



# Senate

## File No. 819

General Assembly

January Session, 2001

**(Reprint of File No. 93)**

Substitute Senate Bill No. 792  
As Amended by Senate Amendment  
Schedules "A" and "B" and House  
Amendment Schedule "A"

Approved by the Legislative Commissioner  
May 25, 2001

### **AN ACT CONCERNING BANK TRANSACTIONS AND PROHIBITING FEES ON INACTIVE ACCOUNTS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (d) of section 36a-65 of the general statutes is  
2 repealed and the following is substituted in lieu thereof:

3 (d) (1) The fee for investigating and processing each application is as  
4 follows:

5 [(A) Establishment of a branch, sale of a branch or relocation of a  
6 main office of a Connecticut bank, two thousand dollars, except in the  
7 case of a conversion from a branch to a limited branch and a limited  
8 branch to a branch, a reasonable fee not to exceed two thousand  
9 dollars.

10 (B) Establishment of a mobile branch, establishment of a limited  
11 branch under subdivision (1) of subsection (c) of section 36a-145, or  
12 relocation of a branch or limited branch, one thousand five hundred  
13 dollars.

14 (C) Establishment of a special need limited branch under  
15 subdivision (2) of subsection (c) of section 36a-145, five hundred  
16 dollars.

17 (D) Merger, consolidation or organization of a holding company  
18 under section 36a-125 or 36a-181, or purchase of assets or assumption  
19 of liabilities, other than by a Connecticut credit union or federal credit  
20 union, under section 36a-210, two thousand five hundred dollars if two  
21 institutions are involved and five thousand dollars if three or more  
22 institutions are involved.

23 (E) Organization of any Connecticut bank, fifteen thousand dollars,  
24 except no fee shall be required for the organization of an interim  
25 Connecticut bank.

26 (F) Reorganization of a mutual savings bank or mutual savings and  
27 loan association into a mutual holding company, five thousand dollars.

28 (G) Conversions under sections 36a-135 to 36a-138, inclusive, five  
29 thousand dollars, and conversions under section 36a-469a, two  
30 thousand five hundred dollars.

31 (2) The fee for investigating and processing each acquisition  
32 statement filed under section 36a-184 is two thousand five hundred  
33 dollars.

34 (3) Any fee for processing a notice of closing of a branch, limited  
35 branch or special need limited branch, if charged, shall not exceed two  
36 thousand dollars.

37 (4) The fee for processing an application for the sale of a limited  
38 branch, special need limited branch or mobile branch shall not exceed  
39 one thousand five hundred dollars.

40 (5) The fee for miscellaneous investigations is one hundred fifty  
41 dollars per day.]

42 (A) Establishment of (i) a branch under subdivision (1) of subsection

43 (b) of section 36a-145, as amended by this act, two thousand dollars;  
44 (ii) a mobile branch under subsection (d) of section 36a-145, as  
45 amended by this act, one thousand five hundred dollars; (iii) a limited  
46 branch under subdivision (1) of subsection (c) of section 36a-145, as  
47 amended by this act, one thousand five hundred dollars; (iv) a special  
48 need limited branch under subdivision (2) of subsection (c) of section  
49 36a-145, as amended by this act, five hundred dollars; (v) an out-of-  
50 state branch under subsection (i) of section 36a-145, as amended by  
51 this act, a reasonable fee not to exceed two thousand dollars from  
52 which any fees paid to a state other than this state or to a foreign  
53 country in connection with the establishment shall be deducted; and  
54 (vi) an out-of-state limited or mobile branch under subsection (i) of  
55 section 36a-145, as amended by this act, a reasonable fee not to exceed  
56 one thousand five hundred dollars from which any fees paid to a state  
57 other than this state or to a foreign country in connection with the  
58 establishment shall be deducted.

59 (B) Sale of (i) a branch under subsection (h) of section 36a-145, as  
60 amended by this act, two thousand dollars, except there shall be no fee  
61 for the sale of a branch of a Connecticut bank to another Connecticut  
62 bank or to a Connecticut credit union; and (ii) a limited branch,  
63 including a special need limited branch or mobile branch under  
64 subsection (h) of section 36a-145, as amended by this act, a fee not to  
65 exceed one thousand five hundred dollars.

66 (C) Relocation of (i) a main office of a Connecticut bank under  
67 subsection (a) of section 36a-81, two thousand dollars; and (ii) a branch  
68 or a limited branch under subsection (g) of section 36a-145, as  
69 amended by this act, five hundred dollars.

70 (D) Conversions from (i) a branch to a limited branch under  
71 subdivision (1) of subsection (c) of section 36a-145, as amended by this  
72 act; and (ii) a limited branch to a branch under subdivision (1) of  
73 subsection (b) of section 36a-145, as amended by this act, five hundred  
74 dollars.

75 (E) Merger or consolidation of a Connecticut bank under section  
76 36a-125 or subsection (a) of section 36a-126, two thousand five  
77 hundred dollars if two institutions are involved and five thousand  
78 dollars if three or more institutions are involved.

79 (F) Purchase of assets or assumption of liabilities, other than by a  
80 Connecticut credit union or federal credit union, under section 36a-  
81 210, two thousand five hundred dollars.

82 (G) Organization of a holding company under section 36a-181, two  
83 thousand five hundred dollars.

84 (H) Organization of any Connecticut bank under section 36a-70, as  
85 amended by this act, fifteen thousand dollars, except no fee shall be  
86 required for the organization of an interim Connecticut bank.

87 (I) Reorganization of a mutual savings bank or mutual savings and  
88 loan association into a mutual holding company under section 36a-192,  
89 five thousand dollars.

90 (J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, as  
91 amended by this act, five thousand dollars; (ii) sections 36a-469a, 36a-  
92 252 and 36a-252a, as amended by this act, two thousand five hundred  
93 dollars; and (iii) section 10 of this act, fifteen thousand dollars.

94 (K) Acquiring, altering or improving real estate for present or future  
95 use of the bank or purchasing real estate adjoining any parcel of real  
96 estate owned by the bank under subdivision (33) of subsection (a) of  
97 section 36a-250, five hundred dollars.

98 (2) The fee for investigating and processing each acquisition  
99 statement filed under section 36a-184 is two thousand five hundred  
100 dollars, except if the acquisition statement is filed in connection with a  
101 transaction that requires one or more applications, a reasonable fee not  
102 to exceed two thousand five hundred dollars.

103 (3) Any fee for processing a notice of closing of a branch, limited  
104 branch or special need limited branch under subdivision (1) of

105 subsection (f) of section 36a-145, as amended by this act, if charged,  
106 shall not exceed two thousand dollars. There shall be no fee for  
107 processing a notice of closing of any mobile branch.

108 (4) The fee for miscellaneous investigations shall be the actual cost  
109 of the investigation, as such cost is determined by the commissioner.

110 Sec. 2. Subdivision (2) of subsection (r) of section 36a-70 of the  
111 general statutes is repealed and the following is substituted in lieu  
112 thereof:

113 (2) One or more persons may organize a community bank in  
114 accordance with the provisions of this section, except that subsection  
115 (g) of this section shall not apply. Any such community bank shall  
116 commence business with a minimum equity capital of at least three  
117 million dollars. [In the case of a capital stock community bank, no  
118 person, whether acting individually or in concert with others, shall  
119 subscribe for, purchase or otherwise acquire, by merger, acquisition or  
120 otherwise, in excess of nine and nine-tenths per cent of the capital  
121 stock of the bank.] The approving authority for a community bank  
122 shall be the commissioner acting alone. In addition to the  
123 considerations and determinations required by subsection (h) of this  
124 section, before granting a temporary certificate of authority to organize  
125 a community bank, the approving authority shall determine that (A)  
126 each of the proposed directors and proposed executive officers, as  
127 defined in subparagraph (D) of subdivision (3) of this subsection,  
128 possesses capacity and fitness for the duties and responsibilities with  
129 which such director or officer will be charged and (B) there is  
130 satisfactory community support for the proposed community bank  
131 based on evidence of such support provided by the organizers to the  
132 approving authority. If the approving authority cannot make such  
133 determination with respect to any such proposed director or proposed  
134 executive officer, the approving authority may refuse to allow such  
135 proposed director or proposed executive officer to serve in such  
136 capacity in the proposed community bank.

137 Sec. 3. Section 36a-86 of the general statutes is repealed and the  
138 following is substituted in lieu thereof:

139 (a) The governing board of each Connecticut bank shall [,] annually  
140 [, have] procure an audit or examination by certified public  
141 accountants or holders of certificates of authority as public accountants  
142 selected by vote of the governing board or a duly authorized  
143 committee thereof, and such accountants shall agree to provide related  
144 working papers, policies and procedures to the commissioner, if  
145 requested. The accountants shall thoroughly examine the books,  
146 records, accounts and affairs of such bank and submit a signed report  
147 of the audit or examination showing the condition of the bank to the  
148 governing board of such bank within [ninety days of the start of the  
149 audit or examination showing the condition of the bank. One] a  
150 reasonable period of time following the conclusion of the audit or  
151 examination. The signed report shall be kept on file in such bank and  
152 [one transmitted to] a copy shall be filed with the commissioner. [The  
153 directors] Members of the governing board of such Connecticut bank  
154 shall not be personally liable for any loss suffered by such bank  
155 through the wrongdoing or negligence of any officer or employee,  
156 which wrongdoing or negligence should have been discovered by the  
157 accountants in the performance of their duties, provided such  
158 [directors] members shall have exercised due care to procure thorough  
159 and substantial audits by the accountants.

160 (b) Notwithstanding the provisions of subsection (a) of this section,  
161 the governing board of a Connecticut bank that is a subsidiary of a  
162 holding company may procure and file annually with the  
163 commissioner a signed consolidated report of the audit or examination  
164 of the holding company in lieu of that of the Connecticut bank,  
165 provided (1) prior to the engagement of an accountant, the governing  
166 board of such Connecticut bank has voted to allow and accept as  
167 adequate, a consolidated report of the audit or examination of the  
168 holding company; the accountants selected to provide such  
169 consolidated report have agreed to provide related working papers,  
170 policies and procedures to the commissioner, if requested; and the

171 commissioner has approved, conditionally or unconditionally, the  
172 substitution of such consolidated report; (2) the accountants shall  
173 thoroughly examine the books, records, accounts and affairs of the  
174 Connecticut bank and shall submit a signed consolidated report to the  
175 governing board of such Connecticut bank within a reasonable period  
176 of time following the conclusion of the audit or examination; and (3)  
177 the signed consolidated report shall be kept on file in such Connecticut  
178 bank and a copy shall be filed with the commissioner.

179 Sec. 4. Section 36a-137 of the general statutes is repealed and the  
180 following is substituted in lieu thereof:

181 (a) (1) Any capital stock Connecticut bank or capital stock federal  
182 bank may convert into any other capital stock Connecticut bank or  
183 capital stock federal bank upon the approval of the conversion by the  
184 commissioner, provided this section does not apply to the conversion  
185 of a capital stock federal bank to another capital stock federal bank.  
186 The requirements of the commissioner's approval and subdivisions (3)  
187 to (5), inclusive, of this subsection do not apply to the conversion of a  
188 capital stock Connecticut bank into a national banking association.

189 (2) Any conversion pursuant to this section involving the  
190 conversion of or to a capital stock federal bank shall be authorized  
191 only if permitted by federal law and shall be subject to all  
192 requirements prescribed by federal law.

193 (3) The converting bank shall file with the commissioner a proposed  
194 plan of conversion, a copy of the proposed certificate of incorporation  
195 and a certificate by the secretary of the converting bank that the  
196 proposed plan of conversion and proposed certificate of incorporation  
197 have been approved in accordance with subdivision (4) of this  
198 subsection by the governing board and the shareholders.

199 (4) The plan of conversion and proposed certificate of incorporation  
200 shall require the approval of a majority of the governing board of the  
201 converting bank and, in the case of a converting Connecticut bank, the  
202 favorable vote of not less than two-thirds of the holders of each class of

203 the bank's capital stock cast at a meeting called to consider such  
204 conversion. In the case of a converting federal bank, the plan of  
205 conversion shall require any vote of shareholders prescribed by federal  
206 law.

207 (5) Any shareholder of a converting Connecticut bank who, on or  
208 before the date of the shareholders' meeting to vote on such  
209 conversion, objects to the conversion by filing a written objection with  
210 the secretary of the bank may, within ten days after the effective date  
211 of such conversion, make written demand upon the converted bank for  
212 payment of such shareholder's stock; and thereafter such shareholder's  
213 rights shall be the same as those of a shareholder who dissents from  
214 the merger of two or more capital stock Connecticut banks.

215 (b) In any conversion under this section of a [Connecticut] capital  
216 stock Connecticut bank to a capital stock federal bank other than a  
217 national banking association:

218 (1) The commissioner shall approve a conversion under this  
219 subsection if the commissioner determines that the converting bank  
220 has complied with all applicable provisions of law.

221 (2) After receipt of the commissioner's approval, the converting  
222 bank shall promptly file the approval with the Secretary of the State  
223 and with the town clerk of the town in which its principal office is  
224 located. Upon filing, and upon the receipt of all necessary approvals  
225 required under federal law, the converting bank ceases to be a capital  
226 stock Connecticut bank and becomes a capital stock federal bank. The  
227 converted bank shall not commence business unless its insurable  
228 accounts and deposits are insured by the Federal Deposit Insurance  
229 Corporation or its successor agency.

230 (c) In any conversion under this section of a capital stock  
231 Connecticut bank to a national banking association, the converting  
232 bank shall: (1) File a notice of its intent to convert with the  
233 commissioner at the time it submits an application to convert with the  
234 Office of the Comptroller of the Currency; and (2) submit its charter, or

235 a copy thereof, to the commissioner upon consummation of the  
236 conversion.

237 [(c)] (d) In any conversion under this section involving the  
238 conversion to a capital stock Connecticut bank:

239 (1) The commissioner shall approve a conversion under this  
240 subsection if the commissioner determines that: (A) The converting  
241 bank has complied with all applicable provisions of law; (B) the  
242 converting bank has equity capital at least equal to the minimum  
243 equity capital for the organization of a Connecticut bank; and (C) the  
244 proposed conversion will serve public necessity and convenience.

245 (2) After receipt of the commissioner's approval, the converting  
246 bank shall promptly file such approval and its certificate of  
247 incorporation with the Secretary of the State and with the town clerk of  
248 the town in which its principal office is located. Upon such filing, the  
249 converting bank shall cease to be the type of bank from which it  
250 converted and shall become a bank and trust company, capital stock  
251 savings bank or capital stock savings and loan association, as the case  
252 may be. The converted Connecticut bank shall not commence business  
253 unless its insurable accounts and deposits are insured by the Federal  
254 Deposit Insurance Corporation or its successor agency. Upon such  
255 conversion, the converted Connecticut bank possesses all of the rights,  
256 privileges and powers granted to it by its certificate of incorporation  
257 and by the provisions of the general statutes applicable to the type of  
258 Connecticut bank into which it converted, and all of the assets,  
259 business and good will of the converting bank are transferred to and  
260 vested in it without any deed or instrument of conveyance, provided  
261 the converting bank may execute any deed or instrument of  
262 conveyance as is convenient to confirm such transfer. The converted  
263 Connecticut bank is subject to all of the duties, relations, obligations,  
264 trusts and liabilities of the converting bank, whether as debtor,  
265 depository, registrar, transfer agent, executor, administrator, trustee or  
266 otherwise, and is liable to pay and discharge all such debts and  
267 liabilities, to perform all such duties and to administer all such trusts

268 in the same manner and to the same extent as if the converted  
269 Connecticut bank had itself incurred the obligation or liability or  
270 assumed the duty, relation or trust. All rights of creditors of the  
271 converting bank and all liens upon the property of such bank are  
272 preserved unimpaired and the converted Connecticut bank is entitled  
273 to receive, accept, collect, hold and enjoy any and all gifts, bequests,  
274 devises, conveyances, trusts and appointments in favor of or in the  
275 name of the converting bank and whether made or created to take  
276 effect prior to or after the conversion.

277 (3) The persons named as directors in the certificate of incorporation  
278 shall be the directors of the converted Connecticut bank until the first  
279 annual election of directors after the conversion or until the expiration  
280 of their terms as directors, and shall have the power to take all  
281 necessary actions and to adopt bylaws concerning the business and  
282 management of such Connecticut bank.

283 (4) No such converted Connecticut bank shall exercise any of the  
284 fiduciary powers granted to Connecticut banks by law until express  
285 authority therefor has been given by the commissioner, unless such  
286 powers were legally exercised by the bank at the time of conversion.

287 (5) The franchise tax required to be paid by capital stock  
288 Connecticut banks on an increase of capital stock shall be paid upon  
289 the capital stock of any such converted Connecticut bank converting  
290 from a capital stock federal bank, the amount subject to such tax to be  
291 determined by deducting from the entire amount of such stock, the  
292 amount of the capital stock of the capital stock federal bank upon  
293 which such tax was paid during its existence as a capital stock  
294 Connecticut bank, if such capital stock federal bank came into  
295 existence by virtue of conversion from a capital stock Connecticut bank  
296 or by virtue of merger or consolidation of a capital stock Connecticut  
297 bank with a capital stock federal bank.

298 [(d)] (e) Notwithstanding the provisions of subsection (a) of this  
299 section, no reorganized savings institution shall have the power to

300 convert into a bank and trust company, capital stock savings bank or  
301 capital stock savings and loan association, as the case may be.

302 Sec. 5. Section 36a-145 of the general statutes is repealed and the  
303 following is substituted in lieu thereof:

304 (a) As used in this section:

305 (1) "Branch" means any office at a fixed location of a Connecticut  
306 bank, other than the main office, at which deposits are received, checks  
307 paid and money lent and which maintains minimum banking hours  
308 from nine o'clock a.m. until three o'clock p.m., Monday through  
309 Friday.

310 (2) "Limited branch" means any office at a fixed location of a  
311 Connecticut bank at which banking business is conducted other than  
312 the main office, branch or mobile branch.

313 (3) "Mobile branch" means any office of a Connecticut bank at which  
314 banking business is conducted which is in fact moved or transported  
315 to one or more predetermined locations in accordance with a  
316 predetermined schedule.

317 (b) (1) With the approval of the commissioner, any Connecticut  
318 bank may establish a branch in this state.

319 (2) The commissioner shall not approve the establishment of a  
320 branch under this subsection unless the commissioner considers  
321 whether: (A) Establishment of the branch will result in an  
322 oversaturation of depository institutions in the town in which the  
323 branch is to be located or in the area surrounding the town; (B)  
324 establishment of the branch is consistent with safe and sound banking  
325 practices in the town or the surrounding area; (C) the Connecticut  
326 bank seeking approval of the branch intends to operate the branch on a  
327 long-term basis; and (D) the Connecticut bank maintains, and will  
328 continue to maintain, a reasonable ratio of loans made in the state to  
329 deposits received from residents of the state. In determining whether

330 to approve the establishment of a branch under this subsection, the  
331 commissioner shall not consider the existence of any office established  
332 under subsection (d) of section 36a-425, as amended by this act, by the  
333 Connecticut bank, or by a holding company of which the Connecticut  
334 bank is a subsidiary, that is situated at or near the location of the  
335 branch.

336 (3) The commissioner shall not approve the establishment of any  
337 branch under this subsection unless the commissioner makes the  
338 findings required under section 36a-34.

339 (4) With the approval of the commissioner, any Connecticut bank  
340 may convert a limited branch in this state to a branch. The  
341 commissioner shall not approve a conversion under this subdivision  
342 unless the commissioner considers such factors and makes such  
343 findings under subdivisions (2) and (3) of this subsection as the  
344 commissioner deems applicable.

345 (c) (1) With the approval of the commissioner, any Connecticut bank  
346 may establish in this state a limited branch that provides limited  
347 services or is open for limited time periods. The commissioner shall  
348 not approve the establishment of a branch under this subdivision  
349 unless the commissioner considers such factors and makes such  
350 findings under subdivisions (2) and (3) of subsection (b) of this section  
351 as the commissioner deems applicable. The commissioner shall  
352 approve such establishment if the commissioner determines that: (A)  
353 The interest of the neighborhood where the limited branch is to be  
354 located will be served to advantage by the establishment of the  
355 proposed branch, (B) the proposed products, services and banking  
356 hours are appropriate to meet the convenience and needs of the  
357 neighborhood, and (C) in the case of an establishment resulting from  
358 the conversion of a branch to a limited branch, alternative banking  
359 services are available in the neighborhood so that any reduction in  
360 services or hours will not result in unmet banking needs.

361 (2) With the approval of the commissioner, any Connecticut bank

362 may establish in this state a special need limited branch that provides  
363 limited services or is open for limited time periods in order to meet a  
364 special need of the neighborhood in which such limited branch is to be  
365 located. The commissioner shall not approve the establishment of a  
366 branch under this subdivision unless the commissioner considers such  
367 factors and makes such findings and determinations under subdivision  
368 (1) of this subsection as the commissioner deems necessary.

369 (3) A limited branch or mobile branch shall be conspicuously  
370 identified as a branch of the Connecticut bank. The commissioner may  
371 condition the approval of such branch with any other requirement that  
372 the commissioner deems necessary or appropriate for the protection of  
373 depositors or the Connecticut bank.

374 (d) With the approval of the commissioner for each predetermined  
375 location, any Connecticut bank may establish in this state a mobile  
376 branch that provides full or limited services or is open for full or  
377 limited time periods. The commissioner shall not approve the  
378 establishment of a mobile branch under this subsection unless the  
379 commissioner makes the considerations, findings and determinations  
380 required under subdivision (1) of subsection (c) of this section,  
381 provided that in the case of a mobile branch established in order to  
382 meet a special need of the neighborhood in which such mobile branch  
383 is to be located, the commissioner shall not approve such  
384 establishment unless the commissioner makes the considerations and  
385 determinations required under subdivision (2) of subsection (c) of this  
386 section.

387 (e) Nothing in this section shall prohibit a Connecticut bank from  
388 establishing or operating a branch, limited branch or mobile branch in  
389 the same or approximately the same location as another depository  
390 institution, or continuing to operate as a branch, limited branch or  
391 mobile branch in this state in the same or approximately the same  
392 location, the business of any other depository institution which has  
393 been acquired by the Connecticut bank.

394 (f) (1) A Connecticut bank which proposes to close any branch or  
395 limited branch shall submit to the commissioner a notice of the  
396 proposed closing not later than the first day of the ninety-day period  
397 ending on the date proposed for that closing. The notice shall include a  
398 detailed statement of the reasons for the decision to close the branch or  
399 limited branch and the statistical and other information in support of  
400 such reasons. After receipt of the notice, the commissioner may require  
401 the Connecticut bank to submit any additional information.

402 (2) The Connecticut bank shall provide notice of the proposed  
403 closing to its customers by:

404 (A) Posting a notice in a conspicuous manner on the premises of the  
405 branch or limited branch proposed to be closed during a period not  
406 less than the thirty-day period ending on the date proposed for that  
407 closing, and

408 (B) Including a notice in at least one of any regular account  
409 statements mailed to customers of the branch or limited branch  
410 proposed to be closed or in a separate mailing, by not later than the  
411 beginning of the ninety-day period ending on the date proposed for  
412 that closing.

413 (3) (A) A Connecticut bank which proposes to close any mobile  
414 branch shall [comply with such notice and other requirements as the  
415 commissioner may prescribe] submit to the commissioner a notice of  
416 the proposed closing not later than thirty days prior to the date  
417 proposed for such closing. The notice shall include a detailed  
418 statement of the reasons for the decision to close the mobile branch  
419 and the statistical and other information in support of such reasons.  
420 After receipt of the notice, the commissioner may require the  
421 Connecticut bank to submit any additional information.

422 (B) A Connecticut bank which proposes to close any predetermined  
423 location of a mobile branch shall notify the commissioner prior to the  
424 closing of such location.

425 (g) With the approval of the commissioner, any Connecticut bank  
426 may relocate within this state any branch or limited branch in  
427 accordance with such notice and other requirements as the  
428 commissioner may prescribe. As used in this subsection, "relocate"  
429 means to move within the same immediate neighborhood without  
430 substantially affecting the nature of the business or customers served.

431 (h) With the approval of the commissioner, a Connecticut bank may  
432 sell a branch, limited branch or mobile branch to any bank,  
433 Connecticut credit union or federal credit union. The selling  
434 Connecticut bank must have been in existence and continuously  
435 operating for at least five years unless the commissioner waives this  
436 requirement. The commissioner shall not approve such sale if such  
437 acquiring bank or credit union, including all insured depository  
438 institutions which are affiliates of the bank or credit union, upon  
439 consummation of the sale, would control thirty per cent or more of the  
440 total amount of deposits of insured depository institutions in this state,  
441 unless the commissioner permits a greater percentage of such deposits.

442 (i) With the approval of the commissioner, a Connecticut bank may  
443 establish a branch, limited branch or mobile branch outside of this  
444 state in accordance with applicable law. The commissioner shall not  
445 grant such approval, unless: (1) The commissioner finds, in accordance  
446 with regulations adopted pursuant to chapter 54, that the Connecticut  
447 bank has a record of compliance with the requirements of the  
448 Community Reinvestment Act of 1977, 12 USC 2901 et seq., as from  
449 time to time amended, sections 36a-30 to 36a-33, inclusive, to the extent  
450 applicable, and applicable consumer protection laws; (2) the  
451 Connecticut bank is adequately capitalized and the commissioner  
452 determines that it will continue to be adequately capitalized; and (3)  
453 the Connecticut bank is adequately managed and the commissioner  
454 determines that it will continue to be adequately managed. The  
455 commissioner may examine and supervise the out-of-state branches of  
456 any such Connecticut bank and may enter into agreements with other  
457 state or federal banking regulators or similar regulators in a foreign  
458 country concerning such examinations or supervision.

459 Sec. 6. Section 36a-215 of the general statutes is repealed and the  
460 following is substituted in lieu thereof:

461 [For a period of three years from April 8, 1992, the commissioner,  
462 upon request, may exempt any transaction involving a troubled  
463 financial institution from any requirement under this title, and  
464 regulations adopted under this title, that is necessary for the  
465 consummation of the transaction if the commissioner finds that such  
466 exemption is advisable and in the interest of the depositors or  
467 members of the troubled financial institution or the public, provided  
468 the commissioner shall not exempt a troubled financial institution  
469 from any requirement that the institution's insurable accounts or  
470 deposits be federally insured. Any exemption granted by the  
471 commissioner under this section shall be in writing and shall set forth  
472 the reason or reasons for the exemption. For the purposes of this  
473 section, (1) "troubled financial institution" means any bank,  
474 Connecticut credit union or federal credit union that, in the opinion of  
475 the primary regulatory agency of such institution and with the  
476 concurrence of the institution's federal deposit insurer with such  
477 opinion, is (A) in danger of becoming insolvent or (B) not likely to be  
478 able to meet the demands of its depositors or members, as the case  
479 may be, or pay its obligations in the normal course of business or is  
480 likely to incur losses that may deplete all or substantially all of its  
481 capital, and (2) "transaction" includes the organization of a Connecticut  
482 bank or Connecticut credit union, and any conversion of, merger or  
483 consolidation with, or acquisition of all or part of the assets or stock of  
484 any bank, Connecticut credit union or federal credit union.]

485 If, in the opinion of the commissioner, a Connecticut bank  
486 organized to function solely in a fiduciary capacity or an uninsured  
487 bank in danger of becoming insolvent, is not likely to be able to meet  
488 the demands of its depositors, in the case of an uninsured bank, or pay  
489 its obligations in the normal course of business, or is likely to incur  
490 losses that may deplete all or substantially all of its capital, the  
491 commissioner may require such Connecticut bank organized to  
492 function solely in a fiduciary capacity or uninsured bank to keep assets

493 on deposit in an amount that would be sufficient to meet the costs and  
494 expenses incurred by the commissioner pursuant to section 36a-223  
495 and all fees and assessments due the commissioner. Such assets shall  
496 be deposited with such bank as the commissioner may designate, and  
497 shall be in such form and subject to such conditions as the  
498 commissioner deems necessary. For purposes of this section,  
499 "uninsured bank" has the meaning given to that term in subsection (t)  
500 of section 36a-70.

501 Sec. 7. Section 36a-252 of the general statutes is repealed and the  
502 following is substituted in lieu thereof:

503 (a) Any community bank organized pursuant to subsection (r) of  
504 section 36a-70, as amended by this act, may, upon the approval of the  
505 commissioner, [expand its powers and] convert to a Connecticut bank  
506 that is authorized to operate without the limitations provided in  
507 subdivision (3) of subsection (r) of section 36a-70, as amended by this  
508 act.

509 (b) A community bank that proposes to [expand its powers] convert  
510 shall file with the commissioner a proposed plan of [expansion]  
511 conversion, a copy of the proposed certificate of incorporation and a  
512 certificate by the secretary of the community bank that the proposed  
513 plan of [expansion] conversion and proposed certificate of  
514 incorporation have been approved in accordance with subsection (c) of  
515 this section.

516 (c) The proposed plan of [expansion] conversion and proposed  
517 certificate of incorporation shall require the approval of a majority of  
518 the governing board of the community bank and the favorable vote of  
519 not less than two-thirds of the holders of each class of the bank's  
520 capital stock, if any, or, in the case of a mutual community bank, the  
521 incorporators thereof, cast at a meeting called to consider such  
522 [expansion] conversion.

523 (d) Any shareholder of a capital stock community bank that  
524 proposes to [expand its powers] convert who, on or before the date of

525 the shareholders' meeting to vote on such [expansion] conversion,  
526 objects to the [expansion] conversion by filing a written objection with  
527 the secretary of such bank may, within ten days after the effective date  
528 of such [expansion] conversion, make written demand upon the bank  
529 for payment of such shareholder's stock. Any such shareholder that  
530 makes such objection and demand shall have the same rights as those  
531 of a shareholder who dissents from the merger of two or more capital  
532 stock Connecticut banks.

533 (e) The commissioner shall approve [an expansion of powers] a  
534 conversion under this section if the commissioner determines that: (1)  
535 The community bank has complied with all applicable provisions of  
536 law; (2) the community bank has equity capital of at least five million  
537 dollars; (3) the community bank has received satisfactory ratings on its  
538 most recent state or federal safety and soundness examination and  
539 Community Reinvestment Act examination; and (4) the proposed  
540 [expansion of powers] conversion will serve the public necessity and  
541 convenience.

542 (f) After receipt of the commissioner's approval, the community  
543 bank shall promptly file such approval and its certificate of  
544 incorporation with the Secretary of the State and with the town clerk of  
545 the town in which its principal office is located. Upon such filing, the  
546 bank shall cease to be a community bank subject to the limitations  
547 provided in subdivision (3) of subsection (r) of section 36a-70, as  
548 amended by this act, and shall be a Connecticut bank possessed of all  
549 rights, privileges and powers granted to it by its certificate of  
550 incorporation and by the provisions of the general statutes applicable  
551 to its type of Connecticut bank, and all of the assets, business and good  
552 will of the community bank shall be transferred to and vested in such  
553 Connecticut bank without any deed or instrument of conveyance,  
554 provided the [Connecticut] converting bank may execute any deed or  
555 instrument of conveyance as is convenient to confirm such transfer.  
556 Such Connecticut bank shall be subject to all of the duties, relations,  
557 obligations, trusts and liabilities of the community bank, whether as  
558 debtor, depository, registrar, transfer agent, executor, administrator or

559 otherwise, and shall be liable to pay and discharge all such debts and  
560 liabilities, to perform all such duties in the same manner and to the  
561 same extent as if the Connecticut bank had itself incurred the  
562 obligation or liability or assumed the duty or relation. All rights of  
563 creditors of the [predecessor] community bank and all liens upon the  
564 property of such bank shall be preserved unimpaired and the  
565 Connecticut bank shall be entitled to receive, accept, collect, hold and  
566 enjoy any and all gifts, bequests, devises, conveyances, trusts and  
567 appointments in favor of or in the name of the community bank and  
568 whether made or created to take effect prior to or after the [expansion  
569 of powers] conversion.

570 (g) The persons named as directors in the certificate of incorporation  
571 shall be the directors of such Connecticut bank until the first annual  
572 election of directors after the [expansion of powers] conversion or until  
573 the expiration of their terms as directors, and shall have the power to  
574 take all necessary actions and to adopt bylaws concerning the business  
575 and management of such Connecticut bank.

576 (h) No such Connecticut bank may exercise any of the fiduciary  
577 powers granted to Connecticut banks by law until express authority  
578 therefor has been given by the commissioner, unless such authority  
579 was previously granted to the [predecessor] community bank.

580 (i) The franchise tax required to be paid by capital stock Connecticut  
581 banks upon an increase of capital stock shall be paid upon the capital  
582 stock of any such Connecticut bank, provided, any franchise tax paid  
583 by the [predecessor] community bank shall be subtracted from any  
584 amount owed under this subsection.

585 Sec. 8. Subsection (d) of section 36a-425 of the general statutes is  
586 repealed and the following is substituted in lieu thereof:

587 (d) Any holding company may establish or maintain, either directly  
588 or through any subsidiary of such holding company that is not a  
589 banking corporation, and any banking corporation that is not a  
590 subsidiary of a holding company may establish or maintain, through

591 any of its subsidiaries that are not banking corporations, one or more  
592 offices for the purpose of engaging in banking business other than to  
593 provide deposit services in this state. [subject to the approval of the  
594 commissioner.] No office established or maintained under this  
595 subsection may be converted into an office that engages in banking  
596 business which includes providing deposit services. For purposes of  
597 this subsection, "deposit services" includes but is not limited to,  
598 deposits, withdrawals, advances, payments and transfers of funds to  
599 or from a deposit account. [Any applicant for permission to establish  
600 an office pursuant to this subsection shall pay to the commissioner a  
601 fee, in an amount fixed by the commissioner, to defray the costs of  
602 processing such applications.]

603 Sec. 9. Section 36a-252a of the general statutes is repealed and the  
604 following is substituted in lieu thereof:

605 (a) Any [uninsured bank organized pursuant to] Connecticut bank  
606 that is an uninsured bank, as defined in subsection (t) of section 36a-70,  
607 or any Connecticut bank that functions solely in a fiduciary capacity,  
608 may, upon the approval of the commissioner, [expand its powers]  
609 convert to a Connecticut bank that is authorized to accept retail  
610 deposits, as defined in [said] subsection (t) of section 36a-70, and  
611 operate without the limitations provided in subdivisions (3) and (4) of  
612 [said] subsection (t) of section 36a-70 or subsection (b) of section 36a-  
613 250.

614 (b) [An uninsured bank that proposes to expand its powers] The  
615 converting bank shall file with the commissioner a proposed plan of  
616 [expansion, a copy of the proposed plan of expansion] conversion, a  
617 copy of the proposed certificate of incorporation and a certificate by  
618 the secretary of the [uninsured] converting bank that the proposed  
619 plan of [expansion] conversion and proposed certificate of  
620 incorporation have been approved in accordance with subsection (c) of  
621 this section.

622 (c) The proposed plan of [expansion] conversion and proposed

623 certificate of incorporation shall require the approval of a majority of  
624 the governing board of the [uninsured] converting bank and the  
625 favorable vote of not less than two-thirds of the holders of each class of  
626 the [uninsured] converting bank's capital stock, if any, or in the case of  
627 a converting mutual [uninsured] bank, the incorporators thereof, cast at  
628 a meeting called to consider such [expansion] conversion.

629 (d) Any shareholder of a capital stock [uninsured] Connecticut bank  
630 that proposes to [expand its powers] convert under this section, who,  
631 on or before the date of the shareholders' meeting to vote on such  
632 [expansion] conversion, objects to the [expansion] conversion by filing  
633 a written objection with the secretary of such bank may, within ten  
634 days after the effective date of such [expansion] conversion, make  
635 written demand upon the bank for payment of such shareholder's  
636 stock. Any such shareholder that makes such objection and demand  
637 shall have the same rights as those of a shareholder who dissents from  
638 the merger of two or more capital stock Connecticut banks.

639 (e) The commissioner shall approve [an expansion of powers] a  
640 conversion under this section if the commissioner determines that: (1)  
641 The [uninsured] converting bank has complied with all applicable  
642 provisions of law; (2) the [uninsured] converting bank has equity  
643 capital of at least five million dollars; (3) the [uninsured] converting  
644 bank has received satisfactory ratings on its most recent safety and  
645 soundness examination; (4) the proposed [expansion of powers]  
646 conversion will serve the public necessity and convenience; and (5) the  
647 [uninsured] converting bank will provide adequate services to meet  
648 the banking needs of all community residents, including low-income  
649 residents and moderate-income residents to the extent permitted by its  
650 charter, in accordance with a plan submitted by the [uninsured]  
651 converting bank to the commissioner, in such form and containing  
652 such information as the commissioner may require. Upon receiving  
653 any such plan, the commissioner shall make the plan available for  
654 public inspection and comment at the Department of Banking and  
655 cause notice of its submission and availability for inspection and  
656 comment to be published in the department's weekly bulletin. With

657 the concurrence of the commissioner, the [uninsured] converting bank  
658 shall publish, in the form of a legal advertisement in a newspaper  
659 having a substantial circulation in the area, notice of such plan's  
660 submission and availability for public inspection and comment. The  
661 notice shall state that the inspection and comment period will last for a  
662 period of thirty days from the date of publication. The commissioner  
663 shall not make such determination until the expiration of the thirty-  
664 day period. In making such determination, the commissioner shall,  
665 unless clearly inapplicable, consider, among other factors, whether the  
666 plan identifies specific unmet credit and consumer banking needs in  
667 the local community and specifies how such needs will be satisfied,  
668 provides for sufficient distribution of banking services among  
669 branches or satellite devices, or both, located in low-income  
670 neighborhoods, contains adequate assurances that banking services  
671 will be offered on a nondiscriminatory basis and demonstrates a  
672 commitment to extend credit for housing, small business and  
673 consumer purposes in low-income neighborhoods.

674 (f) After receipt of the commissioner's approval, the [uninsured]  
675 converting bank shall promptly file such approval and its certificate of  
676 incorporation with the Secretary of the State and with the town clerk of  
677 the town in which its principal office is located. Upon such filing, the  
678 bank shall cease to be an uninsured bank subject to the provisions of  
679 subdivisions (3) and (4) of subsection (t) of section 36a-70, or a  
680 Connecticut bank organized to function solely in a fiduciary capacity,  
681 subject to the limitations provided in subsection (b) of section 36a-250,  
682 and shall be a Connecticut bank subject to all of the requirements and  
683 limitations and possessed of all rights, privileges and powers granted  
684 to it by its certificate of incorporation and by the provisions of the  
685 general statutes applicable to its type of Connecticut bank. Such  
686 Connecticut bank shall not commence business unless its insurable  
687 accounts and deposits are insured by the Federal Deposit Insurance  
688 Corporation or its successor agency. Upon such filing with the  
689 Secretary of the State and with the town clerk, all of the assets,  
690 business and good will of the [uninsured] converting bank shall be

691 transferred to and vested in such Connecticut bank without any deed  
692 or instrument of conveyance, provided the [Connecticut] converting  
693 bank may execute any deed or instrument of conveyance as is  
694 convenient to confirm such transfer. Such Connecticut bank shall be  
695 subject to all of the duties, relations, obligations, trusts and liabilities of  
696 the [uninsured] converting bank, whether as debtor, depository,  
697 registrar, transfer agent, executor, administrator or otherwise, and  
698 shall be liable to pay and discharge all such debts and liabilities, to  
699 perform all such duties in the same manner and to the same extent as if  
700 the Connecticut bank had itself incurred the obligation or liability or  
701 assumed the duty or relation. All rights of creditors of the [predecessor  
702 uninsured] converting bank and all liens upon the property of such  
703 bank shall be preserved unimpaired and the Connecticut bank shall be  
704 entitled to receive, accept, collect, hold and enjoy any and all gifts,  
705 bequests, devises, conveyances, trusts and appointments in favor of or  
706 in the name of the [uninsured] converting bank and whether made or  
707 created to take effect prior to or after the [expansion of powers]  
708 conversion.

709 (g) The persons named as directors in the certificate of incorporation  
710 shall be the directors of such Connecticut bank until the first annual  
711 election of directors after the [expansion of powers] conversion or until  
712 the expiration of their terms as directors, and shall have the power to  
713 take all necessary actions and to adopt bylaws concerning the business  
714 and management of such Connecticut bank.

715 (h) No such Connecticut bank resulting from the conversion of an  
716 uninsured bank may exercise any of the fiduciary powers granted to  
717 Connecticut banks by law until express authority therefor has been  
718 given by the commissioner, unless such authority was previously  
719 granted to the [predecessor uninsured] converting bank.

720 (i) The franchise tax required to be paid by capital stock Connecticut  
721 banks upon an increase of capital stock shall be paid upon the capital  
722 stock of any such Connecticut bank, provided, any franchise tax paid  
723 by the [predecessor uninsured] converting bank shall be subtracted

724 from any amount owed under this subsection.

725 Sec. 10. (NEW) (a) Any Connecticut bank that is authorized to  
726 accept retail deposits, as defined in subsection (t) of section 36a-70 of  
727 the general statutes, may, upon the approval of the Commissioner of  
728 Banking, convert to an uninsured bank, as defined in subsection (t) of  
729 said section.

730 (b) The converting bank shall file with the commissioner a proposed  
731 plan of conversion, a copy of the proposed certificate of incorporation  
732 and a certificate by the secretary of the converting bank that the  
733 proposed plan of conversion and proposed certificate of incorporation  
734 have been approved in accordance with subsection (c) of this section.

735 (c) The proposed plan of conversion and proposed certificate of  
736 incorporation shall require the approval of a majority of the governing  
737 board of the converting bank and the favorable vote of not less than  
738 two-thirds of the holders of each class of the bank's capital stock, if  
739 any, or, in the case of a mutual bank, the incorporators thereof, cast at a  
740 meeting called to consider such conversion.

741 (d) Any shareholder of a converting capital stock Connecticut bank  
742 that proposes to convert to an uninsured bank who, on or before the  
743 date of the shareholders' meeting to vote on such conversion, objects to  
744 the conversion by filing a written objection with the secretary of such  
745 bank may, within ten days after the effective date of such conversion,  
746 make written demand upon the converted bank for payment of such  
747 shareholder's stock. Any such shareholder that makes such objection  
748 and demand shall have the same rights as those of a shareholder who  
749 dissents from the merger of two or more capital stock Connecticut  
750 banks.

751 (e) With the approval of the commissioner, a converting Connecticut  
752 bank shall liquidate all of its retail deposits, as defined in subsection (t)  
753 of section 36a-70 of the general statutes. The converting bank shall file  
754 with the commissioner a written notice of its intent to liquidate all of  
755 its retail deposits together with a plan of liquidation and a proposed

756 notice to depositors approved and executed by a majority of its  
757 governing board. The commissioner shall approve the plan and the  
758 notice to depositors. The commissioner shall not approve a sale of the  
759 retail deposits of the converting bank if the purchasing insured  
760 depository institution, including all insured depository institutions  
761 which are affiliates of such institution, upon consummation of the sale,  
762 would control thirty per cent or more of the total amount of deposits of  
763 insured depository institutions in this state, unless the commissioner  
764 permits a greater percentage of such deposits. The converting and  
765 purchasing institutions shall file with the commissioner a written  
766 agreement approved and executed by a majority of the governing  
767 board of each institution prescribing the terms and conditions of the  
768 transaction.

769 (f) The commissioner shall approve a conversion under this section  
770 if the commissioner determines that: (1) The converting bank has  
771 complied with all applicable provisions of law; (2) the converting bank  
772 has equity capital of at least five million dollars unless the  
773 commissioner establishes a different minimum capital requirement  
774 based on the proposed activities of the converting bank; (3) the  
775 converting bank has liquidated all of its retail deposits and has no  
776 deposits that are insured by the Federal Deposit Insurance Corporation  
777 or its successor agency; and (4) the proposed conversion will serve the  
778 public necessity and convenience. The commissioner shall not approve  
779 such conversion unless the commissioner considers the findings of the  
780 most recent state or federal safety and soundness examination of the  
781 converting bank, and the effect of the proposed conversion on the  
782 financial resources and future prospects of the converting bank.

783 (g) After receipt of the commissioner's approval for the conversion,  
784 the converting bank shall promptly file such approval and its  
785 certificate of incorporation with the Secretary of the State and with the  
786 town clerk of the town in which its principal office is located. Upon  
787 such filing, the converted Connecticut bank shall not accept retail  
788 deposits and shall be an uninsured bank, as defined in subsection (t) of  
789 section 36a-70 of the general statutes, subject to the limitations in

790 subdivisions (3) and (4) of subsection (t) of section 36a-70 of the  
791 general statutes. Upon such conversion, the converted Connecticut  
792 bank possesses all of the rights, privileges and powers granted to it by  
793 its certificate of incorporation and by the provisions of the general  
794 statutes applicable to its type of Connecticut bank, and all of the assets,  
795 business and good will of the converting bank shall be transferred to  
796 and vested in the converted Connecticut bank without any deed or  
797 instrument of conveyance, provided the converting bank may execute  
798 any deed or instrument of conveyance as is convenient to confirm such  
799 transfer. The converted Connecticut bank shall be subject to all of the  
800 duties, relations, obligations, trusts and liabilities of the converting  
801 bank, whether as debtor, depository, registrar, transfer agent, executor,  
802 administrator or otherwise, and shall be liable to pay and discharge all  
803 such debts and liabilities, to perform all such duties in the same  
804 manner and to the same extent as if the converted bank had itself  
805 incurred the obligation or liability or assumed the duty or relation. All  
806 rights of creditors of the converting bank and all liens upon the  
807 property of such bank shall be preserved unimpaired and the  
808 uninsured bank shall be entitled to receive, accept, collect, hold and  
809 enjoy any and all gifts, bequests, devises, conveyances, trusts and  
810 appointments in favor of or in the name of the converting bank and  
811 whether made or created to take effect prior to or after the conversion.

812 (h) The persons named as directors in the certificate of incorporation  
813 shall be the directors of the converted Connecticut bank until the first  
814 annual election of directors after the conversion or until the expiration  
815 of their terms as directors, and shall have the power to take all  
816 necessary actions and to adopt bylaws concerning the business and  
817 management of such Connecticut bank.

818 (i) No converted Connecticut bank, other than a Connecticut bank  
819 which converted from a Connecticut bank organized solely to function  
820 in a fiduciary capacity, may exercise any of the fiduciary powers  
821 granted to Connecticut banks by law until express authority therefor  
822 has been given by the commissioner, unless such authority was  
823 previously granted to the converting bank.

824 (j) The franchise tax required to be paid by capital stock Connecticut  
825 banks upon an increase of capital stock shall be paid upon the capital  
826 stock of any such converted bank, provided, any franchise tax paid by  
827 the converting bank shall be subtracted from any amount owed under  
828 this subsection.

829 Sec. 11. (NEW) No Connecticut bank or Connecticut credit union  
830 shall charge a fee to a holder of a deposit account or share account  
831 solely because the status of such an account is inactive.

832 Sec. 12. This act shall take effect from its passage except that sections  
833 1 and 6 shall take effect July 1, 2001, and section 11 shall take effect  
834 October 1, 2001.

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### **OFA Fiscal Note**

**State Impact:** Revenue Loss, (Banking Fund)

**Affected Agencies:** Department of Banking

**Municipal Impact:** None

### **Explanation**

#### **State Impact:**

The bill reorganizes bank transaction fees, reduces, eliminates and establishes certain fees. It requires accountants that audit banks to provide their working papers to the banking commissioner. New procedures are established when a bank chooses to convert to an uninsured bank. The bill repeals outdated provisions regarding troubled banks. The following table lists the proposed fees, reduces eliminates and establishes certain fees along with the fiscal impact.

Fee Change	Annual Number of License Applications	Fee	Revenue Loss/Gain
Eliminate \$1000 fee for holding to maintain an at a subsidiary.	27	\$1,000	(\$27,000)
Eliminate \$2000 fee for a sale of a branch of a Connecticut to	2	\$2,000	(\$4,000)

another Connecticut bank or credit union.

Reduce fee for relocation of a branch or limited branch. The fee would be reduced	7	\$1500 to \$500	(\$7,000)
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Institute \$500 fee per application to purchase or improve bank real estate.	18	\$500	\$9,000
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Institute \$150 fee per day for miscellaneous investigations	Can't be determined	\$150	Unknown
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Relocation of main office of Connecticut bank	Can't be determined	\$2,000	Unknown
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Relocation of branch or limited branch	Can't be determined	\$500	Unknown
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Merger or consolidation of a Connecticut bank with another institution	Can't be determined	\$2,500	Unknown
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Merger of 3 or more banking institutions	Can't be determined	\$5,000	Unknown
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Institute fee for acquisition of beneficial ownership or voting securities	Can't be determined	\$2,500	Unknown
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Institute fee \$2,500 fee for expansion of powers from an uninsured bank to an insured bank or from community banks to banks	Can't be determined	\$2,500	Unknown
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<b>Net Revenue Loss To The Banking Fund</b>	<b>(\$29,000)</b>
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The bill also requires an insured bank requesting to convert to an uninsured bank to pay a fee of \$15,000. Presently an insured bank must apply for a new charter to become an uninsured bank with a fee of \$15,000. This bill eliminates the new charter requirement. Since these figures are the same there is no fiscal impact with this fee change.

There is a \$29,000 loss of revenue with fee changes specified in the bill. This is reflected in the table above. There is a possible revenue gain where fees have been established and a projection on revenue cannot be made due to an inability to predict the exact number of fees to be charged.

The Department of Banking will incur a workload increase when they review the working papers of accountants when they audit banks. The banking commissioner will incur a workload increase with its authority to require a Connecticut bank that is in financial trouble to pledge its assets to cover the commissioner's costs of placing the bank in receivership. These requirements can be handled within the anticipated budgetary resources of the Department of Banking.

Senate "A" is technical in nature and no fiscal impact.

Senate "B" is technical in nature and has no fiscal impact.

House "A" is technical in nature and has no fiscal impact.

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**OLR Amended Bill Analysis**

sSB 792 (as amended by Senate "A" and "B" and House "A")\*

**AN ACT CONCERNING BANK TRANSACTIONS.****SUMMARY:**

This bill changes and reorganizes bank transaction fees and amends the requirements for bank examination by accountants. It addresses establishing, converting, and closing Connecticut banks and branches, including conversion to an uninsured bank. It replaces an outdated provision for troubled banks with new powers for the banking commissioner when banks are in danger of insolvency. It prohibits banks and credit unions from charging fees to account holders solely because their accounts are inactive.

The bill also makes technical changes, including changing the word "expand" to "convert" when describing a community bank's change to another type of bank to more accurately reflect the conversion process.

\*Senate Amendment "A" eliminates a requirement that the commissioner determine that a bank proposing to convert to an uninsured bank received satisfactory ratings on its most recent federal or state safety and soundness examination. Instead, it requires him to consider the most recent examination findings as well as the proposed conversion's effect on the converting bank's financial resources and future prospects.

\*Senate Amendment "B" eliminates the statutory limit on the percentage of a community bank's capital stock that one person may acquire. The original file increased the percentage from 9.9% to 24.9%.

\*House Amendment "A" prohibits banks and credit unions from charging fees to account holders solely because their accounts are inactive. It also changes the effective date of the sections concerning bank transaction fees and banks in danger of insolvency from upon passage to July 1, 2001.

EFFECTIVE DATE: Upon passage, except that the sections on bank

transaction fees and banks in danger of insolvency take effect July 1, 2001 and the section prohibiting inactive account fees takes effect October 1, 2001.

## FEES

The bill reorganizes bank transaction fees based on the type of transaction involved and reduces, eliminates, and establishes certain application fees. The fee for selling a branch is still \$2,000, except that there is no fee for selling a branch of a Connecticut bank to another Connecticut bank or a Connecticut credit union. Fee changes are as follows:

<i>Transaction</i>	<i>Current Fee</i>	<i>Proposed Fee</i>
Establishment of an out-of-state branch	None	Up to \$2,000
Establishment of an out-of-state limited or mobile branch	None	Up to \$1,500
Relocation of a branch or a limited branch	\$1,500	\$500
Conversion from a branch to a limited branch	Up to \$2,000	\$500
Conversion of a limited branch to a branch	Up to \$2,000	\$500
Conversion to an uninsured bank	None	\$15,000
Buying, altering, or improving real estate	None	\$500
Application for sale of a special need or mobile branch	Up to \$1,500	None
Miscellaneous investigations	\$150 per day	Actual cost of investigation

## ORGANIZATION OF COMMUNITY BANK

The bill eliminates the 9.9% cap on the amount of the bank's capital stock that any person or people acting together to organize a capital stock community bank may acquire.

## ANNUAL EXAMINATION BY ACCOUNTANTS

### *Connecticut Banks*

Current law requires each Connecticut bank's governing board to choose accountants to examine or audit the bank annually. The bill adds requirements that the accountants agree to provide related working papers, policies, and procedures to the commissioner upon request. They must also submit their signed report to the board within a reasonable time after the examination. Under current law, they must submit the report within 90 days of the start of the audit or examination. The bill requires the bank to keep the report on file and file a copy with the commissioner. It extends immunity from personal liability for bank officers' and employees' negligence from directors alone to all members of the governing board.

### ***Bank Subsidiaries of Holding Companies***

The bill allows the governing board of a holding company's subsidiary bank to file a signed consolidated report of the audit or examination of the holding company, instead of that of the bank, so long as the bank's governing board agrees to accept the report as satisfactory before it hires an accountant, and the commissioner has given approval. The accountants hired must follow the same procedures as accountants examining a Connecticut bank. The bank must keep the report on file and file a copy with the commissioner.

## **CONVERTING, ESTABLISHING, AND CLOSING BANKS AND BRANCHES**

### ***Capital Stock Bank to National Bank***

The bill requires a capital stock Connecticut bank converting to a national bank to give the commissioner notice of its intent to convert when it submits its application to the Comptroller's Office. It must also submit its charter to the commissioner when the conversion takes place.

### ***Limited Branch to Branch***

The bill allows a limited branch to convert to a branch with the commissioner's approval, so long as the commissioner considers the same factors as he does when approving the establishment of a branch. These factors include whether (1) establishing the branch will result in too many banks or branches in the area, (2) establishing the branch is

consistent with safe and sound banking practices in the area, (3) the Connecticut bank seeking approval plans to operate the branch on a long-term basis, and (4) the Connecticut bank will continue to maintain a reasonable ratio of loans made in the state to deposits received from state residents. The commissioner must also find that the bank has an excellent record of community reinvestment and can meet the banking needs of all community residents.

### ***Fiduciary Bank to a Bank Accepting Deposits***

The bill permits a Connecticut bank organized to function solely in a fiduciary capacity to convert to a bank authorized to accept retail deposits. It requires a converting fiduciary bank to follow the same procedures as a converting uninsured bank, including filing a proposed plan of conversion and obtaining the commissioner's approval.

### ***Establishing a Special Need Limited Branch***

The bill renames a limited branch that a Connecticut bank may establish to serve the special needs of the branch's neighborhood as a "special need limited branch."

### ***Closing a Branch, Limited Branch, or Mobile Branch***

A Connecticut bank that wants to close a mobile branch must submit to the commissioner a notice of the proposed closing within 30 days of the closing date. The notice must include a detailed statement of the bank's reasons and statistical and other information supporting the decision. A bank that proposes to close any predetermined mobile branch must notify the commissioner before closing it.

The bill authorizes the commissioner, upon receiving notice of a branch, limited branch, or mobile branch's intent to close, to require the bank to provide additional information.

## **COMMISSIONER'S POWERS REGARDING BANKS IN DANGER OF INSOLVENCY**

The bill repeals outdated provisions regarding troubled banks. It gives the commissioner authority to require certain Connecticut banks to pledge sufficient assets to meet the commissioner's costs and expenses,

should the bank be placed in receivership or conservatorship. He may do this for financially troubled uninsured banks and banks organized to function solely in a fiduciary capacity that may be unable to pay their obligations in the normal course of business, or are likely to incur losses that could deplete all or almost all of their capital. He may also invoke this authority for uninsured banks that are unlikely to be able to meet their depositors' demands. The commissioner can choose the bank in which the assets will be deposited, the form in which the assets will be deposited, and the conditions to which the assets will be subject.

### **HOLDING COMPANY AND BANKING CORPORATION SUBSIDIARIES**

The bill eliminates the requirement that a holding company or banking corporation first get the commissioner's approval and pay him a processing fee before establishing or maintaining a subsidiary's office in Connecticut to engage in banking activities other than deposit services.

### **CONVERSION FROM INSURED TO UNINSURED BANK**

#### ***Requirements for Conversion***

The bill establishes a procedure for an insured Connecticut bank to convert to an uninsured bank. It must file a proposed conversion plan and a copy of the proposed certificate of incorporation, along with a certificate from the converting bank's secretary that a majority of the governing board and at least two-thirds of the bank's stockholders or incorporators approved them both. Any objecting stockholder can file a written objection with the bank's secretary on or before the date of the shareholder vote on conversion, and can make written demand within 10 days after the vote for payment of his stock. He has the same rights as a shareholder who dissents from the merger of two or more capital stock Connecticut banks.

Once the banking commissioner has approved the conversion, a converting bank must liquidate all of its retail deposits. The bank must file with the commissioner: (1) written notice of its intent to liquidate; (2) its liquidation plan; and (3) its proposed notice to depositors, approved and executed by a majority of the governing board. The commissioner may not approve a sale of the bank's retail deposits if

the sale would result in the purchasing insured depository institution and its affiliates controlling 30% or more of the deposits in Connecticut-insured depository institutions, unless the commissioner allows a greater percentage. Both converting and purchasing banks must also file with the commissioner a written agreement approved and executed by a majority of each bank's governing boards and specifying the terms and conditions of the sale.

### ***Commissioner's Approval***

The bill requires the commissioner to approve a conversion if he determines that the converting bank has (1) complied with applicable laws, (2) equity capital of at least \$5 million (unless the commissioner allows a lower level), and (3) liquidated all of its retail deposits and has no Federal Deposit Insurance Corporation-insured deposits. The commissioner must also determine that the proposed conversion is in the public's interest. The bill prohibits the commissioner from approving a conversion unless he considers the findings of the converting bank's most recent safety and soundness examination and the proposed conversion's effect on the converting bank's financial resources and future prospects.

### ***Authority of Resulting Bank***

Once the commissioner approves a bank's conversion, the bill requires the bank to file the approval and the bank's certificate of incorporation with the secretary of state and clerk of the town where the bank has its principal office. Once it has filed, the bank becomes an uninsured bank and cannot accept retail deposits. It has all of the rights, privileges, and powers of an uninsured Connecticut bank and retains all of its assets and business. It is subject to all of the duties, relations, obligations, trusts, and liabilities of the predecessor Connecticut bank (which the bill calls the "converting bank"), whether as a debtor, depository, registrar, transfer agent, executor, administrator, or otherwise. It is liable to the same extent and has the same duties as if it had acquired the obligations itself. The rights of the predecessor bank's creditors and lienholders survive the conversion, and the uninsured bank is entitled to receive, accept, collect, hold, and enjoy gifts, bequests, devises, conveyances, trusts, and appointments in the predecessor bank's favor or name, regardless of whether they were intended for the bank before or after conversion.

Unless a bank converted solely to operate in a fiduciary capacity, a converted bank cannot exercise any fiduciary powers. This does not apply if the commissioner gives the bank express authority or gave authority to the predecessor bank.

**Directors' Powers**

Directors named in the original certificate of incorporation are directors of the converted bank until the first annual election of directors after conversion or until their terms expire. They have the power to adopt bylaws and do what is necessary to manage the converted bank.

**Franchise Tax**

The converted bank must pay the franchise tax on any increase of its capital stock. It may subtract from its obligation any franchise tax paid by the predecessor bank.

**BACKGROUND**

**Legislative History**

On April 11, the Senate referred the bill (File 93) to the Finance, Revenue, and Bonding Committee, which reported it favorably on April 20 without changes.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute  
Yea 17 Nay 0

Finance, Revenue, and Bonding Committee

Joint Favorable Report  
Yea 45 Nay 0