

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL**No. 1512** Session of
1990

Report of the Committee of Conference

To the Members of the Senate and House of Representatives:

We, the undersigned, Committee of Conference on the part of the Senate and House of Representatives for the purpose of considering Senate Bill No. 1512, entitled:
"An act amending the act of November 30, 1965 (P.L.847, No.356), entitled 'An act relating to and regulating the business of banking and the exercise by corporations of fiduciary powers; affecting persons engaged in the business of banking and corporations exercising fiduciary powers and affiliates of such persons; * * * providing penalties; and repealing certain acts and parts of acts,' permitting the formation of mutual holding companies; AUTHORIZING MERGERS OF SAVINGS BANK HOLDING COMPANIES AND THEIR WHOLLY-OWNED SUBSIDIARY SAVINGS BANKS; and providing for reciprocal interstate operations for savings banks,"

respectfully submit the following bill as our report:

EDWIN G. HOLL

EARL M. BAKER

EUGENE F. SCANLON

(Committee on the part of the Senate.)

FRED E. TAYLOR

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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," permitting the formation of mutual holding companies;
17 authorizing mergers of savings bank holding companies and
18 their wholly-owned subsidiary savings banks; further
19 providing for legal holidays; authorizing certain banks to
20 become members of a Federal Home Loan Bank; providing for
21 change of location; providing for pledges for deposits; and
22 providing for reciprocal interstate operations for savings
23 banks.

24 The General Assembly of the Commonwealth of Pennsylvania
25 hereby enacts as follows:

26 Section 1. Section 113(a) and (b) of the act of November 30,
27 1965 (P.L.847, No.356), known as the Banking Code of 1965,
28 amended March 4, 1982 (P.L.135, No.44) and amended December 13,
29 1985 (P.L.331, No.89), is amended to read:

30 Section 113. Legal Holidays

31 (a) Fixed holidays--An institution shall observe as a legal
32 holiday:

33 (i) New Year's Day (January 1);

34 (i.1) Dr. Martin Luther King, Jr. Day (the third Monday
35 in January);

36 (ii) Memorial Day (the last Monday in May);

37 (iii) Independence Day (July 4);

38 (iv) Labor Day (the first Monday in September);

39 (v) Thanksgiving Day (the fourth Thursday in November);

40 (vi) Christmas Day (December 25);

1 (vii) each Sunday, except for such activities or conduct
2 of business at such locations as the bank may elect;

3 (viii) each Monday following an Independence Day, a
4 Christmas Day or New Year's Day which occurs on a Sunday; and

5 (ix) each day specifically appointed by the President of
6 the United States or the Governor of the Commonwealth as a
7 legal holiday or as a bank holiday.

8 (b) Optional holidays--An institution may at its option
9 observe as a legal holiday:

10 (i) Lincoln's Birthday (February 12);

11 (ii) Washington's Birthday (the third Monday in
12 February);

13 (iii) Good Friday;

14 (iv) Flag Day (June 14);

15 (v) Columbus Day (the second Monday in October);

16 (vi) Election Day (the first Tuesday after the first
17 Monday in November);

18 (vii) Veterans' Day (November 11);

19 (viii) each Saturday either as a half-holiday after 12
20 o'clock noon or as a full holiday;

21 (ix) each Monday following an Independence Day, a
22 Christmas Day or New Year's Day which occurs on a Saturday;

23 and

24 (x) each day which the department permits all
25 institutions by public announcement, or an individual
26 institution by written permission, to observe as a legal
27 holiday.

28 * * *

29 Section 2. The act is amended by adding a section to read:

30 Section 115.1. Mutual Holding Companies

1 (a) In General--Notwithstanding any other provision of this
2 act, a savings bank organized under this act in mutual form may
3 reorganize so as to become a holding company by:

4 (i) chartering a subsidiary stock savings bank, the
5 stock of which is wholly owned by the mutual savings bank at
6 the time of the reorganization, and

7 (ii) transferring the substantial part of its assets and
8 liabilities, including all of its liabilities which are
9 insured by any deposit insurance corporation, to the
10 subsidiary stock savings bank.

11 (b) Trustees' approval of plan required--A reorganization
12 is not authorized under this section unless a plan providing for
13 such reorganization has been approved by the affirmative vote of
14 two-thirds of the board of trustees of the mutual savings bank.

15 (c) Notice to, and approval by, the department--

16 (i) At least sixty days prior to taking any action
17 described in subsection (a), a mutual savings bank seeking to
18 establish a mutual holding company shall provide written
19 notice to the department. The notice shall contain such
20 relevant information as the department shall require by
21 regulation or by specific request in connection with any
22 particular notice.

23 (ii) Upon receipt of an application for approval of a
24 plan of reorganization authorized by this section, the
25 department shall conduct such investigation as it may deem
26 necessary to determine whether:

27 (A) the plan satisfies the requirements of this act,

28 and

29 (B) the plan adequately protects the interests of
30 depositors, borrowers and creditors.

1 (iii) Within sixty days after receipt of the
2 application, the department shall approve or disapprove the
3 application on the basis of its investigation and shall
4 immediately give to the savings bank written notice of its
5 decision, and in the event of disapproval, a statement in
6 detail of such grounds therefor as are permitted by paragraph
7 (c)(iv).

8 (iv) The department may disapprove any proposed holding
9 company formation only if:

10 (A) the plan providing for such reorganization fails
11 to comply, or as implemented would fail to comply, with
12 such regulations as the department may promulgate from
13 time to time,

14 (B) such disapproval is necessary to prevent unsafe
15 or unsound practices,

16 (C) the financial or management resources of the
17 resulting mutual holding company or the resulting savings
18 bank warrant disapproval, or

19 (D) the savings bank fails to furnish the
20 information required under subsection (c)(1).

21 (v) At the time of the transaction described in
22 subsection (a), a savings bank may, with the approval of the
23 department, retain capital assets at the holding company
24 level to the extent that such capital assets are not needed
25 by the subsidiary stock savings bank in order for the
26 subsidiary to satisfy applicable regulatory requirements.

27 (d) permitted activities--A mutual holding company may
28 engage only in the following activities:

29 (i) investing in the stock of one or more financial
30 institution subsidiaries,

1 (ii) acquiring one or more additional financial
2 institution subsidiaries through the merger of such financial
3 institution subsidiaries into a subsidiary of the holding
4 company,

5 (iii) subject to subsection (e), merging with or
6 acquiring another holding company, one of whose subsidiaries
7 is a financial institution subsidiary,

8 (iv) investing in a corporation the capital stock of
9 which is available for purchase by a savings bank under
10 Federal law or under this act,

11 (v) engaging in such activities as are permitted, by
12 statute or regulation, to a holding company of a federally
13 chartered insured mutual institution under Federal law, and

14 (vi) engaging in such other activities as may be
15 permitted by the department.

16 (e) Limitations on certain activities of acquired holding
17 companies--

18 (i) if a mutual holding company acquires or merges with
19 another holding company pursuant to subsection (d)(iii), the
20 holding company acquired or the holding company resulting
21 from such merger or acquisition may invest in only those
22 assets and engage in only those activities which are
23 authorized under subsection (d),

24 (ii) not later than two years following a merger or
25 acquisition described in subsection (d)(iii), the acquired
26 holding company or the holding company resulting from such
27 merger or acquisition shall:

28 (A) dispose of any asset which is an asset in which
29 a mutual holding company may not invest under subsection
30 (d), and

1 context clearly indicates otherwise, the following meanings:

2 (i) "Acquire"--to acquire (as defined in section
3 112(a)(i)) five percent or more of the voting stock of an
4 entity and shall also mean a merger or consolidation or a
5 purchase of assets and an assumption of liabilities, other
6 than in the regular course of business.

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

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

12 (iv) "Control"--the power, directly or indirectly, to
13 direct the management or policies of an entity or to vote
14 twenty-five percent or more of any class of voting securities
15 of an entity.

16 (v) "Entity"--any corporation, partnership, association
17 or similar organization, including banks and thrift
18 institutions.

19 (vi) "Foreign association"--a savings and loan
20 association or building and loan association located in and
21 organized and operating under the laws of a state other than
22 Pennsylvania and a Federal association, as defined in 12
23 U.S.C. § 1462(d), that is located in a state other than
24 Pennsylvania.

25 (vii) "Foreign savings bank"--a savings bank located in
26 and organized and operating under the laws of a state other
27 than Pennsylvania.

28 (viii) "Foreign thrift institution"--a foreign savings
29 bank or a foreign association.

30 (ix) "Foreign thrift institution holding company"--an

1 entity which controls one or more foreign thrift institutions
2 and is located in a state other than Pennsylvania.

3 [(vi)] (x) "Pennsylvania savings bank"--a savings bank
4 as defined in section 102(x).

5 [(vii)] (xi) "Pennsylvania savings bank holding
6 company"--an entity which controls one or more Pennsylvania
7 savings banks and is located in Pennsylvania.

8 [(viii)] (xii) "Region"--the States of Delaware,
9 Indiana, Kentucky, Maryland, New Jersey, Ohio, Virginia and
10 West Virginia, and the District of Columbia.

11 [(ix)] (xiii) "Regional association"--a savings and loan
12 association or building and loan association located in and
13 organized and operating under the laws of a state in the
14 region and a Federal association, as defined in 12 U.S.C. §
15 1462(d), that is located in the region.

16 [(x)] (xiv) "Regional savings bank"--a savings bank
17 located in and organized and operating under the laws of a
18 state in the region.

19 [(xi)] (xv) "Regional thrift institution"--a regional
20 savings bank or a regional association.

21 [(xii)] (xvi) "Regional thrift institution holding
22 company"--an entity which controls one or more regional
23 thrift institutions and is located in a state in the region.

24 [(xiii)] (xvii) "Savings and loan holding company"--as
25 defined in 12 U.S.C. § 1730a(a)(1)(D).

26 [(xiv)] (xviii) "State"--includes the District of
27 Columbia.

28 [(xv)] (xix) State in which an entity is "located"--
29 (A) with regard to a thrift institution, the state
30 in which its deposits are largest; and

1 (B) with regard to a thrift institution holding
2 company, a savings bank holding company, a savings and
3 loan holding company or a bank holding company, the state
4 in which the total deposits of its subsidiaries,
5 including commercial banks, are largest.

6 Provided, that an entity or its legal successor that is
7 located in Pennsylvania on the effective date of this
8 legislation shall be deemed thereafter to be located in
9 Pennsylvania regardless of the location of its deposits or
10 the deposits of its subsidiaries if said entity has not been
11 either acquired by an entity located outside of Pennsylvania
12 or a party to a merger or consolidation transaction in which
13 the holders of its voting shares immediately prior to the
14 transaction held less than fifty percent of the voting shares
15 of any class of stock in the entity surviving after, or
16 resulting from, the merger or consolidation.

17 (b) Acquisitions by [regional] foreign thrift institutions
18 and [regional] foreign thrift institution holding companies--A
19 [regional] foreign thrift institution or [regional] foreign
20 thrift institution holding company may acquire a Pennsylvania
21 savings bank or a Pennsylvania savings bank holding company if:

22 (i) the law of the state where the acquiring thrift
23 institution or thrift institution holding company is located
24 and the law of the state where any savings and loan holding
25 company or bank holding company which directly or indirectly
26 owns or controls the power to vote five percent or more of
27 its shares is located satisfies, in each case, the
28 reciprocity requirement of subsection (d);

29 (ii) the acquiring thrift institution or thrift
30 institution holding company and any savings and loan holding

1 company or bank holding company which directly or indirectly
2 owns or controls the power to vote five percent or more of
3 its shares is, in each case, located in a state in the region
4 or in Pennsylvania, except that the requirement of location
5 in the region or in Pennsylvania will not be applicable to an
6 acquisition consummated after March 4, 1990; and

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

8 When considering a proposed acquisition by a [regional]
9 foreign thrift institution or a [regional] foreign thrift
10 institution holding company, the department shall give
11 specific attention to the effect of the acquisition on the
12 availability, in this Commonwealth, of those banking and
13 basic transaction account services set forth in subsections
14 (i) and (j).

15 (c) Branching by [regional] foreign savings banks--

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

21 (ii) A [regional] foreign savings bank may establish and
22 maintain 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, except that
4 the requirement of location in the region or in
5 Pennsylvania will not be applicable with respect to a
6 branch established after March 4, 1990; and

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

11 (d) Reciprocity requirement--

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

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

1 located in that state that are substantially more onerous
2 than those imposed on the same acquisitions by thrift
3 institutions or thrift institution holding companies
4 located in that state; and

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

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

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

30 (iii) The department may determine that the law of

1 another state is not reciprocal regarding a particular type
2 of branching or acquisition if the law of that other state
3 does not allow all Pennsylvania savings banks or,
4 alternatively, all Pennsylvania savings bank holding
5 companies to engage on equal terms with each other in the
6 particular type of branching or acquisition.

7 (e) Authority of the department--In addition to the powers
8 granted elsewhere in this section and in other provisions of
9 Pennsylvania law, the department is authorized to impose any
10 conditions or requirements it deems appropriate, in light of the
11 purposes of this act, on thrift institutions and thrift
12 institution holding companies acquired or operating directly or
13 indirectly in Pennsylvania under this section. Such conditions
14 or requirements include, but are not limited to, provisions for
15 examinations, reports and the payment of fees. The department
16 may accept examinations and other reports of Federal and state
17 regulators and may enter into agreements with Federal and state
18 regulators for the exchange of information, including
19 examination reports.

20 (f) Change in circumstances--If a [regional] foreign thrift
21 institution or [regional] foreign thrift institution holding
22 company [located in another state] which has acquired a
23 Pennsylvania savings bank or Pennsylvania savings bank holding
24 company or has established a branch in Pennsylvania under this
25 section shall have a change of circumstances so that it no
26 longer satisfies the conditions of subsections (b) and (c)
27 (either by reason of a change in the place in which it is
28 located or by reason of acquisition by a savings and loan
29 holding company or a bank holding company located in a state
30 which does not satisfy the conditions of subsections (b) and (c)

1 of five percent or more of its voting shares, or the power to
2 vote those shares), said [regional] foreign thrift institution
3 or [regional] foreign thrift institution holding company shall
4 divest each Pennsylvania savings bank, savings bank holding
5 company and branch it has acquired or established prior to
6 entering into a voluntary combination which causes such change
7 of circumstances or within one year (or such longer period of
8 not more than an additional year as the department may allow in
9 writing) after the occurrence of an event, other than a
10 voluntary combination, which causes the change in circumstances.

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

24 (h) Acquisitions in other states by Pennsylvania savings
25 banks and Pennsylvania savings bank holding companies--A
26 Pennsylvania savings bank or Pennsylvania savings bank holding
27 company which proposes to acquire a thrift institution or thrift
28 institution holding company located in another state shall file
29 an application for approval by the department in such form and
30 upon payment of such fee as the department shall prescribe and

1 shall supplement such application with such additional
2 information as the department may reasonably request. The
3 department shall conduct such investigation as it deems
4 necessary to determine whether to approve or disapprove the
5 application. The investigation shall include consideration of
6 the effects the proposed acquisition would have on the
7 availability, in this Commonwealth, of those banking services
8 and basic transaction account services set forth in subsections
9 (i) and (j). Within sixty days after receipt of the application
10 or within a longer period, not in excess of thirty days, after
11 receipt from the applicant of additional information requested
12 by the department, the department shall approve or disapprove
13 the proposed acquisition and give written notice of its decision
14 to the applicant. In approving an acquisition under this
15 section, the department may place conditions upon such approval
16 and incorporate such terms and agreements as are deemed
17 necessary to effect the purposes of this act.

18 (i) Availability of banking services--The department shall
19 have the authority to assure that interstate thrift acquisitions
20 authorized by this section will not diminish reasonable
21 availability of banking services to all segments of the public
22 and economy of this Commonwealth, with special emphasis on
23 economic development and the financing of enterprises to the end
24 that employment opportunities will be either increased or, where
25 there is the prospect of reduction, retained. Upon receipt of an
26 application for approval of an acquisition by an institution or
27 company located in another state under subsection (b) or
28 approval of an acquisition in another state by a Pennsylvania
29 savings bank or savings bank holding company under subsection
30 (h), the department shall review the credit practices and

1 policies of each Pennsylvania savings bank or savings bank
2 holding company which is involved in the proposed transaction.
3 Such review shall determine the overall performance of such
4 company or institution in providing credit and financial
5 services to individuals and business enterprises in the
6 communities which it serves in the light of its role as a thrift
7 institution, its resources, its capital and its income, the
8 particular needs of such communities, competition and
9 alternative sources of credit. With respect to individuals,
10 there shall be a review of consumer loans, residential
11 mortgages, home improvement loans and student loans,
12 particularly to residents of low-income and moderate-income
13 neighborhoods. With respect to business enterprises, there shall
14 be a review of extensions of credit and investments intended to
15 promote economic development and creation, or retention where
16 there is the prospect of reduction, of employment opportunities,
17 including, without limitation, Small Business Administration and
18 other small business loans, industrial development loans,
19 financing of employe stock option plans and leveraged buyouts of
20 businesses by employes, financing of nonprofit community
21 development projects, loans and investments intended to maintain
22 existing businesses and to encourage economic expansion and job
23 opportunities, and loans and investments to promote
24 participation by businesses in this Commonwealth in
25 international trade and to increase exports. The review by the
26 department shall also include all other activities of the
27 institution or company deemed to be suitable to its particular
28 circumstances and the communities served. If the department
29 determines that the overall performance of the institution or
30 company has not been materially deficient and that it justifies

1 the conclusion that the institution or company does and will
2 provide suitable credit and financial services to its
3 communities, it may approve the application without imposing any
4 terms or conditions but otherwise may impose such terms and
5 conditions as it deems appropriate to improve such overall
6 performance over a stated period of time. The department shall,
7 from time to time, review the continuing overall performance of
8 each such institution or company after an acquisition and, if it
9 finds that its overall performance has not continued to be
10 satisfactory, shall issue such order to the applicant as it
11 deems appropriate.

12 (j) Availability of basic transaction account services--The
13 department shall have the authority to assure that thrift
14 institution holding companies and thrift institutions that
15 become part of interstate banking organizations by reason of
16 acquisitions requiring approval under this section make basic
17 transaction account services available to the public. For this
18 purpose the department shall obtain, from all sources available
19 to it or through such studies as it may commission, adequate
20 information to determine:

21 (i) The needs of the public and, in particular,
22 individuals with low or moderate income, for a basic checking
23 or other transaction account.

24 (ii) The principal characteristics that such an account
25 should have, such as the number of checks, deposits and other
26 items for which a minimum charge may be made, the amount or
27 rate of such minimum charge and the forms of identification
28 that may be required for opening and using such an account.

29 (iii) The existing availability of basic accounts with
30 some or all of such principal characteristics currently

1 offered by depository institutions, including applicants
2 under this section, in separate communities of this
3 Commonwealth.

4 An applicant shall, at the request of the department, supply
5 information to the department with respect to such accounts
6 offered by the applicant and by each institution which is a
7 subsidiary of the applicant. The department may approve an
8 application prior to the time it has acquired the information
9 required by this section, but the applicant and each institution
10 which is a subsidiary of the applicant shall be subject, both
11 before and after an approval of the acquisition under this
12 section, to requirements imposed by the department, from time to
13 time, to assure to the public, in the communities served by the
14 institution, the continuing availability of the basic
15 transaction account services which the department has determined
16 the public needs.

17 (k) Advisory Commission--For the purpose of advising the
18 department in the conduct of its functions under subsections (i)
19 and (j), the advisory commission established by section 116(k)
20 is empowered and directed to provide information, opinions and
21 recommendations as to guidelines the department may establish,
22 from time to time, for the purpose of determining the overall
23 performance of an institution or company under subsection (i)
24 and the availability of basic transaction account services under
25 subsection (j). All decisions and determinations made under this
26 section shall be made by the department. In evaluating an
27 application which would result in an interstate acquisition or
28 an interstate branch, the department shall consider the
29 following regulatory criteria:

30 (i) capital adequacy;

- 1 (ii) asset quality;
- 2 (iii) management ability and effectiveness;
- 3 (iv) earnings quantity and quality;
- 4 (v) liquidity;
- 5 (vi) ability to meet the needs of the community;
- 6 (vii) effect of the transaction upon competition;
- 7 (viii) existence of insider transactions;
- 8 (iv) adequacy of all disclosures relating to the
- 9 transactions; and
- 10 (x) resistance to external economic and financial
- 11 conditions.

12 The department shall not approve the application for any such
13 interstate acquisition or interstate branch, unless the
14 evaluation determines that all of the institutions involved in
15 the transaction are in compliance with all relevant regulatory
16 criteria. These regulatory criteria shall apply to all
17 interstate acquisition and interstate branch applications
18 involving the following institutions: a Pennsylvania savings
19 bank, a Pennsylvania savings bank holding company, a foreign
20 association, a foreign savings bank, a foreign thrift
21 institution or a foreign thrift institution holding company.

22 Section 4. Section 203 of the act is amended by adding a
23 subsection to read:

24 Section 203. Additional Powers Related to Conduct of Business
25 of Incorporated Institutions Other Than Trust
26 Companies

27 A bank, a bank and trust company and a savings bank shall
28 have in addition to other powers granted by this act or its
29 articles and subject to the limitations and restrictions
30 contained in this act or in its articles:

1 * * *

2 (e) Membership in Federal Home Loan Bank--The power to
3 become a member of the Federal Home Loan Bank System, to hold
4 shares of stock in a Federal Home Loan Bank, to take all actions
5 incident to maintenance of such membership and to exercise all
6 powers, not inconsistent with provisions of this act, conferred
7 on member banks.

8 Section 5. Section 311(d) of the act, amended December 21,
9 1988 (P.L.1416, No.173), is amended to read:

10 Section 311. Transactions With Respect to Shares of Corporate
11 Stock and Capital Securities

12 * * *

13 (d) Ownership--An institution may acquire and hold:

14 (i) shares of stock of a Federal Reserve Bank, without
15 limitation of amount;

16 (ii) shares of stock of:

17 (A) the Federal National Mortgage Association, the
18 Government National Mortgage Association, the Federal
19 Home Loan Mortgage Corporation, the Student Loan
20 Marketing Association, a corporation authorized to be
21 created pursuant to Title IX of the Housing and Urban
22 Development Act of 1968 or any other such corporations or
23 agencies as may from time to time be approved by the
24 department,

25 (B) a bank, a bank and trust company or a trust
26 company subject to this act, a national bank located in
27 Pennsylvania or a Pennsylvania bank holding company--to
28 the extent of ten percent of the sum of the par value of
29 the issued and outstanding shares of any such issuer,
30 and, for purposes of this limitation, the shares owned by

1 all the affiliates of a Pennsylvania bank holding company
2 shall be aggregated to determine whether the ten percent
3 limitation is reached,

4 (B.1) a subsidiary corporation engaged in the
5 functions or activities that an institution is authorized
6 to carry on, if the shares are acquired with the prior
7 written approval of, and in accordance with the terms and
8 conditions of transfer prescribed by, the department, or

9 (C) a corporation organized under the laws of the
10 United States or of any state or any foreign country and
11 principally engaged, directly or indirectly, in
12 international or foreign banking or financial operations
13 or in banking or financial operations in a dependency, or
14 insular possession of the United States or in the
15 Commonwealth of Puerto Rico, if the shares are acquired
16 with the prior written approval of, and in accordance
17 with the terms and conditions prescribed by, the
18 department in an amount the cost of which to the
19 institution for the shares of any such association or
20 corporation so acquired or held is not in excess of ten
21 percent of the aggregate of the capital, surplus and
22 capital securities of the institution and in the case of
23 shares covered by clause (B) of this subsection (d)(ii),
24 in an amount the cost of which to the institution for the
25 shares of all such issuers so acquired or held is not in
26 excess of the lesser of ten percent of the total assets
27 of the institution or one hundred percent of the
28 aggregate of the capital, surplus and capital securities
29 of the institution;

30 (iii) shares of stock of small business investment

1 companies organized pursuant to the Small Business Investment
2 Act, in an amount the cost of which is not in excess of one
3 percent of the aggregate of the capital, surplus and capital
4 securities of the institution;

5 (iv) in the case of a bank and trust company, shares of
6 stock of a corporation organized under the laws of the
7 Commonwealth for the purpose of conducting a title insurance
8 business to which the institution has transferred the assets
9 of its title insurance business, in an amount:

10 (A) the cost of which is not in excess of the lesser
11 of (1) ten percent of the aggregate of the capital,
12 surplus and capital securities of the institution or (2)
13 double the minimum amount of capital and paid-in surplus
14 required for the incorporation of such corporation, or

15 (B) with the prior approval of the department, the
16 cost of which is not in excess of fifteen percent of the
17 aggregate of the capital, surplus and capital securities
18 of the institution;

19 (v) shares of stock of business development credit
20 corporations to the extent provided by the Business
21 Development Credit Corporation Law;

22 (vi) shares of stock of a corporation organized to
23 promote the public welfare and community development, expand
24 the economy or provide for social reform, subject to
25 regulation by the department;

26 (vii) shares of stock of a clearing corporation as
27 defined in Article 8 of the Uniform Commercial Code;

28 (viii) shares of stock of a stock savings bank located
29 in Pennsylvania;

30 (ix) shares of stock of a corporation engaged

1 exclusively in activities not prohibited by this act, which
2 shares have been held continuously since November 30, 1965;
3 [and]

4 (x) shares of stock of a savings association, a Federal
5 savings and loan association or a Federal savings bank,
6 located in Pennsylvania, provided that an institution may
7 hold no more than ten percent of the outstanding shares of
8 the common stock of such savings association, Federal savings
9 and loan association or Federal savings bank[.]; and

10 (xi) shares of stock of a Federal Home Loan Bank,
11 without limitation of amount.

12 * * *

13 Section 6. Sections 312 and 314(b) of the act are amended to
14 read:

15 Section 312. Pledges For Deposits

16 (a) An institution may pledge assets as security for
17 deposits of:

18 (i) public funds,

19 (ii) funds of a pension fund for employes of a political
20 subdivision of the Commonwealth,

21 (iii) funds for which a political subdivision of the
22 Commonwealth or an officer or employe thereof is the
23 custodian or trustee pursuant to statute,

24 (iv) funds held by the Secretary of Banking as receiver
25 or by the Insurance Commissioner as statutory liquidator,

26 (v) funds which are required to be secured by law or by
27 an order of a court, [and]

28 (vi) in the case of a bank and trust company, funds held
29 in a fiduciary capacity and deposited in its commercial
30 department pursuant to subsection 403 (c) of this act[.]; and

1 (vii) funds held in a fiduciary capacity by a trust
2 company which is an affiliate of the institution.

3 (b) An institution may not pledge assets as security for
4 deposits other than those covered by subsection (a) of this
5 section.

6 Section 314. Borrowings

7 * * *

8 (b) The aggregate amount of outstanding liabilities of an
9 institution for money borrowed exclusive of:

10 (i) liabilities to a Federal Reserve Bank on account of
11 money borrowed or rediscounts,

12 (ii) liabilities on account of the acquisition of
13 reserve balances at a Federal Reserve Bank or other reserve
14 agent from a member or non-member bank,

15 (iii) liabilities on account of agreements to repurchase
16 securities sold by the institution (commonly known as
17 "repurchase agreements") [and],

18 (iv) liabilities which do not constitute or result from
19 the borrowing of money under definitions prescribed by
20 regulation of the department and

21 (v) liabilities to a Federal Home Loan Bank on account
22 of money borrowed or rediscounts

23 shall not at any time exceed the aggregate of the amount of its
24 capital and one-half of the amount of its surplus.

25 Section 7. Section 504(b)(xiii) of the act, amended December
26 21, 1988 (P.L.1416, No.173), is amended to read:

27 Section 504. Investments

28 * * *

29 (b) Authority under this act or other statutes--Except as
30 otherwise provided in its articles, a savings bank may, in

1 addition to investments authorized by its articles, other
2 provisions of this act or other statutes, make investments in:

3 * * *

4 (xiii) in the case of a savings bank which has elected
5 to exercise the conditional powers provided in section 513,
6 capital stock, securities or other obligations of any service
7 corporation, subject to the following limitations:

8 (A) the entire capital stock of the service
9 corporation shall be available for purchase by, or be
10 transferable to, only savings banks, savings and loan
11 associations organized under the laws of this
12 Commonwealth, Federal savings banks and savings and loan
13 associations having their home offices in this
14 Commonwealth, [or] regional thrift institutions, as that
15 term is defined in section 117, or, after March 4, 1990,
16 foreign thrift institutions, as that term is defined in
17 section 117,

18 (B) unless authorized by the department a savings
19 bank shall not have an aggregate outstanding investment
20 in the capital stock, securities or obligations of
21 service corporations the cost of which exceeds three
22 percent of the assets of the savings bank at the time of
23 acquisition of such stock, securities or obligations,

24 (C) a service corporation qualifying for investment
25 under this subsection may engage in the following
26 activities:

27 (1) originating, purchasing, selling and
28 servicing loans upon real estate and participating
29 interests therein,

30 (2) performing clerical, bookkeeping,

1 accounting, statistical or similar functions,
2 primarily for financial institutions,

3 (3) acquisition and development of real estate,
4 principally for construction of housing or for resale
5 to others for such construction or for use as mobile
6 home sites, either separately or in conjunction with
7 others provided that such development shall be
8 completed within five years of the commencement of
9 development, unless that period is extended by the
10 department,

11 (4) acquiring interests in improved residential
12 real estate and mobile homes to be held for rental,
13 and

14 (5) any other activity authorized by the
15 department by regulation; and

16 * * *

17 Section 8. Section 903(a) of the act, amended March 4, 1982
18 (P.L.135, No.44) and April 8, 1982 (P.L.262, No.79), is amended
19 to read:

20 Section 903. Change of Location of Office

21 (a) Change of principal place of business--An institution
22 may, with the prior written approval of the department and, in
23 the case of an incorporated institution by amendment of its
24 articles, change the location of its principal place of business
25 to a new location[:

26 (i) in the same city, incorporated town, borough or
27 township, or

28 (ii) in the same county or in a county contiguous
29 thereto if

30 (A) the total of its surplus, unallocated reserves

1 and undivided profits in the case of a mutual savings
2 bank, or its net worth in the case of a private bank or
3 employes' mutual banking association, at least equals a
4 minimum amount specified by the department,

5 (B) in the case of any other institution, its
6 capital and surplus are at least equal to the minimum
7 capital and surplus which would be required by this act
8 upon original incorporation with a principal place of
9 business in the city, incorporated town, borough or
10 township of the new location and, if the institution has
11 branches, it has the additional capital and surplus
12 required by this act for the establishment of such
13 branches, or

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

21 anywhere in this Commonwealth.

22 * * *

23 Section 9. Section 1609(a)(iii) of the act, amended
24 December 18, 1986 (P.L.1702, No.205), is amended to read:

25 Section 1609. Mergers, Consolidations and Conversions of
26 Savings Banks

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

28 * * *

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

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

8 (B) one or more savings banks may merge or
9 consolidate with a regional thrift institution, and,
10 after March 4, 1990, with a foreign thrift institution,
11 as those terms are defined in and subject to any
12 applicable limits of section 117[.], and

13 (C) a business corporation which owns all of the
14 issued and outstanding shares of a savings bank may merge
15 into such savings bank.

16 * * *

17 Section 10. Section 1808(a)(i) of the act is amended to
18 read:

19 Section 1808. Involuntary Dissolution

20 (a) Issuance of certificate of dissolution by department--In
21 the event that:

22 (i) a certificate of authorization has not been issued to
23 a newly incorporated institution within [two years] one year
24 after the date of its incorporation or such longer time as
25 the department may allow for satisfaction of conditions
26 precedent to the issuance of a certificate,

27 * * *

28 Section 11. This act shall take effect immediately.