



General Assembly

February Session, 2004

Raised Bill No. 363

LCO No. 1476

01476_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

**AN ACT CONCERNING CONVERSIONS AND REORGANIZATIONS OF
MUTUAL SAVINGS BANKS.**

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

1 Section 1. Section 36a-136 of the general statutes, as amended by
2 section 4 of public act 03-196 and section 11 of public act 03-259, is
3 repealed and the following is substituted in lieu thereof (*Effective from*
4 *passage*):

5 (a) With the approval of the commissioner, any mutual savings
6 bank, mutual savings and loan association, federal mutual savings
7 bank or federal mutual savings and loan association may convert to a
8 capital stock bank in accordance with the provisions of this section and
9 the regulations adopted pursuant to subsection [(f)] (k) of this section,
10 provided this section does not apply to the conversion of a mutual
11 federal bank to a capital stock federal bank. The commissioner may
12 deny an application for conversion made pursuant to this section after
13 allowing the applicant a reasonable opportunity to be heard.

14 (b) A conversion of a federal mutual savings bank or federal mutual
15 savings and loan association to a capital stock Connecticut bank shall

16 be authorized only if permitted by federal law and shall be subject to
17 all requirements prescribed by federal law. A conversion of a mutual
18 savings bank or mutual savings and loan association to a capital stock
19 federal bank shall be authorized only if permitted by federal law and
20 shall be subject to all requirements prescribed by federal law.

21 (c) The converting institution shall file with the commissioner a
22 proposed plan of conversion, a copy of the proposed amended
23 certificate of incorporation and a certificate by the secretary of the
24 converting institution that the proposed plan of conversion has been
25 approved, in accordance with subsection (d) of this section, by the
26 governing board and in the case of a converting savings and loan
27 association, federal savings bank or federal savings and loan
28 association, the depositors or members thereof.

29 (d) The plan of conversion shall require the approval of a majority
30 of the governing board of the converting institution. In the case of a
31 converting savings and loan association, the plan of conversion shall
32 also require the favorable vote of not less than fifty-one per cent of the
33 votes cast by depositors of such association at a special meeting called
34 to consider such conversion. In the case of a federal savings bank or
35 federal savings and loan association, the plan of conversion shall
36 require any vote of depositors or members prescribed by federal law.

37 (e) The plan of conversion for a mutual savings bank shall also
38 require approval by (1) a majority of all the corporators of the
39 converting bank, provided the converting bank shall, at the time of
40 such vote, have no fewer than twenty-five corporators unless
41 otherwise permitted by the commissioner based on restrictions
42 contained in the charter or certificate of incorporation of the converting
43 bank, and (2) a majority of the independent corporators of the
44 converting bank, provided the total number of independent
45 corporators shall at the time of such vote constitute no less than sixty
46 per cent of all corporators. Such approval shall be obtained at a
47 meeting held in accordance with the charter or certificate of

48 incorporation or the bylaws of the mutual savings bank. For purposes
49 of subdivision (2) of this subsection, an independent corporator means
50 a corporator who is not an employee, officer, director, trustee or
51 significant borrower of the mutual savings bank.

52 (f) A converting mutual savings bank shall, prior to the meeting
53 required by subsection (e) of this section, provide the corporators with
54 informational material regarding the plan of conversion, which
55 informational material shall have been filed with and approved by the
56 commissioner before being distributed to the corporators, and which
57 informational material shall include disclosures summarizing the plan
58 of conversion, the distribution of shares and compensation plans
59 proposed for management.

60 (g) A converting mutual savings bank shall provide the
61 commissioner with the following information with respect to the
62 corporators eligible to vote at the meeting required by subsection (e) of
63 this section:

64 (1) The number of corporators who (A) are not employees, officers,
65 directors or trustees of the mutual savings bank, (B) are employees, but
66 not officers, directors or trustees of the mutual savings bank, and (C)
67 are officers, directors or trustees of the mutual savings bank;

68 (2) A description of any loan relationships, outstanding within the
69 five-year period prior to the date of the required meeting, between the
70 mutual savings bank and any of its corporators who are not
71 employees, officers, directors or trustees of the mutual savings bank;
72 and

73 (3) A description of any commercial relationships, other than loan
74 relationships described in subdivision (2) of this subsection, in
75 existence within the five-year period prior to the date of the required
76 meeting, between the mutual savings bank and any of the corporators
77 who are not employees, officers, directors or trustees of the mutual
78 savings bank. For purposes of this subsection, the term "commercial

79 relationships" means any sale or lease of real or personal property and
80 any provision of commercial services.

81 (h) A converting mutual savings bank shall file with the
82 commissioner a certificate of the secretary of the converting bank
83 certifying that a meeting of the corporators has been held and that the
84 plan of conversion has been approved by the corporators in
85 accordance with the requirements of subsection (e) of this section.

86 (i) The commissioner may order a vote by the depositors of the
87 mutual savings bank on the plan of conversion.

88 [(e)] (j) In any conversion under this section, each account holder of
89 the converting institution deemed eligible under regulations adopted
90 pursuant to subsection [(f)] (k) of this section shall receive, without
91 payment, nontransferable subscription rights to purchase capital stock
92 of the converted institution pursuant to a subscription offering, and
93 such offering shall precede any offering of the converting institution's
94 stock to the members of the community and of the general public. Each
95 converting institution shall, at the time of conversion, establish a
96 liquidation account for the benefit of such account holders and such
97 liquidation account shall establish a priority upon liquidation. The
98 requirement concerning the establishment of a liquidation account
99 shall not apply to the formation of a mutual holding company or a
100 reorganized savings institution of such mutual holding company
101 under sections 36a-192, as amended by this act, and 36a-193 or to the
102 issuance of capital stock by such reorganized savings institution under
103 sections 36a-195 and 36a-196.

104 [(f)] (k) The commissioner shall adopt regulations in accordance
105 with chapter 54 to govern the conversion of mutual institutions to
106 capital stock institutions. Such regulations shall be similar in scope and
107 content to the regulations of the Office of Thrift Supervision, 12 CFR
108 Part 563b, as from time to time amended, for the conversion of mutual
109 savings institutions into stock savings institutions. The commissioner
110 may waive any provision of the regulations adopted pursuant to this

111 section that is inconsistent with the regulations of the Office of Thrift
112 Supervision or if such waiver is necessary to comply with the
113 requirements of the Federal Deposit Insurance Corporation or its
114 successor agency.

115 [(g)] (l) If the commissioner certifies in writing that the protection of
116 depositors or other creditors of such converting institution requires
117 that the conversion proceed without delay, the commissioner may
118 waive any provision of the regulations adopted pursuant to subsection
119 [(f)] (k) of this section that the commissioner determines will cause
120 such delay.

121 [(h)] (m) The commissioner may approve a conversion under this
122 section only if the commissioner determines that: (1) The converting
123 institution has complied with all applicable provisions of law; (2) the
124 conversion would not result in any reduction of the converting
125 institution's amount of equity capital, less any subordinated debt
126 recognized as bona fide capital; (3) the conversion would not result in
127 a taxable reorganization of the converting institution under the
128 Internal Revenue Code of 1986, or any subsequent corresponding
129 internal revenue code of the United States, as from time to time
130 amended; (4) the programs, policies and procedures of the converting
131 institution relating to anti-money-laundering activity are adequate,
132 and the converting institution has a record of compliance with anti-
133 money-laundering laws and regulations; and (5) the plan of conversion
134 is fair to depositors. The converted institution shall not commence
135 business unless its insurable accounts and deposits are insured by the
136 Federal Deposit Insurance Corporation or its successor agency.

137 Sec. 2. Section 36a-192 of the general statutes is repealed and the
138 following is substituted in lieu thereof (*Effective from passage*):

139 (a) Notwithstanding any other provision of the general statutes,
140 any mutual savings bank or mutual savings and loan association may
141 reorganize so as to become a mutual holding company by: (1) (A) In
142 the case of a mutual savings bank, causing a reorganized savings

143 institution to be incorporated and organized as a capital stock savings
144 bank in accordance with section 36a-193, or (B) in the case of a mutual
145 savings and loan association, causing a reorganized savings institution
146 to be incorporated and organized as a capital stock savings and loan
147 association in accordance with section 36a-193; and (2) transferring to
148 the reorganized savings institution a substantial part of the assets of
149 such mutual savings bank or mutual savings and loan association and
150 causing the reorganized savings institution to assume a substantial
151 part of the liabilities of such mutual savings bank or mutual savings
152 and loan association, including all of its depository liabilities. Upon
153 such transfer and assumption, persons who prior thereto held
154 depository rights with respect to or other rights as creditors of such
155 mutual savings bank or mutual savings and loan association shall have
156 such rights solely with respect to the reorganized savings institution,
157 and the corresponding liability or obligation of the mutual savings
158 bank or mutual savings and loan association to such persons shall be
159 assumed by the reorganized savings institution. Persons who had
160 ownership, liquidation or voting rights with respect to the mutual
161 savings bank or mutual savings and loan association shall continue to
162 have such rights solely with respect to the mutual savings bank or
163 mutual savings and loan association in its reorganized form as a
164 mutual holding company.

165 (b) (1) Notwithstanding any other provision of the general statutes,
166 any mutual savings bank or mutual savings and loan association may
167 reorganize so as to form a mutual holding company by: (A) Causing a
168 nonstock corporation to be organized under the laws of this state; (B)
169 (i) in the case of a mutual savings bank, causing such nonstock
170 corporation to form a reorganized savings institution by organizing a
171 capital stock savings bank in accordance with section 36a-193, or (ii) in
172 the case of a mutual savings and loan association, causing such
173 nonstock corporation to form a reorganized savings institution by
174 organizing a capital stock savings and loan association in accordance
175 with section 36a-193; (C) causing such nonstock corporation to acquire
176 a majority of the ordinary voting shares of such reorganized savings

177 institution; and (D) merging the mutual savings bank or mutual
178 savings and loan association with and into such reorganized savings
179 institution in accordance with the provisions of subdivision (2) of this
180 subsection and section 36a-125, as amended, except that subsections
181 (e), (f) and (i) of section 36a-125, as amended, shall not apply.

182 (2) Upon application by the constituent banks, and upon receipt of a
183 copy of the agreement of merger, the commissioner shall determine
184 whether the terms of the merger are reasonable and in accordance with
185 law and sound public policy. The commissioner, if the commissioner
186 so determines, shall approve the merger. The commissioner shall not
187 approve the merger of the mutual savings bank or mutual savings and
188 loan association with and into the reorganized savings institution if:
189 (A) The merger would be unfair or prejudicial to the depositors of the
190 mutual savings bank or mutual savings and loan association; (B) the
191 interest of the public will not be served by the merger; (C) disapproval
192 is necessary to prevent unsafe and unsound banking practices; or (D)
193 the financial or managerial resources of the constituent banks do not
194 warrant approval of the merger. After approval of the merger by the
195 commissioner, a copy of the agreement and a copy of the
196 commissioner's approval shall be filed in the office of the Secretary of
197 the State. Upon completion of the merger, the nonstock corporation
198 shall be a mutual holding company and persons who had ownership,
199 liquidation or voting rights with respect to the mutual savings bank or
200 mutual savings and loan association shall continue to have such rights
201 solely with respect to such mutual holding company.

202 (c) A reorganization of a mutual savings bank or mutual savings
203 and loan association pursuant to sections 36a-192 to 36a-199, inclusive,
204 as amended by this act, shall be approved by two-thirds of the
205 governing board of the mutual savings bank or mutual savings and
206 loan association. No such approval shall be required of creditors of, or
207 persons having ownership, liquidation or voting rights with respect to,
208 a mutual savings bank. The reorganization of a mutual savings and
209 loan association shall also be approved by a majority of the depositors

210 present and voting at a meeting called for the purpose of considering
211 such a reorganization.

212 (d) A reorganization of a mutual savings bank pursuant to this
213 section shall require approval by (1) a majority of all the corporators of
214 the mutual savings bank, provided the mutual savings bank shall, at
215 the time of such vote, have no fewer than twenty-five corporators
216 unless otherwise permitted by the commissioner based on restrictions
217 contained in the charter or certificate of incorporation of the mutual
218 savings bank, and (2) a majority of the independent corporators of the
219 mutual savings bank, provided the total number of independent
220 corporators shall at the time of such vote constitute no less than sixty
221 per cent of all corporators. Such approval shall be obtained at a
222 meeting held in accordance with the charter or certificate of
223 incorporation or the bylaws of the mutual savings bank. For purposes
224 of this subsection, an independent corporator means a corporator who
225 is not an employee, officer, director, trustee or significant borrower of
226 the mutual savings bank.

227 (e) A mutual savings bank proposing to reorganize shall, prior to
228 the meeting required by subsection (d) of this section, provide the
229 corporators with informational material regarding the plan of
230 reorganization, which informational material shall have been filed
231 with and approved by the commissioner before being distributed to
232 the corporators, and which informational material shall include
233 disclosures summarizing the plan of reorganization, the distribution of
234 shares and compensation plans proposed for management.

235 (f) The mutual savings bank proposing to reorganize shall provide
236 the commissioner with the following information with respect to the
237 corporators eligible to vote at the meeting required by subsection (d) of
238 this section:

239 (1) The number of corporators who (A) are not employees, officers,
240 directors or trustees of the mutual savings bank, (B) are employees, but
241 not officers, directors or trustees of the mutual savings bank, and (C)

242 are officers, directors or trustees of the mutual savings bank;

243 (2) A description of any outstanding loan relationships, within the
244 five-year period prior to the date of the required meeting, between the
245 mutual saving bank and any of its corporators who are not employees,
246 officers, directors or trustees of the mutual savings bank; and

247 (3) A description of any commercial relationships, other than loan
248 relationships described in subdivision (2) of this subsection, within the
249 five-year period prior to the date of the required meeting, between the
250 mutual savings bank and any of the corporators who are not
251 employees, officers, directors or trustees of the mutual savings bank.
252 For purposes of this subdivision, the term "commercial relationships"
253 means any sale or lease of real or personal property and any provision
254 of commercial services.

255 (g) A mutual savings bank proposing to reorganize shall file with
256 the commissioner a certificate of the secretary of the mutual savings
257 bank certifying that a meeting of the corporators has been held and
258 that the plan or reorganization has been approved by the corporators
259 in accordance with the requirements of subsection (d) of this section.

260 [(d)] (h) (1) A mutual savings bank or mutual savings and loan
261 association proposing to reorganize pursuant to sections 36a-192 to
262 36a-199, inclusive, as amended by this act, shall provide the
263 commissioner with prior written notice of the proposed
264 reorganization. The notice shall contain such relevant information as
265 the commissioner may require.

266 (2) Unless the commissioner disapproves the formation of the
267 proposed mutual holding company within sixty days after the
268 commissioner's receipt of notice of the proposed reorganization or, by
269 written notice issued within such sixty-day period to the mutual
270 savings bank or mutual savings and loan association proposing to
271 reorganize, extends for another thirty days the period during which
272 such disapproval may be issued, the mutual savings bank or mutual

273 savings and loan association may proceed with such reorganization. If
274 the commissioner extends the period during which such disapproval
275 may be issued but within such extension period does not disapprove
276 the proposed reorganization, the mutual savings bank or mutual
277 savings and loan association may proceed with such reorganization.

278 (3) The commissioner may disapprove any proposed mutual
279 holding company formation only if: (A) The formation of the proposed
280 mutual holding company would be unfair or prejudicial to the
281 depositors of the mutual savings bank or mutual savings and loan
282 association proposing to reorganize; (B) the interest of the public will
283 not be served by the formation of the proposed mutual holding
284 company; (C) such disapproval is necessary to prevent unsafe or
285 unsound banking practices; (D) the financial or managerial resources
286 of the mutual savings bank or mutual savings and loan association
287 proposing to reorganize do not warrant approval of such proposal; or
288 (E) the mutual savings bank or mutual savings and loan association
289 proposing to reorganize fails to furnish any information required
290 under subdivision (1) of this subsection or under subsections (e) to (g),
291 inclusive, of this section.

292 (4) In connection with the reorganization of a mutual savings bank
293 or mutual savings and loan association into a mutual holding company
294 under subsection (a) of this section, the mutual holding company may
295 retain assets to the extent that such assets are not then required to be
296 transferred to the reorganized savings institution in order to satisfy
297 capital or reserve requirements of any applicable state or federal law.

298 (5) Investment of the assets of a mutual holding company shall be
299 subject to (A) all of the limitations not inconsistent with sections 36a-
300 192 to 36a-199, inclusive, as amended by this act, and applicable to a
301 mutual savings bank or mutual savings and loan association, as the
302 case may be, under the laws of this state; and (B) any limitations of
303 federal law, in effect from time to time, which expressly apply to such
304 investments when made by (i) a mutual savings bank or mutual

305 savings and loan association, or (ii) a holding company of a capital
306 stock savings bank or capital stock savings and loan association, as the
307 case may be.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>

Statement of Purpose:

To provide that the plan of conversion for a mutual savings bank shall also require approval by a majority of all the corporators of the converting bank and a majority of the independent corporators of the converting bank; to provide that a reorganization of a mutual savings bank requires approval by a majority of all of the corporators of the mutual savings bank and a majority of the independent corporators of the mutual savings bank; and to allow the Banking Commissioner to order a vote by the depositors on a plan of conversion.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]