

House of Representatives, March 19, 1998. The Committee on Banks reported through REP. MCCA VANAGH, 12th DIST., Chairman of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE POWERS OF CONNECTICUT BANKS.

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

1 Section 36a-250 of the general statutes, as
2 amended by section 1 of public act 97-317, is
3 repealed and the following is substituted in lieu
4 thereof:

5 (a) Except as otherwise provided in
6 subsection (b) of this section, a Connecticut bank
7 may:

8 (1) Transact a general banking business and
9 exercise by its governing board or duly authorized
10 officers or agents, subject to applicable law, all
11 such incidental powers as are necessary thereto.
12 The express powers authorized for a Connecticut
13 bank under subdivisions (2) to (38), inclusive, of
14 this subsection do not preclude the existence of
15 additional powers deemed to be incidental to the
16 transaction of a general banking business pursuant
17 to this subdivision;

18 (2) (A) Receive deposits as authorized by and
19 subject to the provisions of sections 36a-290 to
20 36a-305, inclusive, AS AMENDED, section 36a-307,
21 sections 36a-315 to 36a-323, inclusive, and
22 sections 36a-330 to 36a-338, inclusive, including:
23 (i) Savings deposits; (ii) time deposits; (iii)

24 demand deposits; (iv) public funds or money held
25 in a fiduciary capacity; (v) school savings funds;
26 and (vi) club deposits; and (B) pay interest or
27 dividends thereon;

28 (3) Act as a depository of court and trust
29 funds;

30 (4) Receive for safekeeping or otherwise all
31 kinds of personal property, including papers,
32 documents and evidences of indebtedness;

33 (5) Conduct a safe deposit business on its
34 banking premises;

35 (6) Act (A) as guardian or conservator of the
36 estate of any person, but not of the person, (B)
37 as a trustee, receiver, executor or administrator,
38 or (C) in any other fiduciary capacity, all
39 without bond unless a bond is ordered by the
40 court;

41 (7) Act as agent or attorney in fact for the
42 holders of securities or the owners of real
43 estate;

44 (8) Act as transfer agent or registrar of
45 stocks and bonds;

46 (9) Execute and deliver signature guaranties
47 as may be incidental or usual in the transfer of
48 investment securities;

49 (10) Act as agent, fiscal agent or trustee
50 for any corporation or for holders of bonds, notes
51 or other securities, and pledge assets to secure
52 deposits in its banking department when (A) made
53 by it as trustee under a trust indenture for the
54 holders of revenue bonds issued by this state, any
55 municipality, district, municipal corporation or
56 authority or political subdivision thereof, and
57 the express provisions of the authority or its
58 political subdivision, and the express provisions
59 of the trust indenture require the deposit to be
60 so secured, (B) made by it as fiscal agent for a
61 housing authority in connection with a
62 federally-assisted housing project and federal
63 regulations or other requirements call for the
64 deposits to be so secured or (C) made by it to
65 secure deposits in individual retirement accounts
66 and qualified retirement plan accounts,
67 established in accordance with the applicable
68 provisions of the Internal Revenue Code of 1986,
69 or any prior or subsequent corresponding internal
70 revenue code of the United States, as from time to
71 time amended, where such deposits exceed the

72 maximum of federal deposit insurance available for
73 such accounts;

74 (11) Act as fiscal agent for this state or
75 any of its political subdivisions when authorized
76 by the executive head of this state or of the
77 political subdivision;

78 (12) Act as agent (A) in the collection of
79 taxes for any qualified treasurer of any taxing
80 district or qualified collector of taxes or (B)
81 for any electric, gas, water or telephone company
82 operating within this state in receiving moneys
83 due that company for utility services furnished by
84 it;

85 (13) Act as agent for the sale, issue and
86 redemption of obligations of the United States and
87 pledge assets to the United States or to the
88 proper federal reserve bank for its obligations as
89 that agent;

90 (14) (A) Act as agent for an insured
91 depository institution affiliate in receiving
92 deposits, renewing time deposits, closing loans,
93 servicing loans and receiving payments on loans
94 and other obligations, and in so doing shall not
95 be considered to be a branch of such affiliate;

96 (B) A Connecticut bank may not conduct any
97 activity as an agent under subparagraph (A) of
98 this subdivision which such bank is prohibited
99 from conducting as a principal;

100 (15) Act as treasurer of any organization
101 exempt from federal income taxation under Section
102 501 of the Internal Revenue Code of 1986, or any
103 subsequent corresponding internal revenue code of
104 the United States, as from time to time amended;

105 (16) Establish a charitable fund, either in
106 the form of a charitable trust or a nonprofit
107 corporation to assist in making charitable
108 contributions, provided (A) the trust or nonprofit
109 corporation is exempt from federal income taxation
110 and may accept charitable contributions under
111 Section 501 of the Internal Revenue Code of 1986,
112 or any subsequent corresponding internal revenue
113 code of the United States, as from time to time
114 amended, (B) the trust or nonprofit corporation's
115 operations shall be disclosed fully to the
116 commissioner upon request, and (C) the trust
117 department of the bank or one or more directors or
118 officers of the bank act as trustees or directors
119 of the fund;

120 (17) In the discretion of a majority of its
121 governing board, make contributions or gifts to or
122 for the use of any corporation, trust or community
123 chest, fund or foundation created or organized
124 under the laws of the United States or of this
125 state and organized and operated exclusively for
126 charitable, educational or public welfare
127 purposes, or of any hospital which is located in
128 this state and which is exempt from federal income
129 taxes and to which contributions are deductible
130 under Section 501(c) of the Internal Revenue Code
131 of 1986, or any subsequent corresponding internal
132 revenue code of the United States, as from time to
133 time amended;

134 (18) Discount, purchase and sell accounts
135 receivable, negotiable and nonnegotiable
136 promissory notes, drafts, bills of exchange and
137 other forms of indebtedness;

138 (19) (A) Accept for payment at future dates
139 drafts drawn upon it, and (B) except as provided
140 in section 36a-299, sell or issue without charge
141 negotiable checks or drafts drawn by or on the
142 bank. Negotiable checks or drafts drawn, sold or
143 issued by a bank may be drawn on that bank or be
144 payable by or through another bank or out-of-state
145 bank;

146 (20) Make secured and unsecured loans and
147 issue letters of credit as authorized by and
148 subject to section 36a-260;

149 (21) (A) Issue credit cards and debit cards
150 and enter into card agreements with the bank's
151 card holders and with other card issuers, (B) lend
152 money to individuals, honor drafts and similar
153 orders drawn or accepted, whether by written
154 instrument or electronic transmission, and pay and
155 agree to pay obligations incurred in connection
156 with those agreements, (C) become affiliated with
157 any credit card corporation or association, and
158 (D) subject to sections 36a-155 to 36a-159,
159 inclusive, AS AMENDED, where applicable, provide
160 electronic fund transfer facilities and services
161 and enter into agreements with customers and other
162 persons regarding the provision of such
163 facilities;

164 (22) Provide home banking services to
165 customers as provided in section 36a-170;

166 (23) Contract for and pay the premiums upon

167 life insurance in the amount of the unpaid balance
168 due on loans;

169 (24) Borrow money and pledge assets therefor,
170 and pledge assets to secure trust funds on deposit
171 awaiting investment;

172 (25) Enter into leases of personal property
173 acquired upon the specific request of and for the
174 use of a prospective lessee;

175 (26) Make investments as authorized by this
176 title;

177 (27) Sell to any person, including any state
178 or federal agency or instrumentality, any loan or
179 group of loans legally owned by the bank,
180 repurchase any such loan or group of loans, and
181 act as collecting, remitting and servicing agent
182 in connection with any such loans and charge for
183 its acts as agent. Any such bank is authorized to
184 purchase the minimum amount of capital stock of
185 the applicable agency or instrumentality if
186 required by that entity to be purchased in
187 connection with the assignment of loans to that
188 entity and to hold and dispose of that stock;

189 (28) With the approval of the commissioner,
190 deal in and underwrite, to the same extent as is
191 permitted to a national banking association,
192 obligations of: (A) The United States or any of
193 its agencies; (B) any state or any political
194 subdivision or instrumentality of the state or (C)
195 Canada, any province of Canada or any political
196 subdivision of Canada;

197 (29) Issue and sell securities which (A) are
198 guaranteed by the Federal National Mortgage
199 Association or any other agency or instrumentality
200 authorized by state or federal law to create a
201 secondary market with respect to loans of the type
202 originated by the bank, or (B) subject to the
203 approval of the commissioner, relate to loans
204 originated by the bank and are guaranteed or
205 insured by a financial guaranty insurance company
206 or comparable private entity;

207 (30) Subject to the approval of the
208 commissioner, authorize the issuance and sale of
209 evidences of indebtedness, including debentures,
210 debt instruments of all maturities and capital
211 notes, at such times, in such amount and upon such
212 terms as are determined by the governing board,
213 provided the issuance of such evidences of
214 indebtedness which are payable on demand or mature

215 within five years of their issuance or which are
216 effected in the ordinary course of business do not
217 require the approval of the commissioner. The
218 proceeds of such evidences of indebtedness which
219 mature after five years of their issuance which
220 are subordinate to the claims of depositors upon
221 liquidation of the bank shall be considered part
222 of its capital for the purpose of computing any
223 loan, deposit or investment limitation under this
224 title;

225 (31) With the approval of and upon such
226 conditions and under such regulations as may be
227 prescribed or adopted by the commissioner,
228 establish and maintain one or more mutual funds
229 and offer to the public shares or participations
230 therein;

231 (32) With the written approval of the
232 commissioner: (A) Acquire, alter or improve real
233 estate for present or future use in the business
234 of the bank, except that approval of the
235 commissioner is not necessary in case of the
236 alteration or improvement of real estate already
237 owned by the bank or a corporation controlled by
238 it as provided in subsection (d) of section
239 36a-276, if the expenditure for such purposes does
240 not in any one calendar year exceed five per cent
241 of the bank's equity capital and reserves for loan
242 and lease losses or five hundred thousand dollars,
243 whichever is less; (B) purchase real estate
244 adjoining any parcel of real estate then owned by
245 it and acquired in the usual course of business,
246 provided the aggregate of all investments and
247 loans authorized in subparagraphs (A) and (B) of
248 this subdivision and in the equipment used by such
249 bank in its operations, together with the amount
250 of any indebtedness incurred by any corporation
251 holding real estate of the bank and such bank's
252 proportionate share, computed according to stock
253 ownership, of any indebtedness incurred by any
254 service corporation, does not exceed fifty per
255 cent of the equity capital and reserves for loan
256 and lease losses of the bank, unless the
257 commissioner finds that the rental income from any
258 part of the premises not occupied by the bank will
259 be sufficient to warrant larger investment;

260 (33) Convey any real estate owned by it at
261 the price and upon such terms of payment as its
262 governing board or an authorized committee thereof

263 determines and sets forth in the bank's records.
264 If any such sale is wholly or partly for credit, a
265 note secured by a first mortgage on the real
266 estate may evidence that credit. With the written
267 approval of the commissioner, the bank may accept
268 other real estate in whole or in part for any such
269 conveyance;

270 (34) Establish and maintain an international
271 banking facility, as defined in regulations
272 adopted by the Board of Governors of the Federal
273 Reserve System, subject to such regulations as the
274 commissioner may adopt, in accordance with chapter
275 54, to specify, and impose restrictions upon, the
276 types of activities in which the international
277 banking facility may engage;

278 (35) Join the Federal Reserve System;

279 (36) With the approval of the commissioner,
280 join the Federal Home Loan Bank System and borrow
281 funds as provided under federal law;

282 (37) Even if not expressly authorized to
283 exercise fiduciary powers, act as trustee or
284 custodian of a plan which qualifies as part of a
285 retirement plan for self-employed individuals or
286 an individual retirement account under the
287 provisions of the Internal Revenue Code of 1986,
288 or any subsequent corresponding internal revenue
289 code of the United States, as from time to time
290 amended, if the governing instrument limits the
291 investment of the funds held pursuant to such plan
292 to the following investments: (1) Savings deposits
293 and time deposits; and (2) with respect to
294 retirement plans for self-employed individuals,
295 notes of members in such plans which evidence the
296 indebtedness of such members for funds borrowed
297 from the plans. Funds held pursuant to any plan
298 which so qualifies may be deposited in any
299 Connecticut bank without regard to any statutory
300 limit on the amount which such bank may have on
301 deposit from one depositor;

302 (38) Sell insurance and fixed and variable
303 annuities directly, sell insurance and such
304 annuities indirectly through a subsidiary, or
305 enter into arrangements with third-party marketing
306 organizations for the sale by such third-party
307 marketing organizations of insurance or such
308 annuities on the premises of the Connecticut bank
309 or to customers of the Connecticut bank; provided
310 (A) such insurance and annuities are issued or

311 purchased by or from an insurance company licensed
312 in accordance with section 38a-41, and (B) the
313 Connecticut bank, subsidiary or third-party
314 marketing organization, and any officer or
315 employee thereof, shall be licensed as required by
316 section 38a-769 before engaging in any of the
317 activities authorized by this subdivision. As used
318 in this subdivision, "annuities" and "insurance"
319 have the same meanings as set forth in section
320 38a-1, except that "insurance" does not include
321 title insurance. The provisions of this
322 subdivision do not authorize a Connecticut bank or
323 a subsidiary of a Connecticut bank to underwrite
324 insurance or annuities;

325 (39) ORGANIZE AN INTERIM CONNECTICUT BANK
326 PURSUANT TO SUBSECTION (p) OF SECTION 36a-70, AS
327 AMENDED, SOLELY FOR THE ACQUISITION OF AN EXISTING
328 BANK OR TO FACILITATE ANY OTHER CORPORATE
329 TRANSACTION AS PROVIDED IN SAID SUBSECTION.
330 NOTHING IN THIS SUBDIVISION SHALL BE DEEMED TO
331 INVALIDATE OR OTHERWISE AFFECT ANY SUCH
332 ACQUISITION OR OTHER TRANSACTION ENTERED INTO
333 BEFORE THE EFFECTIVE DATE OF THIS ACT.

334 (b) A Connecticut bank which is organized to
335 function solely in a fiduciary capacity shall not
336 be authorized to exercise any of the powers
337 enumerated in this section to the extent that such
338 exercise would cause it to function otherwise than
339 in a fiduciary capacity, including, but not
340 limited to, receiving or holding deposits of any
341 kind, other than in a fiduciary capacity, or
342 making loans or otherwise extending credit, other
343 than in a fiduciary capacity.

344 (c) A Connecticut bank which is authorized to
345 exercise fiduciary powers pursuant to subsection
346 (a) of this section shall exercise such powers in
347 compliance with the provisions of sections 36a-350
348 to 36a-353, inclusive, 36a-365 to 36a-372,
349 inclusive, 36a-380 to 36a-386, inclusive, and
350 36a-395 to 36a-399, inclusive.

351 BA COMMITTEE VOTE: YEA 18 NAY 0 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER HB 5425

STATE IMPACT	None, see explanation below
MUNICIPAL IMPACT	None
STATE AGENCY(S)	Department of Banking

EXPLANATION OF ESTIMATES:

There is no fiscal impact for the Department of Banking as a result of the passage of this bill. Interim banks do not conduct banking transactions during their time of existence. There is no additional workload for the Department of Banking associated with the creation of an interim bank.

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OLR BILL ANALYSIS

HB 5425

AN ACT CONCERNING THE POWERS OF CONNECTICUT BANKS

SUMMARY: This bill adds to banks' general powers a provision specifying that state-chartered banks can organize an interim bank solely for the purpose of acquiring an existing bank or to facilitate other types of corporate transactions (such as mergers or conversions to another type of bank). (Banks already have this power under another section of statute.) An "interim bank" does not conduct banking business and ceases to exist when the acquisition or other transactions is complete.

The bill specifies that this provision does not

invalidate or otherwise affect an acquisition or transaction entered into before the bill takes effect.

EFFECTIVE DATE: October 1, 1998

COMMITTEE ACTION

Banks Committee

Joint Favorable Report
Yea 18 Nay 0