

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1389 Session of
1986

INTRODUCED BY HOLL, HANKINS, PECORA, LOEPER, SALVATORE,
STAUFFER, LEWIS, SCANLON, O'PAKE AND HELFRICK, FEBRUARY 18,
1986

REFERRED TO BANKING AND INSURANCE, FEBRUARY 18, 1986

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," providing for Statewide and nationwide branching by
17 savings banks and for regional, reciprocal interstate banking
18 for savings banks; and making repeals.

19 The General Assembly makes the following findings as a basis
20 for this act:

21 (1) The rapid development in recent years of interstate
22 operations of financial institutions can be expected to
23 continue and to have significant effects on the business of
24 savings banks in this Commonwealth by reason of the economic,
25 regulatory, financial and technological forces that affect

1 the business.

2 (2) It is in the best interests of the economy of this
3 Commonwealth and its public to enable savings banks in this
4 Commonwealth to remain sound, strong and competitive with
5 financial institutions located elsewhere.

6 (3) As an increasing number of states authorize
7 financial institutions in their states to conduct interstate
8 operations in some form, savings banks and their holding
9 companies in this Commonwealth would be disadvantaged if not
10 permitted to branch in any location and to combine on a
11 regional, reciprocal basis with thrift institutions in other
12 states.

13 The General Assembly of the Commonwealth of Pennsylvania
14 hereby enacts as follows:

15 Section 1. Section 105(a) of the act of November 30, 1965
16 (P.L.847, No.356), known as the Banking Code of 1965, amended
17 July 25, 1977 (P.L.101, No.37), is amended to read:

18 Section 105. Persons Authorized to Engage in Business of
19 Receiving Deposits and Money for Transmission

20 (a) Restriction of authorized persons--No person may
21 lawfully engage in this Commonwealth in the business of
22 receiving money for deposit or transmission, or lawfully
23 establish in this Commonwealth a place of business for such
24 purpose, except a bank, a bank and trust company, a savings
25 bank, a private bank, a savings association to the extent
26 provided in the Savings Association Code of 1967, a regional
27 thrift institution to the extent provided in section 117 of this
28 act or section 114 of the Savings Association Code of 1967 and a
29 person duly authorized by Federal law to engage in the business
30 of receiving money for deposit or transmission. A bank, a bank

1 and trust company and a savings bank that receives money for
2 deposit shall insure such deposits with the Federal Deposit
3 Insurance Corporation or any other Federal agency authorized by
4 law to insure deposits.

5 * * *

6 Section 2. The act is amended by adding sections to read:

7 Section 112.1. Prohibition Against Certain Acquisitions

8 (a) Certain acquisitions unlawful--Except as provided in
9 section 117, it shall be unlawful for a commercial bank, a bank
10 holding company, a thrift institution, or a thrift institution
11 holding company to acquire a savings bank unless the acquiring
12 entity, and any savings and loan holding company or bank holding
13 company which directly or indirectly owns or controls the power
14 to vote five percent or more of its shares, is located in
15 Pennsylvania.

16 (b) Definitions--The terms in subsection (a) shall have the
17 same meaning as those terms have in section 117.

18 (c) Prior acquisitions--The prohibition in subsection (a)
19 shall not affect any acquisition effected prior to the effective
20 date of this act.

21 Section 117. Authorization of Regional, Reciprocal Operations
22 of Savings Banks

23 (a) Definitions for purpose of section--The following words
24 and phrases when used in this section shall have, unless the
25 context clearly indicates otherwise, the following meanings:

26 (i) "Acquire"--to acquire (as defined in section
27 112(a)(i)) five percent or more of the voting stock of an
28 entity and shall also mean a merger or consolidation or a
29 purchase of assets and an assumption of liabilities, other
30 than in the regular course of business.

1 (ii) "Bank holding company"--the same meaning as that
2 term has under the Bank Holding Company Act of 1956, 12
3 U.S.C. § 1841(a).

4 (iii) "Branch"--an office which performs the functions
5 described in section 102(h).

6 (iv) "Control"--the power, directly or indirectly, to
7 direct the management or policies of an entity or to vote
8 twenty-five percent or more of any class of voting securities
9 of an entity.

10 (v) "Entity"--any corporation, partnership, association
11 or similar organization, including banks and thrift
12 institutions.

13 (vi) "Pennsylvania savings bank"--a savings bank as
14 defined in section 102(x).

15 (vii) "Pennsylvania savings bank holding company"--an
16 entity which controls one or more Pennsylvania savings banks
17 and is located in Pennsylvania.

18 (viii) "Region"--the States of Delaware, Kentucky,
19 Maryland, New Jersey, Ohio, Virginia and West Virginia, and
20 the District of Columbia.

21 (ix) "Regional association"--a savings and loan
22 association or building and loan association located in and
23 organized and operating under the laws of a state in the
24 region and a Federal association, as defined in 12 U.S.C. §
25 1462(d), that is located in the region.

26 (x) "Regional savings bank"--a savings bank located in
27 and organized and operating under the laws of a state in the
28 region.

29 (xi) "Regional thrift institution"--a regional savings
30 bank or a regional association.

1 (xii) "Regional thrift institution holding company"--an
2 entity which controls one or more regional thrift
3 institutions and is located in a state in the region.

4 (xiii) "Savings and loan holding company"--as defined in
5 12 U.S.C. § 1730a(a)(1)(D).

6 (xiv) "State"--includes the District of Columbia.

7 (xv) State in which an entity is "located"--

8 (A) with regard to a thrift institution, the state
9 in which its deposits are largest; and

10 (B) with regard to a thrift institution holding
11 company, a savings bank holding company, a savings and
12 loan holding company or a bank holding company, the state
13 in which the total deposits of its subsidiaries,
14 including commercial banks, are largest.

15 Provided, that an entity or its legal successor that is
16 located in Pennsylvania on the effective date of this
17 legislation shall be deemed thereafter to be located in
18 Pennsylvania regardless of the location of its deposits or
19 the deposits of its subsidiaries if said entity has not been
20 either acquired by an entity located outside of Pennsylvania
21 or a party to a merger or consolidation transaction in which
22 the holders of its voting shares immediately prior to the
23 transaction held less than fifty percent of the voting shares
24 of any class of stock in the entity surviving after, or
25 resulting from, the merger or consolidation.

26 (b) Acquisitions by regional thrift institutions and
27 regional thrift institution holding companies--A regional thrift
28 institution or regional thrift institution holding company may
29 acquire a Pennsylvania savings bank or a Pennsylvania savings
30 bank holding company if:

1 (i) the law of the state where the acquiring thrift
2 institution or thrift institution holding company is located
3 and the law of the state where any savings and loan holding
4 company or bank holding company which directly or indirectly
5 owns or controls the power to vote five percent or more of
6 its shares is located satisfied, in each case, the
7 reciprocity requirement of subsection (d);

8 (ii) the acquiring thrift institution or thrift
9 institution holding company and any savings and loan holding
10 company or bank holding company which directly or indirectly
11 owns or controls the power to vote five percent or more of
12 its shares is, in each case, located in a state in the region
13 or in Pennsylvania; and

14 (iii) approval has been received from the department.

15 (c) Branching by regional savings banks--

16 (i) A regional savings bank may, with the prior written
17 approval of the department, maintain as a branch any office
18 acquired as part of an acquisition effected under this
19 section or section 114 of the Savings Association Code of
20 1967.

21 (ii) A regional savings bank may establish and maintain
22 branches in this Commonwealth if:

23 (A) the state in which it is located, and the state
24 in which any savings and loan holding company or bank
25 holding company which directly or indirectly owns or has
26 the power to vote five percent or more of its shares is
27 located satisfies, in each case, the reciprocity
28 requirement of subsection (d);

29 (B) the savings bank and any savings and loan
30 holding company or bank holding company which directly or

1 indirectly owns or controls the power to vote five
2 percent or more of its shares is, in each case, located
3 in a state in the region or in Pennsylvania; and

4 (C) the branch is approved by the department in the
5 same manner and subject to the same conditions as are
6 applicable to de novo branches of Pennsylvania savings
7 banks under sections 904 and 905.

8 (d) Reciprocity requirement--

9 (i) The law of another state is reciprocal under this
10 section to the extent the department determines it to be so.
11 The department's determination under this subsection shall
12 include, but it not limited to:

13 (A) with regard to acquisitions, whether the law of
14 that other state authorizes Pennsylvania savings banks
15 and Pennsylvania savings bank holding companies to
16 acquire regional thrift institutions and regional thrift
17 institution holding companies located in that state on
18 terms and conditions reasonably equivalent to those
19 applicable to acquisitions by regional thrift
20 institutions and regional thrift institution holding
21 companies of Pennsylvania savings banks or Pennsylvania
22 savings bank holding companies and whether the law of
23 that other state imposes conditions on the acquisition by
24 Pennsylvania savings banks or Pennsylvania savings bank
25 holding companies of regional thrift institutions or
26 regional thrift institution holding companies located in
27 that state that are substantially more onerous than those
28 imposed on the same acquisitions by thrift institutions
29 or thrift institution holding companies located in that
30 state; and

1 (B) with regard to branching, whether the law of
2 that other state authorizes Pennsylvania savings banks to
3 establish or maintain branches in that state on terms and
4 conditions reasonably equivalent to those applicable to
5 the establishment or maintenance of branches in
6 Pennsylvania by savings banks located in that state, and
7 reasonably equivalent to those applicable to the
8 establishment and maintenance of branches in that state
9 by a savings bank located in that state.

10 (ii) The department need not determine that the law of
11 another state fails to meet the reciprocity requirement of
12 this subsection solely by reason of the fact that that law
13 does not allow Pennsylvania savings banks or Pennsylvania
14 savings bank holding companies to engage in a particular type
15 of branching or acquisition, or imposes conditions on such
16 branching or acquisition that are substantially more onerous
17 than those imposed on the same activities of savings banks or
18 savings banks holding companies located in that state.

19 However, in such circumstances, the department shall find
20 reciprocity only after imposing on the savings banks and
21 savings bank holding companies located in that state
22 conditions and limitations on branching and acquisitions in
23 Pennsylvania substantially similar to those imposed on
24 branching and acquisitions in that state by Pennsylvania
25 savings banks and savings bank holding companies.

26 (iii) The department may determine that the law of
27 another state is not reciprocal regarding a particular type
28 of branching or acquisition if the law of that other state
29 does not allow all Pennsylvania savings banks or,
30 alternatively, all Pennsylvania savings bank holding

1 companies to engage on equal terms with each other in the
2 particular type of branching or acquisition.

3 (e) Authority of the department--In addition to the powers
4 granted elsewhere in this section and in other provisions of
5 Pennsylvania law, the department is authorized to impose any
6 conditions or requirements it deems appropriate, in light of the
7 purposes of this act, on thrift institutions and thrift
8 institution holding companies acquired or operating directly or
9 indirectly in Pennsylvania under this section. Such conditions
10 or requirements include, but are not limited to, provisions for
11 examinations, reports and the payment of fees. The department is
12 encouraged, whenever appropriate, to rely on the reports, if
13 available, of other state or federal regulators of the
14 institutions in question.

15 (f) Change in circumstances--If a regional thrift
16 institution or regional thrift institution holding company
17 located in another state which has acquired a Pennsylvania
18 savings bank or Pennsylvania savings bank holding company or has
19 established a branch in Pennsylvania under this section shall
20 have a change of circumstances so that it no longer satisfies
21 the conditions of subsections (b) and (c) (either by reason of a
22 change in the place in which it is located or by reason of
23 acquisition by a savings and loan holding company or a bank
24 holding company located in a state which does not satisfy the
25 conditions of subsections (b) and (c) of five percent or more of
26 its voting shares, or the power to vote those shares) said
27 regional thrift institution or regional thrift institution
28 holding company shall divest each Pennsylvania savings bank,
29 savings bank holding company, and branch it has acquired or
30 established prior to entering into a voluntary combination which

1 causes such change of circumstances or within one year (or such
2 longer period of not more than an additional year as the
3 department may allow in writing) after the occurrence of an
4 event, other than a voluntary combination, which causes the
5 change in circumstances.

6 (g) Effect of invalidity--The purpose of this section is
7 solely to authorize reciprocal, regional operations by savings
8 banks and associations and this section shall not be construed
9 to authorize any acquisition or the establishment of any branch
10 by any entity located in another state except as expressly
11 provided in this section. In the event that any limitation on
12 the geographical location of entities granted acquisition or
13 branching powers by this section is held to be invalid by a
14 final order of a court which is not subject to further review or
15 appeal, the authorization of this section shall terminate
16 immediately. Any acquisition or branch establishment consummated
17 pursuant to this section prior to such termination shall not be
18 affected thereby.

19 Section 3. Section 904(c) of the act, amended March 4, 1982
20 (P.L.135, No.44), is amended and the section is amended by
21 adding a subsection to read:

22 Section 904. Authorization of New Branches

23 * * *

24 (c) Eight years immediately following the effective date of
25 this act, an institution other than a savings bank may locate
26 branches within any county in the Commonwealth, subject to the
27 same approval of the department as is required under subsection
28 (b)(v).

29 (d) A savings bank may, from and after the effective date of
30 this act, establish and maintain branches within any county in

1 the Commonwealth, or within any state of the United States or
2 the District of Columbia, subject to the same approval of the
3 department as is required under subsection (b)(v).

4 Section 4. Section 1609(a) of the act, amended July 6, 1984
5 (P.L.606, No.125) and July 6, 1984 (P.L.621, No.128), is amended
6 to read:

7 Section 1609. Mergers, Consolidations and Conversions of
8 Savings Banks

9 (a) Authority to merge, consolidate or convert--

10 (i) upon compliance with the requirements of sections
11 1602, 1603, 1604, 1605 and 1606, a savings bank may enter
12 into a merger or consolidation with one or more other savings
13 banks. In the event the book value of the total assets of the
14 acquired savings bank is less than one percent in excess of
15 the book value of the total liabilities, the resulting
16 institution may maintain as a branch, any office operated by
17 the acquired institution.

18 (ii) upon compliance with the requirements of this
19 section and other applicable law, one or more savings banks
20 and one or more associations may merge into a savings bank or
21 into an association or consolidate into a new savings bank or
22 a new association. The word "association" in this chapter
23 shall mean an association subject to the Savings Association
24 Code of 1967.

25 (iii) upon compliance with the requirements of this
26 section and other applicable law,

27 (A) one or more savings banks, one or more Federal
28 savings banks and one or more Federal savings and loan
29 associations may merge into a savings bank, Federal
30 savings bank or a Federal savings and loan association or

consolidate into a new savings bank, a new Federal savings bank or a new Federal savings and loan association, and

(B) one or more savings banks may merge or consolidate with a regional thrift institution as defined in and subject to any applicable limits of section 117.

(iv) the authority of a savings bank to merge or consolidate into a Federal savings bank or Federal savings and loan association shall be subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings bank or Federal savings and loan association to merge or consolidate into a savings bank.

(v) upon compliance with the requirements of this section and other applicable law,

(A) a savings bank may be converted into an association, or

(B) a savings bank may be converted into a Federal savings bank or a Federal savings and loan association, subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings bank or a Federal savings and loan association to convert into a savings bank.

(vi) upon compliance with the requirements of this section and other applicable law and subject to the laws of the United States, a Federal savings bank or a Federal savings and loan association may be converted into a savings bank or an association.

(vii) upon compliance with the requirements of this section, a mutual savings bank may be converted into a stock savings bank. A stock savings bank shall have authority, upon

1 compliance with the requirements of this section, to enter
2 into a merger or consolidation with one or more other stock
3 savings banks, banks, bank and trust companies, trust
4 companies or stock savings and loan associations.

5 (viii) all mergers, consolidations and conversions in
6 which the resulting corporation is a savings bank or an
7 association shall be subject to the approval of the
8 department.

9 * * *

10 Section 5. All acts and parts of acts are repealed insofar
11 as they are inconsistent with this act.

12 Section 6. This act shall take effect in 30 days.