



House of Representatives

File No. 480

General Assembly

January Session, 2007

(Reprint of File No. 75)

House Bill No. 7108
As Amended by House
Amendment Schedule "A"

Approved by the Legislative Commissioner
April 13, 2007

AN ACT PROHIBITING BANK BRANCHING IN CERTAIN RETAIL LOCATIONS.

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

1 Section 1. Subsections (a) to (c), inclusive, of section 36a-145 of the
2 general statutes are repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (a) As used in this section:

5 (1) "Branch" means any office at a fixed location of a Connecticut
6 bank, other than the main office, at which deposits are received, checks
7 paid and money lent and which, at a minimum, is open for banking
8 business Monday through Friday, except as provided in subsection (a)
9 of section 36a-23.

10 (2) "Commercial activities" means activities in which a bank holding
11 company, as defined in 12 USC 1841(a)(1), a financial holding
12 company, as defined in 12 USC 1841(p), a national banking association
13 established under 12 USC 21, or a financial subsidiary of a national

14 bank established under 12 USC 24a, may not engage under federal
15 law.

16 [(2)] (3) "Consolidate" means to combine within the same
17 neighborhood, without substantially affecting the nature of the
18 business or customers served, (A) two or more branches into a single
19 branch; (B) one or more branches and one or more limited branches
20 into a single branch or limited branch; (C) two or more limited
21 branches into a single limited branch; or (D) one or more branches or
22 limited branches into a main office.

23 [(3)] (4) "Limited branch" means any office at a fixed location of a
24 Connecticut bank at which banking business is conducted other than
25 the main office, branch or mobile branch.

26 [(4)] (5) "Mobile branch" means any office of a Connecticut bank at
27 which banking business is conducted which is in fact moved or
28 transported to one or more predetermined locations in accordance
29 with a predetermined schedule.

30 [(5)] (6) "Relocate" means to move within the same immediate
31 neighborhood without substantially affecting the nature of the
32 business or customers served.

33 (b) (1) With the approval of the commissioner, any Connecticut
34 bank may establish a branch in this state. The commissioner shall not
35 approve the establishment of a branch under this subsection unless the
36 commissioner considers whether: (A) Establishment of the branch is
37 consistent with safe and sound banking practices; and (B) the branch
38 will promote the public convenience and advantage. The
39 commissioner shall not approve the establishment of any branch under
40 this subsection unless the commissioner makes the findings required
41 under section 36a-34. No Connecticut bank may establish or maintain a
42 branch in this state on the premises or property of an affiliate of such
43 bank if the affiliate engages in commercial activities.

44 (2) For a period of three years following the issuance of its final

45 certificate of authority pursuant to subsection (l) of section 36a-70, a
46 Connecticut bank may, with thirty days' prior notice to the
47 commissioner, establish a branch in this state if the proposed branch
48 was approved as part of the application to organize such bank, unless
49 the commissioner requires an approval pursuant to subdivision (1) of
50 this subsection.

51 (3) With the approval of the commissioner, any Connecticut bank
52 may convert a limited branch in this state to a branch. The
53 commissioner shall not approve a conversion under this subdivision
54 unless the commissioner considers such factors and makes such
55 findings under subdivision (1) of this subsection as the commissioner
56 deems applicable.

57 (c) (1) With the approval of the commissioner, any Connecticut bank
58 may establish in this state a limited branch that provides limited
59 services or is open for limited time periods. The commissioner shall
60 not approve the establishment of a limited branch under this
61 subdivision unless the commissioner considers such factors and makes
62 such findings under subdivision (1) of subsection (b) of this section as
63 the commissioner deems applicable. The commissioner shall approve
64 such establishment if the commissioner determines that: (A) The
65 interest of the neighborhood where the limited branch is to be located
66 will be served to advantage by the establishment of the proposed
67 branch, and (B) the proposed products, services and banking hours are
68 appropriate to meet the convenience and needs of the neighborhood.
69 No Connecticut bank may establish or maintain a limited branch in
70 this state on the premises or property of an affiliate of such bank if the
71 affiliate engages in commercial activities.

72 (2) For a period of three years following the issuance of its final
73 certificate of authority pursuant to subsection (l) of section 36a-70, a
74 Connecticut bank may, with thirty days' prior notice to the
75 commissioner, establish a limited branch in this state if the proposed
76 limited branch was approved as part of the application to organize
77 such bank, unless the commissioner requires an approval pursuant to

78 subdivision (1) of this subsection.

79 (3) With the approval of the commissioner, any Connecticut bank
80 may convert a branch in this state to a limited branch. The
81 commissioner shall not approve a conversion under this subdivision
82 unless the commissioner considers such factors and makes such
83 findings under subdivision (1) of subsection (b) of this section as the
84 commissioner deems applicable, and the commissioner determines
85 that alternative banking services are available in the neighborhood so
86 that any reduction in services will not result in unmet banking needs.

87 (4) With the approval of the commissioner, any Connecticut bank
88 may establish in this state a special need limited branch that provides
89 limited services or is open for limited time periods in order to meet a
90 special need of the neighborhood in which such limited branch is to be
91 located. The commissioner shall not approve the establishment of a
92 special need limited branch under this subdivision unless the
93 commissioner considers such factors and makes such findings and
94 determinations under subdivision (1) of this subsection as the
95 commissioner deems necessary.

96 (5) A limited branch shall be conspicuously identified as a branch of
97 the Connecticut bank. The commissioner may condition the approval
98 of such branch with any other requirement that the commissioner
99 deems necessary or appropriate for the protection of depositors or the
100 Connecticut bank.

101 Sec. 2. Section 36a-410 of the general statutes is repealed and the
102 following is substituted in lieu thereof (*Effective from passage*):

103 As used in sections 36a-410 to 36a-413, inclusive, as amended by this
104 act, unless the context otherwise requires:

105 (1) "Branch" means a domestic branch as defined in 12 USC Section
106 1813, as from time to time amended, except that "branch" includes any
107 branch bank, branch office, branch agency, additional office, or any
108 branch place of business at which fiduciary or trust powers are

109 exercised;

110 (2) "Commercial activities" has the same meaning as provided in
111 subsection (a) of section 36a-145, as amended by this act;

112 ~~[(2)]~~ (3) "Connecticut holding company" means any holding
113 company whose home state is this state;

114 ~~[(3)]~~ (4) "De novo branch" means a branch of a bank or an out-of-
115 state bank other than a foreign bank, which:

116 (A) Is originally established by such bank or out-of-state bank; and

117 (B) Does not become a branch of such bank or out-of-state bank as
118 the result of (i) the acquisition by the bank or out-of-state bank of an
119 insured depository institution or a branch of an insured depository
120 institution; or (ii) the conversion, merger or consolidation of any such
121 institution or branch;

122 ~~[(4)]~~ (5) "Home state" means: (A) With respect to a federally-
123 chartered bank, the state in which the main office of the bank is
124 located; (B) with respect to a foreign bank, the state which is the home
125 state of the foreign bank under the International Bank Act of 1978, 12
126 USC Section 3101 et seq., as from time to time amended, if any, or the
127 foreign country by which such bank is chartered; (C) with respect to a
128 state-chartered bank, the state by which such bank is chartered; (D)
129 with respect to a bank holding company, the state in which the total
130 deposits of all banking subsidiaries of such company are the largest on
131 the later of July 1, 1966, or the date on which the company became a
132 bank holding company under the federal Bank Holding Company Act
133 of 1956, 12 USC Section 1841 et seq., as from time to time amended,
134 and in the case of any such company that holds a banking subsidiary
135 that functions solely in a trust or fiduciary capacity, the state in which
136 the total of such trust or fiduciary assets of such subsidiaries were the
137 largest on the date such company became a bank holding company;
138 and (E) with respect to a savings and loan holding company, the state
139 in which the total deposits of all savings and loan association

140 subsidiaries of such company were the largest on the date on which
141 the company became a savings and loan holding company and, in the
142 case of any such company that holds a savings and loan association
143 subsidiary that functions solely in a trust or fiduciary capacity, the
144 state in which the total of such trust or fiduciary assets of such
145 subsidiaries were the largest on the date on which such company
146 became a savings and loan holding company;

147 [(5)] (6) "Out-of-state holding company" means any holding
148 company whose home state is a state other than this state or whose
149 home state is a foreign country.

150 Sec. 3. Subsection (a) of section 36a-412 of the general statutes is
151 repealed and the following is substituted in lieu thereof (*Effective from*
152 *passage*):

153 (a) (1) Any out-of-state bank, whether or not owned or controlled by
154 an out-of-state holding company, may, with the approval of the
155 commissioner, merge or consolidate with or acquire a branch or
156 significant part of the assets or ten per cent or more of the stock of a
157 bank provided such bank has been in existence and continuously
158 operating for at least five years, unless the commissioner waives this
159 requirement, where the institution resulting from any such merger or
160 consolidation is an out-of-state bank, provided the laws of the home
161 state of such out-of-state bank authorize, under conditions no more
162 restrictive than those imposed by the laws of this state as determined
163 by the commissioner, a bank to merge or consolidate with or purchase
164 a branch or significant part of the assets or ten per cent or more of the
165 stock of an out-of-state bank whose home state is such state. Such
166 merger, consolidation or acquisition shall not take place if the out-of-
167 state bank, including all insured depository institutions which are
168 affiliates of the out-of-state bank, upon consummation of the merger,
169 consolidation or acquisition, would control thirty per cent or more of
170 the total amount of deposits of insured depository institutions in this
171 state, unless the commissioner permits a greater percentage of such
172 deposits. Any such merger, consolidation or acquisition of assets or

173 stock shall be effected in accordance with and subject to the filing
174 requirements and any limitations imposed by the laws of this state
175 with respect to mergers, consolidations and acquisitions between
176 banks. Any such out-of-state bank that engages in business in this state
177 shall comply with the requirements of section 33-920 or subsection (a)
178 of section 33-1210. Before approving any such merger, consolidation or
179 acquisition, the commissioner shall make such considerations,
180 determinations and findings as required by the laws of this state with
181 respect to mergers, consolidations and acquisitions between banks
182 and, in addition, shall consider whether such merger, consolidation or
183 acquisition can reasonably be expected to produce benefits to the
184 public and whether such benefits clearly outweigh possible adverse
185 effects, including, but not limited to, an undue concentration of
186 resources and decreased or unfair competition. The commissioner shall
187 not approve such merger, consolidation or acquisition unless the
188 commissioner considers whether: (A) The investment and lending
189 policies of the out-of-state bank, in the case of a merger or acquisition
190 of assets, or the proposed investment and lending policies of the bank,
191 in the case of an acquisition of stock, or of the institution that will
192 result from a consolidation, are consistent with safe and sound
193 banking practices and will benefit the economy of this state; (B) the
194 services of the bank or branch to be acquired, or of the institution that
195 will result from a merger, or the proposed services of the institution
196 that will result from a consolidation, are consistent with safe and
197 sound banking practices and will benefit the economy of this state; (C)
198 the merger, consolidation or acquisition will not substantially lessen
199 competition in the banking industry of this state; (D) in the case of a
200 merger or consolidation or the acquisition of twenty-five per cent or
201 more of such stock, the out-of-state bank (i) has sufficient capital to
202 ensure, and agrees to ensure, that the bank to be acquired or the
203 institution that will result from the merger or consolidation will
204 comply with applicable minimum capital requirements, and (ii) has
205 sufficient managerial resources to operate the bank to be acquired or
206 the institution that will result from the merger or consolidation in a
207 safe and sound manner; and (E) the out-of-state bank is in compliance

208 with applicable minimum capital requirements. The commissioner
209 shall not approve such merger, consolidation or acquisition unless the
210 commissioner makes the findings required by section 36a-34. Any out-
211 of-state bank that merges or consolidates with or acquires a branch
212 pursuant to this subdivision may establish additional branches in this
213 state.

214 (2) Any out-of-state bank, other than a foreign bank, may, with the
215 approval of the commissioner, and in accordance with the provisions
216 of this subdivision, establish a de novo branch in this state. Such
217 establishment shall not take place unless the laws of the home state of
218 such out-of-state bank authorize, under conditions no more restrictive
219 than those imposed by the laws of this state, as determined by the
220 commissioner, a bank to establish a de novo branch in the home state
221 of such out-of-state bank, provided the commissioner may waive such
222 reciprocity requirement for the establishment of a de novo branch the
223 activities of which are limited to the exercise of fiduciary or trust
224 powers if the commissioner finds that such establishment will result in
225 net new benefits to this state. Any request for such waiver of
226 reciprocity submitted by an out-of-state bank shall include a detailed
227 statement of the reasons for the request and statistical and other
228 information to support a finding of such net new benefits. Any such
229 establishment shall be effected in accordance with and subject to the
230 filing requirements and any limitations imposed by section 36a-145.
231 Any such out-of-state bank that engages in business in this state shall
232 comply with the requirements of section 33-920 or subsection (a) of
233 section 33-1210. Before approving any such establishment, the
234 commissioner shall make such considerations, determinations and
235 findings as required by section 36a-145 and, in addition, shall consider
236 whether such establishment can reasonably be expected to produce
237 benefits to the public and whether such benefits clearly outweigh
238 possible adverse effects, including, but not limited to, an undue
239 concentration of resources and decreased or unfair competition. The
240 commissioner shall not approve such establishment unless the
241 commissioner considers whether: (A) The investment and lending

242 policies of the out-of-state bank are consistent with safe and sound
243 banking practices and will benefit the economy of this state; (B) the
244 proposed services of the branch are consistent with safe and sound
245 banking practices and will benefit the economy of this state; (C) the
246 establishment will not substantially lessen competition in this state; (D)
247 the out-of-state bank is adequately managed and will continue to be
248 adequately managed upon establishment of such branch; and (E) the
249 out-of-state bank is in compliance with applicable minimum capital
250 requirements. The commissioner shall not approve such establishment
251 unless the commissioner makes the findings required by section
252 36a-34. An out-of-state bank which has established a de novo branch in
253 this state in accordance with this subdivision may establish additional
254 branches in this state, provided the activities of such additional
255 branches of an out-of-state bank for which the commissioner waived
256 such reciprocity requirement shall be limited to the exercise of
257 fiduciary or trust powers. As used in this subdivision, "net new
258 benefits" means (i) initial capital investments, including any new
259 construction, (ii) job creation plans, including, but not limited to, the
260 number of jobs to be created and the average wage rates for each
261 category of such jobs, (iii) the potential for increasing state and
262 municipal tax revenues from increased economic activity and
263 increased employment, (iv) consumer and business services and other
264 benefits to the state, local community and citizens, and (v) such other
265 matters as the commissioner may deem necessary or advisable.

266 (3) Any out-of-state bank, regardless of whether it has a branch in
267 this state, may merge or consolidate with or acquire a branch in this
268 state of an out-of-state bank that has a branch in this state.

269 (4) (A) Except as provided in this section, the laws of this state shall
270 apply to any branch in this state of an out-of-state bank to the same
271 extent as such laws would apply if the branch were a federal bank,
272 provided the following laws shall apply to any branch in this state of
273 an out-of-state bank to the same extent as such laws apply to a branch
274 of a Connecticut bank: (i) Community reinvestment laws including
275 sections 36a-30 to 36a-33, inclusive, (ii) consumer protection laws

276 including sections 36a-41 to 36a-45, inclusive, 36a-290 to 36a-304,
277 inclusive, 36a-306, 36a-307, 36a-315 to 36a-323, inclusive, 36a-645 to
278 36a-647, inclusive, 36a-690, 36a-695 to 36a-700, inclusive, 36a-705 to
279 36a-707, inclusive, 36a-715 to 36a-718, inclusive, 36a-725, 36a-726, 36a-
280 755 to 36a-759, inclusive, 36a-770 to 36a-788, inclusive, and 36a-800 to
281 36a-810, inclusive, (iii) fair lending laws including sections 36a-16, 36a-
282 737, 36a-740 and 36a-741, and (iv) branching laws including sections
283 36a-23 and 36a-145.

284 (B) Except as provided in this section, an out-of-state bank, other
285 than a federally-chartered out-of-state bank, that establishes a branch
286 in this state may conduct any activity at such branch (i) if such activity
287 is permissible under the laws of the home state of such out-of-state
288 bank, and (ii) to the same extent as such activity is permissible for
289 either a Connecticut bank or a branch in this state of a federally-
290 chartered out-of-state bank. If the commissioner determines that a
291 branch in this state of an out-of-state bank, other than a federally-
292 chartered out-of-state bank, is being operated in violation of any
293 applicable law of this state or in an unsafe and unsound manner, the
294 commissioner may take any enforcement action authorized under this
295 title against such out-of-state bank to the same extent as if such branch
296 were a Connecticut bank, provided the commissioner shall promptly
297 give notice of such action to the home state banking regulator of such
298 out-of-state bank and, to the extent practicable, shall consult and
299 cooperate with such regulator in pursuing and resolving such action.

300 (5) Any out-of-state bank that merges or consolidates with or
301 acquires the assets of a bank or establishes in this state a de novo
302 branch shall be subject to the supervision and examination of the
303 commissioner pursuant to regulations adopted by the commissioner in
304 accordance with chapter 54 and shall make reports to the
305 commissioner as required by the laws of this state. The commissioner
306 may examine and supervise the Connecticut branches of any such out-
307 of-state bank and may enter into agreements with other state or federal
308 banking regulators or similar regulators in a foreign country
309 concerning such examinations or supervision. Any such agreement

310 may include provisions concerning the assessment or sharing of fees
311 for such examination or supervision. Unless waived by the
312 commissioner, the provisions of this section shall apply to the
313 acquisition of the assets of any bank from the receiver of such bank by
314 any out-of-state bank.

315 (6) No out-of-state bank may establish or maintain a branch in this
316 state on the premises or property of an affiliate of such bank if the
317 affiliate engages in commercial activities.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	36a-145(a) to (c)
Sec. 2	<i>from passage</i>	36a-410
Sec. 3	<i>from passage</i>	36a-412(a)

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Banking Dept.	BF - Revenue Loss	See Below	See Below

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill could result in a loss of revenue in the form of additional fees, penalties, and assessments. It could also result in additional workload associated with regulation, but would not result in additional cost. The amount of revenue loss cannot be determined at this time. In FY 06, the state collected \$701,670 in revenue for fees, penalties and assessments of all types.

House "A" adds the definition of commercial activities and makes other minor changes, which have no fiscal impact.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the rate of lost revenue and avoided workload, as described above.

OLR Bill Analysis**HB 7108 (as amended by House "A")******AN ACT PROHIBITING BANK BRANCHING IN CERTAIN RETAIL LOCATIONS.*****SUMMARY:**

This bill prohibits (1) Connecticut and out-of-state banks from establishing or maintaining a branch and (2) Connecticut banks from establishing or maintaining a limited branch in this state on the premises or property of their affiliates, if the affiliates engage in commercial activities. The banking statutes define an affiliate of an entity as any entity controlling, controlled by, or under common control with, that entity.

The bill defines "commercial activities" as those in which a bank or financial holding company, national bank, or national bank financial subsidiary may not engage under federal law. Generally, the federal Bank Holding Company Act and the National Bank Act limit these entities to financial activities.

*House Amendment "A" (1) eliminates the bill's definition of the term "affiliate" which is already defined in the banking laws, (2) specifies that the "affiliate" must have a relationship with the bank in question, not just with any entity, (3) specifies that the bank or financial holding company, national bank, and national bank financial subsidiary referred to in the bill are those defined in federal law, and (4) makes technical changes.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 18 Nay 0 (03/06/2007)