



Senate

General Assembly

File No. 188

February Session, 2010

Substitute Senate Bill No. 59

Senate, March 30, 2010

The Committee on Banks reported through SEN. DUFF of the 25th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING BANKS AND CREDIT UNIONS.

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

1 Section 1. Subdivision (1) of subsection (d) of section 36a-65 of the
2 2010 supplement to the general statutes is repealed and the following
3 is substituted in lieu thereof (*Effective October 1, 2010*):

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

6 (A) Establishment of (i) a branch under subdivision (1) of subsection
7 (b) of section 36a-145, two thousand dollars; (ii) a mobile branch under
8 subdivision (1) of subsection (d) of section 36a-145, one thousand five
9 hundred dollars; (iii) a limited branch under subdivision (1) of
10 subsection (c) of section 36a-145, one thousand five hundred dollars;
11 (iv) a special need limited branch under subdivision (4) of subsection
12 (c) of section 36a-145, five hundred dollars; (v) an out-of-state branch
13 under subsection (j) of section 36a-145, a reasonable fee not to exceed
14 two thousand dollars from which any fees paid to a state other than
15 this state or to a foreign country in connection with the establishment

16 shall be deducted; and (vi) an out-of-state limited or mobile branch
17 under subsection (j) of section 36a-145, a reasonable fee not to exceed
18 one thousand five hundred dollars from which any fees paid to a state
19 other than this state or to a foreign country in connection with the
20 establishment shall be deducted.

21 (B) Sale of (i) a branch under subsection (i) of section 36a-145, two
22 thousand dollars, except there shall be no fee for the sale of a branch of
23 a Connecticut bank to another Connecticut bank or to a Connecticut
24 credit union; and (ii) a limited branch, including a special need limited
25 branch or mobile branch under subsection (i) of section 36a-145, a fee
26 not to exceed one thousand five hundred dollars.

27 (C) Relocation of (i) a main office of a Connecticut bank under
28 subsection (a) of section 36a-81, two thousand dollars; and (ii) a branch
29 or a limited branch under [subsection] subsections (g) and (k) of
30 section 36a-145, five hundred dollars.

31 (D) Conversions from (i) a branch to a limited branch under
32 subdivision (3) of subsection (c) of section 36a-145; and (ii) a limited
33 branch to a branch under subdivision (3) of subsection (b) of section
34 36a-145, five hundred dollars.

35 (E) Merger or consolidation involving a Connecticut bank under
36 section 36a-125 or subsection (a) of section 36a-126, two thousand five
37 hundred dollars if two institutions are involved and five thousand
38 dollars if three or more institutions are involved.

39 (F) Acquisition of assets or business under section 36a-210, two
40 thousand five hundred dollars.

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

43 (H) Organization of any Connecticut bank under section 36a-70,
44 including the conditional preliminary approval for an expedited bank,
45 fifteen thousand dollars, except no fee shall be required for the
46 organization of an interim Connecticut bank.

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

50 (J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, five
51 thousand dollars; (ii) sections 36a-139, 36a-139a and 36a-469c, two
52 thousand five hundred dollars; and (iii) section 36a-139b, fifteen
53 thousand dollars.

54 (K) Acquiring, altering or improving real estate for present or future
55 use in the business of the bank or purchasing real estate adjoining any
56 parcel of real estate owned by the bank under subdivision (33) of
57 subsection (a) of section 36a-250, five hundred dollars, except that no
58 fee shall be charged for such application if it is filed in connection with
59 an application to relocate a main office of a Connecticut bank under
60 subsection (a) of section 36a-81 or establish (i) a branch in this state
61 under subdivision (1) of subsection (b) of section 36a-145, (ii) a limited
62 branch in this state under subdivision (1) of subsection (c) of section
63 36a-145, or (iii) a branch or limited branch outside of this state under
64 subsection (j) of section 36a-145.

65 (L) Investigation and processing an interstate banking transaction
66 application filed under section 36a-411 or 36a-412, two thousand five
67 hundred dollars, unless the transaction otherwise requires an
68 investigation and processing fee under this section.

69 (M) Issuance of a final certificate of authority for an expedited
70 Connecticut bank, [except for a conditional preliminary approval,]
71 fifteen thousand dollars.

72 Sec. 2. Subsection (c) of section 36a-70 of the 2010 supplement to the
73 general statutes is repealed and the following is substituted in lieu
74 thereof (*Effective October 1, 2010*):

75 (c) The person or persons organizing a Connecticut bank shall
76 execute, acknowledge and file with the commissioner an application to
77 organize. Such application to organize shall include: (1) A proposed

78 certificate of incorporation stating: (A) The name and type of the
79 Connecticut bank; (B) the town in which the main office is to be
80 located; (C) in the case of a capital stock Connecticut bank, the amount,
81 authorized number and par value, if any, of shares of its capital stock;
82 (D) the minimum amount of equity capital with which the Connecticut
83 bank shall commence business, which amount may be less than its
84 authorized capital but shall not be less than that required by
85 subsection (b) of this section; (E) the name, occupation and residence,
86 post office or business address of each organizer and prospective
87 initial director of the Connecticut bank; and (2) a proposed business
88 plan. The organizers shall separately file with the commissioner a
89 notice of the residence of each organizer and prospective initial
90 director whose residence address is not included in the proposed
91 certificate of incorporation. In connection with an application to
92 organize a Connecticut bank, the commissioner may, in the
93 commissioner's discretion, and in accordance with section 29-17a,
94 arrange for the fingerprinting or for conducting any other method of
95 positive identification required by the State Police Bureau of
96 [Investigation] Identification of each organizer and prospective initial
97 director, to be used in conducting a state and national criminal history
98 records check.

99 Sec. 3. Subsection (p) of section 36a-70 of the 2010 supplement to the
100 general statutes is repealed and the following is substituted in lieu
101 thereof (*Effective from passage*):

102 (p) (1) One or more persons may organize an interim Connecticut
103 bank solely (A) for the acquisition of an existing bank, whether by
104 acquisition of stock, by acquisition of assets, or by merger or
105 consolidation, or (B) to facilitate any other corporate transaction
106 authorized by this title in which the commissioner has determined that
107 such transaction has adequate regulatory supervision to justify the
108 organization of an interim Connecticut bank. Such interim Connecticut
109 bank shall not accept deposits or otherwise commence business.
110 Subdivision (2) of subsection (c) and subsections (d), (f), (g), (h) and (o)
111 of this section shall not apply to the organization of an interim bank,

112 provided the commissioner may, in the commissioner's discretion,
113 order a hearing under subsection (e) or require that the organizers
114 publish or mail the proposed certificate of incorporation or both. The
115 approving authority for an interim Connecticut bank shall be the
116 commissioner acting alone. If the approving authority determines that
117 the organization of the interim Connecticut bank complies with
118 applicable law, the approving authority shall issue a temporary
119 certificate of authority conditioned on the approval by the appropriate
120 supervisory agency of the corporate transaction for which the interim
121 Connecticut bank is formed.

122 (2) (A) Notwithstanding any provision of this title, for the period
123 from [October 1, 2009,] the effective date of this act to September 30,
124 2011, inclusive, one or more persons may apply to the commissioner
125 for the conditional preliminary approval of [an] one or more expedited
126 Connecticut [bank] banks organized primarily for the purpose of
127 assuming liabilities and purchasing assets from the Federal Deposit
128 Insurance Corporation when the Federal Deposit Insurance
129 Corporation is acting as receiver or conservator of an insured
130 depository institution. The [person or persons organizing an expedited
131 Connecticut bank shall execute, acknowledge and file with the
132 commissioner an application to organize. Such] application shall be
133 made on a form acceptable to the commissioner and shall be executed
134 and acknowledged by the applicant or applicants. The application
135 shall contain sufficient information for the commissioner to evaluate (i)
136 the amount, type and sources of capital that would be available to the
137 bank or banks; (ii) the ownership structure and holding companies, if
138 any, over the bank or banks; (iii) the identity, biographical information
139 and banking experience of each of the initial organizers and
140 prospective initial directors, senior executive officers and any
141 individual, group or proposed shareholders of the bank that will own
142 or control ten per cent or more of the stock of the bank or banks; (iv)
143 the overall strategic plan of the organizers and investors for the bank
144 or banks; and (v) a preliminary business plan outlining intended
145 product and business lines, retail branching plans and capital, earnings
146 and liquidity projections. The commissioner, acting alone, shall grant

147 conditional preliminary approval of such application to organize if the
148 commissioner determines that the organizers have available sufficient
149 committed funds to invest in the bank or banks; the organizers and
150 proposed directors possess capacity and fitness for the duties and
151 responsibilities with which they will be charged; the proposed bank
152 [charter has] or banks have a reasonable chance of success and will be
153 operated in a safe and sound manner; and the fee for investigating and
154 processing the application has been paid in accordance with
155 subparagraph (H) of subdivision (1) of subsection (d) of section 36a-65.
156 Such preliminary approval shall be subject to such conditions as the
157 commissioner deems appropriate, including the requirements that the
158 bank or banks not commence the business of a Connecticut bank until
159 after [its] their bid or application for a particular insured depository
160 institution is accepted by the Federal Deposit Insurance Corporation,
161 that the background checks are satisfactory, and that the organizers
162 submit, for the safety and soundness review by the commissioner,
163 more detailed operating plans and current financial statements as
164 potential acquisition transactions are considered, and such plans and
165 statements are satisfactory to the commissioner. The commissioner
166 may alter, suspend or revoke the conditional preliminary approval if
167 the commissioner deems any interim development warrants such
168 action. The conditional preliminary approval shall expire eighteen
169 months from the date of approval, unless extended by the
170 commissioner. [, if the bank has not commenced business and
171 consummated an initial acquisition.]

172 (B) The commissioner shall not issue a final certificate of authority
173 to commence the business of a Connecticut bank or banks under this
174 subdivision until all conditions and preopening requirements and
175 applicable state and federal regulatory requirements have been met
176 and the fee for [assuming liabilities and purchasing assets] issuance of
177 a final certificate of authority for an expedited Connecticut bank has
178 been paid in accordance with subparagraph (M) of subdivision (1) of
179 subsection (d) of section 36a-65, as amended by this act. The
180 commissioner may waive any requirement under this title or
181 regulations adopted under this title that is necessary for the

182 consummation of [a bank] an acquisition involving an expedited
183 Connecticut bank if the commissioner finds that such waiver is
184 advisable and in the interest of depositors or the public, provided the
185 commissioner shall not waive the requirement that the institution's
186 insurable accounts or deposits be federally insured. Any such waiver
187 granted by the commissioner under this subparagraph shall be in
188 writing and shall set forth the reason or reasons for the waiver. The
189 commissioner may impose conditions on the final certificate of
190 authority as the commissioner deems necessary to ensure that the bank
191 will be operated in a safe and sound manner. The commissioner shall
192 cause notice of the issuance of the final certificate of authority to be
193 published in the department's weekly bulletin.

194 Sec. 4. Section 36a-102 of the general statutes is repealed and the
195 following is substituted in lieu thereof (*Effective October 1, 2010*):

196 The commissioner, in the commissioner's discretion and in
197 accordance with section 29-17a, may arrange for the fingerprinting or
198 for conducting any other method of positive identification required by
199 the State Police Bureau of [Investigation] Identification of each director
200 of a Connecticut bank upon such director's re-election and each new
201 officer of a Connecticut bank upon such officer's employment, to be
202 used in conducting a state and national criminal history records check.

203 Sec. 5. Subsection (c) of section 36a-437a of the general statutes is
204 repealed and the following is substituted in lieu thereof (*Effective*
205 *October 1, 2010*):

206 (c) In connection with an application to organize and at any other
207 time the commissioner requests, each organizer, director and
208 appointed director of a Connecticut credit union shall provide
209 fingerprints to the commissioner for use in conducting state and
210 national criminal history records checks. Such criminal history records
211 checks shall be conducted in accordance with section 29-17a.

212 Sec. 6. Subdivision (3) of section 36a-455a of the general statutes is
213 repealed and the following is substituted in lieu thereof (*Effective*

214 *October 1, 2010*):

215 (3) Make and use its best efforts to make secured and unsecured
 216 loans and other extensions of credit to its members in accordance with
 217 section 36a-265 and sections 36a-457a, 36a-457b and 36a-458a;

218 Sec. 7. (NEW) (*Effective October 1, 2010*) A Connecticut bank may
 219 merge with one or more of its affiliates that is not a bank or an out-of-
 220 state bank provided the resulting institution is a Connecticut bank.
 221 Such merger shall be effected in accordance with the provisions of
 222 section 36a-125 of the general statutes. Any such affiliate shall be
 223 considered a constituent bank that is not a resulting bank for purposes
 224 of compliance with section 36a-125 of the general statutes, except, with
 225 respect to any provision of said section governing corporate
 226 procedure, including the rights of dissenting members or shareholders
 227 who assert any existing appraisal rights, such affiliate shall comply
 228 with the laws of the state or other jurisdiction under which such
 229 affiliate is organized. Any such affiliate shall also comply with other
 230 applicable laws of the state or other jurisdiction under which such
 231 affiliate is organized concerning such mergers.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2010</i>	36a-65(d)(1)
Sec. 2	<i>October 1, 2010</i>	36a-70(c)
Sec. 3	<i>from passage</i>	36a-70(p)
Sec. 4	<i>October 1, 2010</i>	36a-102
Sec. 5	<i>October 1, 2010</i>	36a-437a(c)
Sec. 6	<i>October 1, 2010</i>	36a-455a(3)
Sec. 7	<i>October 1, 2010</i>	New section

Statement of Legislative Commissioners:

In subsection (c)(2) of section 2 and section 4 "Investigation" was changed to "[Investigation] Identification" for accuracy.

BA *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 11 \$	FY 12 \$
Banking Dept.	BF - Potential Revenue Gain	Less than 20,000	Less than 20,000

Note: BF=Banking Fund

Municipal Impact: None

Explanation

The bill results in a potential revenue gain of less than \$20,000 due to the imposition of fees for conditional preliminary approval of a merger (\$15,000) and for the relocation of an out-of-state branch of a Connecticut bank (\$500). The actual revenue gain would be dependent upon the actions of Connecticut banks. Fewer than five relocation fees for in-state branches occur in any one fiscal year.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of transactions.

OLR Bill Analysis**sSB 59*****AN ACT CONCERNING BANKS AND CREDIT UNIONS.*****SUMMARY:**

This bill makes various changes to the banking law.

The bill authorizes a Connecticut bank to merge with one or more of its non-bank affiliates, as long as the result of the merger is a Connecticut bank.

It specifies that the banking commissioner's authority to conduct criminal background checks of key personnel of Connecticut banks and Connecticut credit unions in various circumstances includes the authority to conduct both state and national background checks.

It permits a person or group seeking conditional preliminary approval of multiple expedited Connecticut banks organized primarily to acquire failed banks to submit one application for approval of all banks to the commissioner. Under current law, a separate application is required for each conditional preliminary approval.

The bill applies the current 18-month expiration of the conditional preliminary approval to all such banks, not just those that have not begun business or consummated an initial acquisition. By law, the commissioner can extend the conditional preliminary approval beyond 18 months.

The bill extends the current \$500 fee for relocation of an in-state branch of a Connecticut bank to the relocation of an out-of-state branch of a Connecticut bank.

The bill also makes a technical change.

EFFECTIVE DATE: October 1, 2010, except for the provisions (a) allowing a single application for the conditional preliminary approval of more than one expedited bank and (b) eliminating a condition on the expiration of such conditional preliminary approvals, which are effective upon passage.

MERGER OF BANK WITH NON-BANK AFFILIATE

The merger of a Connecticut bank with a non-bank affiliate must comply with current law on bank mergers.

With respect to corporate procedure, including the rights of dissenting shareholders to assert appraisal rights, the bill requires an affiliate to comply with the applicable laws of its state or jurisdiction of organization. Otherwise, for purposes of the law on bank mergers, the affiliate bank is considered to be a constituent bank of the merger, not a resulting bank. By law, following the completion of a bank merger, the constituent banks' corporate existence is continued in the resulting bank.

Under the bill, the merging affiliate must also comply with any other applicable laws regarding mergers in the affiliate's state or jurisdiction of organization.

BACKGROUND

Conditional Preliminary Approval of Expedited Bank

Deadline for Submitting Applications. By law, applications for the conditional preliminary approval of one or more expedited banks that are organized primarily to acquire failed banks must be made by September 30, 2011.

Fee. The fee for conditional preliminary approval is \$15,000, the same fee as for issuance of a final certificate of authority for an expedited Connecticut bank.

Criminal Background Checks

Banks. By law, the banking commissioner may conduct criminal background checks on (1) each organizer and each prospective initial

director of a Connecticut bank, in connection with the application to organize the bank; (2) each director of a Connecticut bank upon the director's re-election; and (3) each new officer of a Connecticut bank upon the officer's employment. The commissioner may require fingerprinting or any other method of positive identification required by the State Police to conduct the background check.

Credit Unions. By law, each organizer, director, and appointed director of a Connecticut credit union must provide fingerprints to the banking commissioner for use in a criminal background check in connection with the application to organize a credit union and at any other time the commissioner asks.

State vs. National Criminal Background Check. By law, state background checks are conducted by the State Police Bureau of Identification. National background checks are conducted by the Federal Bureau of Investigation.

COMMITTEE ACTION

Banks Committee

Joint Favorable

Yea 18 Nay 0 (03/16/2010)