition to
17 the minimum capital and surplus required under sections 1102
18 and 1103, such additional amounts of capital and surplus as
19 may be required in the discretion of the department, or in
20 the case of a savings bank shall have at least the total of
21 surplus, unallocated reserves and undivided profits required
22 by the department or in the case of a private bank shall have
23 at least the net worth required by the department,

24 (iii) if the location of the proposed branch is outside
25 of the city, incorporated town, borough or township in which
26 the principal place of business of the institution is
27 located, the institution shall give written notice of the
28 filing of the application for approval of the branch to each
29 other institution whose principal place of business is
30 located in the county of the location of the proposed branch,

1 [and]

2 (iv) for a period of four years after the effective date
3 of this act, the location of the proposed branch in a
4 bicontiguous county shall not be in any city, incorporated
5 town, township or borough having a population of fifteen
6 thousand or less where the principal place of business of any
7 other institution or national bank is located. Four years
8 after the effective date of this act and prior to eight years
9 after the effective date of this act, the location of a
10 branch in a bicontiguous county shall not be in any city,
11 incorporated town, township or borough having a population of
12 ten thousand or less where the principal place of business of
13 any other institution or national bank is located, and

14 [(iv)] (v) the department shall give its written
15 approval of the branch after the filing by the institution of
16 an application for approval in a form prescribed by the
17 department accompanied by any applicable fee and after
18 investigation by the department.

19 (c) Eight years immediately following the effective date of
20 this act, an institution may locate branches within any county
21 in the Commonwealth, subject to the same approval of the
22 department as is required under subsection (b)(v).

23 Section 4 5. Subsection (b) of section 905 of the act is <—
24 repealed.

25 Section 5 6. Subsection (c) of section 905 of the act is <—
26 amended to read:

27 Section 905. Approval of Branch by Department

28 * * *

29 (c) Action by department--Within sixty days after receipt of
30 the application or such longer period as may be required for any

1 hearing which the department may hold, the department shall[,
2 except as provided in subsection (b) of this section,] approve
3 the application if it finds that [there is a need for banking
4 services or facilities such as are contemplated by] the
5 establishment of the proposed branch would be consistent with
6 the purposes of this act set forth in subsection (a) of section
7 103 and that the requirements of this act have been complied
8 with but shall otherwise disapprove the application. If the
9 department approves the application, it shall issue to the
10 institution a letter of authority to establish the branch. If
11 the department disapproves the application, it shall give the
12 institution written notice of its disapproval and a statement in
13 detail of the reasons for its decision.

14 * * *

15 Section ~~6~~ 7. The act of July 11, 1957 (P.L.773, No.372),
16 known as the "Bank Holding Company Act," is repealed.

17 Section ~~7~~ 8. This act shall take effect immediately.

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