

No. 1982-44

AN ACT

HB 1889

Amending the act of November 30, 1965 (P.L.847, No.356), entitled "An act relating to and regulating the business of banking and the exercise by corporations of fiduciary powers; affecting persons engaged in the business of banking and corporations exercising fiduciary powers and affiliates of such persons; affecting the shareholders of such persons and the directors, trustees, officers, attorneys and employes of such persons and of the affiliates of such persons; affecting national banks located in the Commonwealth; affecting persons dealing with persons engaged in the business of banking, corporations exercising fiduciary powers and national banks; conferring powers and imposing duties on the Banking Board, on certain departments and officers of the Commonwealth and on courts, prothonotaries, clerks and recorders of deeds; providing penalties; and repealing certain acts and parts of acts," limiting deposits of Commonwealth funds; providing for a fixed holiday on January 15; relating to and regulating bank holding companies; further providing for changes of the principal place of business of institutions and the addition and deletion of branches and offices of institutions; affecting the location of branches of institutions and national banks; conferring additional powers on the Department of Banking, and making repeals.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 113, act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," added July 30, 1975 (P.L.108, No.56) and clause (v) of subsection (b) amended July 25, 1977 (P.L.101, No.37), is amended to read:

Section 113. Legal Holidays

(a) Fixed holidays—An institution shall observe as a legal holiday:

(i) New Year's Day (January 1);

(i.1) Dr. Martin Luther King, Jr. Day (January 15);

(ii) Memorial Day (the last Monday in May);

(iii) Independence Day (July 4);

(iv) Labor Day (the first Monday in September);

(v) Thanksgiving Day (the fourth Thursday in November);

(vi) Christmas Day (December 25);

(vii) each Sunday;

(viii) each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Sunday; and

(ix) each day specifically appointed by the President of the United States or the Governor of the Commonwealth as a legal holiday or as a bank holiday.

(b) Optional holidays—An institution may at its option observe as a legal holiday:

(i) Lincoln's Birthday (February 12);

- (ii) Washington's Birthday (the third Monday in February);
- (iii) Good Friday;
- (iv) Flag Day (June 14);
- (v) Columbus Day (the second Monday in October);
- (vi) Election Day (the first Tuesday after the first Monday in November);
- (vii) Veterans' Day (November 11);
- (viii) each Saturday either as a half-holiday after 12 o'clock noon or as a full holiday;
- (ix) each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Saturday; and
- (x) each day which the department permits all institutions by public announcement, or an individual institution by written permission, to observe as a legal holiday.

(c) Geographic variations—In designating a permissive optional holiday under subsection (b), the department may limit the designation to particular geographic areas based on political subdivisions, banking classifications such as Federal Reserve districts or otherwise. An institution may observe any optional holiday at one or more, but fewer than all, of its offices.

(d) Effect of section—This effect of a legal holiday under this section shall be that provided by law but this section shall supersede other law as to the determination of days that are legal holidays for banking institutions.

(e) National banks—This section shall apply to offices of national banks located in Pennsylvania except to the extent that Federal law specifically provides otherwise.

Section 2. The act is amended by adding sections to read:

Section 114. Limitation on Deposit of Commonwealth Funds

The Treasury Department shall not deposit any Commonwealth Funds in a financial institution subject to this act that unlawfully does not conform to the finance charge limitations in the act of October 28, 1966 (1st Sp.Sess. P.L.55, No.7), known as the "Goods and Services Installment Sales Act," provided that there are other financial institutions in the Commonwealth properly approved by the Board of Finance and Revenue which can adequately collateralize and service Commonwealth Funds and instruments.

Section 115. Bank Holding Companies

(a) Definitions—As used in this section:

(i) "Bank holding company"—a company, as defined by the Federal Bank Holding Company Act of 1956 (70 Stat.133), which is or becomes a bank holding company within the provisions of the Federal act including, without limitation, its provisions determining what constitutes control.

(ii) "Institution"—a national bank whose principal place of business is located in Pennsylvania or a bank or bank and trust company.

(iii) *“Pennsylvania bank holding company”*—*a bank holding company whose banking subsidiaries’ operations are principally conducted in this State as determined by the state in which total deposits of all such banking subsidiaries are largest.*

(b) *Control of institutions—*

(i) *No bank holding company other than a Pennsylvania bank holding company may control an institution.*

(ii) *A Pennsylvania bank holding company may control one or more institutions subject to the limitations that for a period of four years after the effective date of this act it may not control more than four institutions and for a period of four years following such initial four-year period it may not control more than eight institutions.*

(c) *Enforcement—The department shall enforce the provisions of this section and, to that end, is authorized to issue such regulations and orders as may enable the department to administer and carry out the purposes of this section. The department may, from time to time, examine the books, records and affairs of any Pennsylvania bank holding company, or require reports, under oath, in order to keep informed as to whether the provisions of this act and such regulations and orders made thereunder have been or are being complied with. The cost of such examination shall be assessed against and paid by such Pennsylvania bank holding company.*

(d) *Penalty provisions—Any company which violates any provision of this section shall be guilty of a misdemeanor, and upon conviction thereof, be sentenced to pay a fine of not more than five thousand dollars (\$5,000) for each day during which such violation continues. Any person who willfully participates in a violation of any of the provisions of this section shall be guilty of a misdemeanor, and, upon conviction thereof, be sentenced to pay a fine of not more than five thousand dollars (\$5,000) or imprisonment of not more than two years, or both.*

Section 3. Subsections (a), (b) and (d) of section 903 of the act are amended to read:

Section 903. **Change of Location of Office**

(a) **Change of principal place of business—**An institution may, with the prior written approval of the department and, in the case of an incorporated institution by amendment of its articles, change the location of its principal place of business to a new location:

- (i) in the same city, incorporated town, borough or township, or
- (ii) in the same county or in a county contiguous thereto if

(A) the total of its surplus, unallocated reserves and undivided profits in the case of a savings bank, or its net worth in the case of a private bank or employees’ mutual banking association, at least equals a minimum amount specified by the department, **[or]**

(B) in the case of any other institution, its capital and surplus are at least equal to the minimum capital and surplus which would be required by this act upon original incorporation with a principal place of business in the city, incorporated town, borough or town-

ship of the new location and, if the institution has branches, it has the additional capital and surplus required by this act for the establishment of such branches[.], or

(C) the institution has not previously changed the location of its principal place of business to a new location in a county contiguous to the county where the institution was originally chartered to do business. If an institution has made a previous change, it may relocate to the county where it was originally chartered to do business or to any county contiguous thereto.

(b) Change of branch—An institution may, pursuant to a resolution of its board of directors or trustees, or in the case of a private bank its owners, and with the prior written approval of the department, change the location of a branch to a new location[:

(i) in the same city, incorporated town, borough or village, or

(ii) in the county in which its principal place of business is located or in a county contiguous thereto,] in the same manner and subject to the same requirements and limitations as are prescribed by this act for the establishment of branches.

* * *

(d) Discontinuance of office—Upon the change of location of an office pursuant to subsections (a) and (b) of this section, the institution may not maintain **[an office] a branch** at the former location unless such office shall be authorized as a branch pursuant to this act. **[If the location of the principal place of business of the institution is changed to another county, the institution may not maintain any office in a county not contiguous to the county of the new location.]**

Section 4. Section 904 of the act, amended July 23, 1970 (P.L.597, No.199) and October 5, 1978 (P.L.1131, No.265), is amended to read: Section 904. Authorization of New Branches

(a) Upon a merger or consolidation, a conversion of a national bank into an institution or a conversion of a private bank into an institution authorized by this act, the resulting institution may, with the prior written approval of the department, maintain as branches, in addition to its principal place of business, every office which was maintained prior to the merger or consolidation by the parties thereto or prior to the conversion by the national bank or private bank and which is located in the same county as the principal place of business of the resulting institution **[or] in a contiguous county or in a bicontiguous county, except as provided in sections 907 and 908. The term “bicontiguous county,” as used in this section, means one which, with respect to the county where the principal place of business of an institution is located, is contiguous to a county contiguous thereto but which is not contiguous to such county in which the principal place of business is located. In the case of a national bank which has changed the location of its main office to a new location in a county contiguous to the county where it was originally chartered to do business and thereafter relocates its main office again, the determination of what is a bicontiguous county shall be made on the basis of the**

county of the first relocation of its main office unless the county to which the most recent relocation has been made is the county in which it was originally chartered to do business or a county contiguous thereto.

(b) Except as provided in subsection (a) of this section and in sections 907 and 908, an institution may establish **[a branch] branches** after the effective date of this act only in the same county in which its principal place of business is located **[or]** in a *contiguous* county **[contiguous thereto, and only]** or in a *bicontiguous* county or in a *county of the first class, or of the second class or of the second class A*, upon compliance with the following requirements:

(i) the proposed branch shall be authorized by resolution of its board of directors or trustees, or in the case of a private bank its owners,

(ii) the institution, in the case of a bank, a bank and trust company or a trust company, shall have, in addition to the minimum capital and surplus required under sections 1102 and 1103, such additional amounts of capital and surplus as may be required in the discretion of the department, or in the case of a savings bank shall have at least the total of surplus, unallocated reserves and undivided profits required by the department or in the case of a private bank shall have at least the net worth required by the department,

(iii) if the location of the proposed branch is outside of the city, incorporated town, borough or township in which the principal place of business of the institution is located, the institution shall give written notice of the filing of the application for approval of the branch to each other institution whose principal place of business is located in the county of the location of the proposed branch, **[and]**

(iv) for a period of four years after the effective date of this act, the location of the proposed branch in a bicontiguous county shall not be in any city, incorporated town, township or borough having a population of fifteen thousand or less where the principal place of business of any other institution or national bank is located. Four years after the effective date of this act and prior to eight years after the effective date of this act, the location of a branch in a bicontiguous county shall not be in any city, incorporated town, township or borough having a population of ten thousand or less where the principal place of business of any other institution or national bank is located, and

[(iv)] (v) the department shall give its written approval of the branch after the filing by the institution of an application for approval in a form prescribed by the department accompanied by any applicable fee and after investigation by the department.

(c) Eight years immediately following the effective date of this act, an institution may locate branches within any county in the Commonwealth, subject to the same approval of the department as is required under subsection (b)(v).

Section 5. Subsection (b) of section 905 of the act is repealed.

Section 6. Subsection (c) of section 905 of the act is amended to read:

Section 905. Approval of Branch by Department

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(c) Action by department—Within sixty days after receipt of the application or such longer period as may be required for any hearing which the department may hold, the department shall, **except as provided in subsection (b) of this section,** approve the application if it finds that **[there is a need for banking services or facilities such as are contemplated by]** the establishment of the proposed branch *would be consistent with the purposes of this act set forth in subsection (a) of section 103* and that the requirements of this act have been complied with but shall otherwise disapprove the application. If the department approves the application, it shall issue to the institution a letter of authority to establish the branch. If the department disapproves the application, it shall give the institution written notice of its disapproval and a statement in detail of the reasons for its decision.

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Section 7. The act of July 11, 1957 (P.L.773, No.372), known as the "Bank Holding Company Act," is repealed.

Section 8. This act shall take effect immediately.

APPROVED—The 4th day of March, A. D. 1982.

DICK THORNBURGH