

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 1390 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 December 14, 1967 (P.L.746, No.345),
2 entitled "An act relating to and regulating the business of
3 savings associations heretofore designated under other acts
4 and special charters variously as building and loan
5 associations and savings and loan associations; defining the
6 rights, powers, duties, liabilities, and immunities of such
7 associations; affecting persons engaged in the business of
8 savings associations; affecting the members, account holders
9 and borrowers of such associations; affecting Federal savings
10 and loan associations whose principal office is located in
11 the Commonwealth; prohibiting the transaction of business in
12 this Commonwealth by foreign savings associations; conferring
13 powers and imposing duties on certain departments and
14 officers of the Commonwealth and on the courts, recorders of
15 deeds; creating a Savings Association Board and defining its
16 powers and duties; prohibiting certain actions and imposing
17 penalties, and repealing certain acts," providing for
18 nationwide branching by savings associations, regional,
19 reciprocal interstate banking for savings associations and
20 expanding investment powers; and making repeals.

21 The General Assembly makes the following findings as a basis
22 for this act:

23 (1) The rapid development in recent years of interstate
24 operations of financial institutions can be expected to
25 continue and to have significant effects on the business of
26 savings associations in this Commonwealth by reason of the

1 economic, regulatory, financial and technological forces that
2 affect the business.

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

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

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

16 Section 1. The act of December 14, 1967 (P.L.746, No.345),
17 known as the Savings Association Code of 1967, is amended by
18 adding sections to read:

19 Section 114. Authorization of Reciprocal Regional Operations
20 of Savings Associations.--(a) The following words and phrases
21 when used in this section shall have, unless the context clearly
22 indicates otherwise, the following meanings:

23 (1) "Acquire," to acquire (as defined in section 212(a)(1))
24 five percent or more of the voting stock of an entity and shall
25 also mean a merger or consolidation or a purchase of assets and
26 an assumption of liabilities, other than in the regular course
27 of business.

28 (2) "Bank holding company," the same meaning as that term
29 has under the Bank Holding Company Act of 1956, 12 U.S.C. §
30 1841(a).

1 (3) "Branch," an office which performs the functions
2 described in section 102(5).

3 (4) "Control," the power, directly or indirectly, to direct
4 the management or policies of an entity or to vote twenty-five
5 percent or more of any class of voting securities of an entity.

6 (5) "Entity," any corporation, partnership, association or
7 similar organization, including banks and thrift institutions.

8 (6) "Pennsylvania association," an association as defined in
9 section 102(3) and a Federal association, as defined in 12
10 U.S.C. § 1462(d), that is located in Pennsylvania.

11 (7) "Pennsylvania association holding company," an entity
12 which controls one or more Pennsylvania associations and is
13 located in Pennsylvania.

14 (8) "Pennsylvania savings bank," a savings bank as defined
15 in section 102(x) of the Banking Code of 1965.

16 (9) "Pennsylvania thrift institution," a Pennsylvania
17 savings bank or a Pennsylvania association.

18 (10) "Pennsylvania thrift institution holding company," an
19 entity which controls one or more Pennsylvania thrift
20 institutions and is located in Pennsylvania.

21 (11) "Region," the States of Delaware, Kentucky, Maryland,
22 New Jersey, Ohio, Virginia and West Virginia, and the District
23 of Columbia.

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

29 (13) "Regional association holding company" an entity which
30 controls one or more regional associations and is located in a

1 state in the region.

2 (14) "Regional savings bank," a savings bank located in and
3 organized and operating under the laws of a state in the region.

4 (15) "Regional thrift institution," a regional savings bank
5 or a regional association.

6 (16) "Regional thrift institution holding company," an
7 entity which controls one or more regional thrift institutions
8 and is located in a state in the region.

9 (17) "Savings and loan holding company," the same meaning as
10 defined in 12 U.S.C. § 1730a(a)(1)(D).

11 (18) "State," includes the District of Columbia.

12 (19) State in which an entity is "located":

13 (i) with regard to a thrift institution, the state in which
14 its deposits are largest; and

15 (ii) with regard to a thrift institution holding company, an
16 association holding company, a bank holding company or a savings
17 and loan holding company, the state in which the total deposits
18 of its subsidiaries, including commercial banks, are largest:

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

29 (b) A regional thrift institution or a regional thrift
30 institution holding company may acquire a Pennsylvania

1 association or a Pennsylvania association holding company if:

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

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

14 (3) Approval has been received from the department.

15 (c) A regional association may, with the prior written
16 approval of the department, maintain as a branch any office
17 acquired as part of an acquisition effected under this section
18 or section 117 of the Banking Code of 1965.

19 (d) A regional association may establish and maintain
20 branches in this Commonwealth if:

21 (1) The state in which the association is located and the
22 state in which any bank holding company or savings and loan
23 holding company which, directly or indirectly, owns or has the
24 power to vote five percent or more of its shares is located
25 satisfies, in each case, the reciprocity requirement of
26 subsection (e);

27 (2) The association and any bank holding company or savings
28 and loan company which, directly or indirectly, owns or controls
29 the power to vote five percent or more of its shares is, in each
30 case, located in a state in the region or in Pennsylvania; and

1 (3) The branch is approved by the department in the same
2 manner, and subject to the same conditions as are applicable to,
3 de novo branches of Pennsylvania associations under sections 403
4 and 404.

5 (e) (1) The law of another state is reciprocal under this
6 section to the extent the department determines it to be so. The
7 department's determination under this subsection shall include,
8 but is not limited to:

9 (i) with regard to acquisitions, whether the law of that
10 other state authorizes Pennsylvania associations and
11 Pennsylvania association holding companies to acquire regional
12 thrift institutions and regional thrift institution holding
13 companies located in that state on terms and conditions
14 reasonably equivalent to those applicable to acquisitions by
15 regional thrift institutions and regional thrift institution
16 holding companies of Pennsylvania associations or Pennsylvania
17 association holding companies and whether the law of that other
18 state imposes conditions on the acquisition by Pennsylvania
19 associations or Pennsylvania association holding companies of
20 regional thrift institutions or regional thrift institution
21 holding companies located in that state that are substantially
22 more onerous than those imposed on the same acquisitions by
23 thrift institutions or thrift institution holding companies
24 located in that state; and

25 (ii) with regard to branching, whether the law of that other
26 state authorizes Pennsylvania associations to establish or
27 maintain branches in that state on terms and conditions
28 reasonably equivalent to those applicable to the establishment
29 or maintenance of branches in Pennsylvania by associations
30 located in that state and on terms and conditions reasonably

equivalent to those applicable to the establishment of branches in that state by an association located in that state.

(2) The department need not determine that the law of another state fails to meet the reciprocity requirement of this section solely by reason of the fact that that law does not allow Pennsylvania associations or Pennsylvania association holding companies to engage in a particular type of branching or acquisition or imposes conditions on such branching or acquisition that are substantially more onerous than those imposed on the same activities of thrift institutions or thrift institution holding companies located in that state. However, in such circumstances, the department shall find reciprocity only after imposing on the thrift institutions and thrift institution holding companies located in that state conditions and limitations on branching and acquisitions in Pennsylvania substantially similar to those imposed on branching and acquisitions in that state by Pennsylvania associations and association holding companies.

(3) The department may determine that the law of another state is not reciprocal regarding a particular type of branching or acquisition if the law of that other state does not allow all Pennsylvania associations or, alternatively, all Pennsylvania association holding companies to engage on equal terms with each other in the particular type of branching or acquisition. The department shall determine that the law of another state is not reciprocal regarding a particular type of branching or acquisition if the law of that other state does not allow federally chartered Pennsylvania associations (or federally chartered Pennsylvania associations converted from State-chartered Pennsylvania associations or Pennsylvania savings

1 banks) or their holding companies to engage in the particular
2 type of branching or acquisition on equal terms with State-
3 chartered Pennsylvania associations or their holding companies.

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

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

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

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

18 Section 212.1. Prohibition Against Certain Acquisitions.--

19 (a) Except as provided in section 114, it shall be unlawful for
20 a commercial bank, a bank holding company, a thrift institution,
21 or a thrift institution holding company to acquire a
22 Pennsylvania association unless the acquiring entity, and any
23 savings and loan holding company or bank holding company which
24 directly or indirectly owns or controls the power to vote five
25 percent or more of its shares, is located in Pennsylvania.

26 (b) The terms in subsection (a) shall have the same
27 definitions as those terms have in section 114.

28 (c) The prohibition in subsection (a) shall not affect any
29 acquisition effected prior to the effective date of this act.

30 Section 2. Section 403(b) of the act, amended April 9, 1982

1 (P.L.334, No.94), is amended to read:

2 Section 403. Authorization of New Branches.--* * *

3 (b) Except as provided in subsection (a) of this section, an
4 association may establish a branch after the effective date of
5 this act anywhere in Pennsylvania and anywhere in the United
6 States upon compliance with the following requirements:

7 (1) The proposed branch shall be authorized by resolution by
8 its board of directors.

9 (2) If the location of the proposed branch is outside of the
10 city, incorporated town, borough or township in which the
11 principal place of business of the association is located, the
12 association shall give notice of the filing of the application
13 by advertisement in the county in which the proposed branch is
14 to be located.

15 (3) The branch shall be approved by the department.

16 Section 3. Section 922 of the act is amended by adding a
17 clause to read:

18 Section 922. Securities and Obligations.--An association may
19 invest its funds:

20 * * *

21 (s) With the prior approval of the department, in up to one
22 hundred percent of the stock of a bank, a bank and trust
23 company, a trust company, a bank holding company, a savings
24 bank, a regional thrift institution or a regional thrift
25 institution holding company as those terms are defined in the
26 Banking Code of 1965 and in section 114.

27 Section 4. Section 1101 of the act is amended by adding a
28 subsection to read:

29 Section 1101. Mergers, Consolidations and Conversions.--* *

30 *

1 (b.1) Upon compliance with the requirements of this article,
2 one or more associations may merge or consolidate with a
3 regional thrift institution as defined in, and subject to any
4 applicable limits of, section 114.

5 Section 5. Section 1301(a) of the act is amended to read:

6 Section 1301. Foreign Corporations.--(a) [Foreign] Except
7 as provided in section 114, foreign corporations shall not
8 transact the business of an association within this
9 Commonwealth, nor maintain an office within this Commonwealth
10 for the purpose of transacting such business. It shall be
11 unlawful for any person to engage in the business of soliciting
12 or receiving within this Commonwealth subscriptions to the
13 shares or savings accounts of such corporations or payments
14 therefor, or of granting loans within this Commonwealth on
15 behalf of such corporations, or of soliciting applications
16 therefor, or of receiving within this Commonwealth on behalf of
17 such corporations, interest, premiums, fees or payments of any
18 kind or of transacting business in any manner within this
19 Commonwealth on behalf of such corporation.

20 * * *

21 Section 6. All acts and parts of acts are repealed insofar
22 as they are inconsistent with this act.

23 Section 7. This act shall take effect in 30 days.