

## 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

AS AMENDED ON THIRD CONSIDERATION, MAY 5, 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. THE DEPARTMENT MAY ACCEPT EXAMINATIONS <—  
15 AND OTHER REPORTS OF FEDERAL AND STATE REGULATORS AND MAY ENTER  
16 INTO AGREEMENTS WITH FEDERAL AND STATE REGULATORS FOR THE  
17 EXCHANGE OF INFORMATION, INCLUDING EXAMINATION REPORTS.

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

1 holding company shall divest each Pennsylvania savings bank,  
2 savings bank holding company, and branch it has acquired or  
3 established prior to entering into a voluntary combination which  
4 causes such change of circumstances or within one year (or such  
5 longer period of not more than an additional year as the  
6 department may allow in writing) after the occurrence of an  
7 event, other than a voluntary combination, which causes the  
8 change in circumstances.

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

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

25 Section 904. Authorization of New Branches

26 \* \* \*

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

1 (b)(v).

2 (d) A savings bank may, from and after the effective date of  
3 this act, establish and maintain branches within any county in  
4 the Commonwealth, or within any state of the United States or  
5 the District of Columbia, subject to the same approval of the  
6 department as is required under subsection (b)(v).

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

10 Section 1609. Mergers, Consolidations and Conversions of  
11 Savings Banks

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

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

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

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

30 (A) one or more savings banks, one or more Federal

1 savings banks and one or more Federal savings and loan  
2 associations may merge into a savings bank, Federal  
3 savings bank or a Federal savings and loan association or  
4 consolidate into a new savings bank, a new Federal  
5 savings bank or a new Federal savings and loan  
6 association, and

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

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

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

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

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

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

1           (vii) upon compliance with the requirements of this  
2 section, a mutual savings bank may be converted into a stock  
3 savings bank. A stock savings bank shall have authority, upon  
4 compliance with the requirements of this section, to enter  
5 into a merger or consolidation with one or more other stock  
6 savings banks, banks, bank and trust companies, trust  
7 companies or stock savings and loan associations.

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

12       \* \* \*

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

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