

No. 1984-125

## AN ACT

SB 1080

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," providing clarification that affiliated banks may invest trust funds in each other's common trust or collective investment funds; further providing for investments by institutions; further providing for powers and duties of savings banks; further providing for names; and further providing for powers and duties of boards or committees of institutions.

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

Section 1. Section 311(d)(ii)(A) and (B) of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, amended July 23, 1970 (P.L.597, No.199), are amended to read:

Section 311. Transactions With Respect to Shares of Corporate Stock and Capital Securities

\* \* \*

(d) Ownership—An institution may acquire and hold:

\* \* \*

(ii) shares of stock of:

(A) the Federal National Mortgage Association [and], *the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association*, a corporation authorized to be created pursuant to Title IX of the Housing and Urban Development Act of 1968 *or any other such corporations or agencies as may from time to time be approved by the department*,

(B) a bank, a bank and trust company or a trust company subject to this act [or], a national bank located in Pennsylvania *or a Pennsylvania bank holding company*—to the extent of ten percent of the sum of the par value of the issued and outstanding shares of any such issuer, *and, for purposes of this limitation, the shares owned by all the affiliates of a Pennsylvania bank holding company shall be aggregated to determine whether the ten percent limitation is reached*,

\* \* \*

Section 2. Section 404(a) of the act is amended to read:  
Section 404. Collective Investment Funds

(a) Authorization—An institution may, to the extent provided in this section, establish and maintain common trust funds or collective investment funds for the investment and reinvestment of property which:

(i) is contributed by the institution *or by any affiliate of the institution as described in section 1504 of the Internal Revenue Code* in a capacity in which it *or the affiliate* is authorized to act pursuant to section 402, and

(ii) is eligible for contribution to a collective investment fund under the provisions of this section.

As used in this section, the term “collective investment fund” shall include a common trust fund and any other type of collective investment fund.

\* \* \*

Section 3. The act is amended by adding a section to read:  
Section 514. Bonds and Suretyship

*A savings bank may in the ordinary course of its business:*

(a) *Bonds for transactions of goods—give its bond, either alone or as surety for another, in connection with any bona fide transaction involving the import, export or domestic shipment of goods;*

(b) *Guarantees for items for collection—give guarantees in connection with the receipt and forwarding of items for collection;*

(c) *Guarantees for securities—give guarantees in connection with the transfer, exchange and collection of securities; and*

(d) *Miscellaneous guarantees—give such other guarantees as the department may from time to time approve.*

Section 4. Section 610(c) of the act, amended April 8, 1982 (P.L.262, No.79), is amended to read:

Section 610. Deposits by an Institution

\* \* \*

(c) Amount of deposit—An institution shall not have on deposit in a single depository at any time an amount which is in excess of **[ten] twenty** percent of the aggregate of its surplus, undivided profits and unallocated reserves in the case of a mutual savings bank, in excess of **[ten] twenty** percent of its net worth in the case of a private bank or in excess of **[ten] twenty** percent of its capital, surplus and undivided profits in the case of any other institution, without the approval of the depository for that purpose by the department.

Section 5. Section 802(a) of the act, (vii) repealed May 21, 1980 (P.L.173, No.51), is amended to read:

Section 802. Names Permitted to Be Used

(a) The name of an institution:

(i) may be in any language but shall be expressed in English letters or characters;

(ii) in the case of a bank, shall contain in English the word “bank” or “banking” and shall not contain either of the words “trust” or “savings”;

(iii) in the case of a bank and trust company, shall contain in English one or more of the words “bank”, “banking”, “trust” or “trusts”, and shall not contain the word “savings”;

(iv) in the case of a trust company, shall contain in English the words “trust company” or “company for trusts” and shall not contain any of the words “bank”, “banking” or “savings”;

(v) in the case of a savings bank, shall contain in English the words “[mutual] savings bank” **[and shall not] or “savings” and may** contain the word “trust” *if the savings bank acts in a fiduciary or other representative capacity as authorized in Chapter 4 of this act*;

(vi) in the case of a private bank, shall contain in English the words “private bank” or “unincorporated bank” and shall not contain either of the words “trust” or “savings”;

(viii) shall not contain any word which may deceptively lead to the conclusion that the institution is authorized to perform any act or conduct any business which it is not authorized to perform or conduct or which is forbidden to it by law, its articles or otherwise;

(ix) shall not contain any of the words “Government”, “Official”, “Federal”, “National” or “United States” or any abbreviation of any such word; and

(x) shall not be a name which would be unavailable for use by a business corporation under section 202(B) of the Business Corporation Law (dealing with names the same as, or deceptively similar to, certain other names).

\* \* \*

Section 6. Section 1217(a) of the act is amended to read:  
Section 1217. Determination of Shareholders of Record

(a) The board of directors of an institution may, except as otherwise provided in its by-laws, fix a date for the determination of the shareholders entitled to receive notice of and to vote at any meeting or to receive any dividend, distribution or allotment of rights or a date for any change, conversion or exchange of shares by:

(i) fixing a record date not more than **[forty] sixty** days prior thereto, or

(ii) closing the books of the institution against transfers of shares for all or part of such period by giving notice to each shareholder of record at least ten days before the closing of the books.

\* \* \*

Section 7. Section 1405 of the act is amended by adding a subsection to read:

Section 1405. Method of Action by Board of Directors or Trustees or Executive or Other Committee

\* \* \*

*(e) Participation by telephone—If the by-laws so provide, one or more directors or trustees may participate in a meeting of the board of directors or trustees or of a committee of the board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and all directors or trustees so participating shall be deemed present at the meeting.*

Section 8. Section 1609(a)(v) and (b)(ii) of the act, amended April 8, 1982 (P.L.262, No.79), are amended to read:

Section 1609. Mergers, Consolidations and Conversions of Savings Banks

(a) Authority to merge, consolidate or convert—

\* \* \*

(v) upon compliance with the requirements of this section and other applicable law,

(A) a **[mutual]** savings bank may be converted into *an association*,  
*or*

(B) *a savings bank may be converted into a Federal [mutual] savings bank[,] or a Federal savings and loan association [or an association],* subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal **[mutual]** savings bank or a Federal savings and loan association to convert into a **[mutual]** savings bank.

\* \* \*

(b) Requirements for a merger, consolidation or conversion—The requirements for a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi) or (vii) of subsection (a) which must be satisfied by the parties thereto are as follows:

\* \* \*

(ii) if the proposed merger, consolidated or conversion will result in a Federal mutual savings bank, a savings bank, a Federal savings and loan association or an association, adoption of the plan by each party thereto shall require the affirmative vote,

(A) in the case of a mutual savings bank, of at least two-thirds of the trustees present at a meeting at which the plan is proposed, and two-thirds of all the trustees at a subsequent meeting held upon not less than ten days' notice to all the trustees,

(B) in the case of a stock savings bank, of at least a majority of the trustees, at a meeting held upon not less than ten days' notice to all the trustees, and of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast thereon, at a meeting held upon not less than ten days' notice to all shareholders, **[and]**

(C) in the case of **[any other party] a Federal savings bank, a Federal savings and loan association or an association**, of two-thirds of the entire membership of the board of directors, **[of each Federal mutual savings bank, Federal savings and loan association, or association. The]**

(D) *in the case of any other party, such vote as is required by law for merger, consolidation or conversion, and*

(E) *in the case of the notice required to be given to the trustees of a savings bank and to the shareholders of a stock savings bank shall include a copy or summary of the plan. The department may require such vote of the members of an association as it deems proper.*

\* \* \*

Section 9. Section 1801 of the act, amended May 21, 1980 (P.L.173, No.51), is amended to read:

Section 1801. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a *stock savings bank*, a bank and trust company and a trust company for the purpose of all of the provisions of this chapter and also a *mutual* savings bank and a private bank for the purpose of sections 1808 and 1809 of this chapter.

Section 10. Section 1809 of the act is amended to read:

Section 1809. Distribution of Assets upon Insolvency

In the distribution of the assets of an institution which is liquidated or dissolved, whether under this act or under the Department of Banking Code or by any other method, the order of payment of liabilities of the institution in the event that its assets are insufficient to pay in full all its liabilities for which claims are duly made shall be:

(a) First, the payment of costs and expenses of administration of the liquidation or dissolution,

(b) Second, the payment of claims which are given priority by applicable statutes and, if the assets are insufficient for the payment in full of all such claims, in the order provided by such statutes or, in the absence of contrary provisions, pro rata,

(c) Third, the payment of all other claims pro rata, exclusive of claims on subordinated securities of a *mutual* savings bank or capital securities of any other institution, and

(d) Fourth, the payment of such subordinated securities or capital securities.

Section 11. This act shall take effect immediately.

APPROVED—The 6th day of July, A. D. 1984.

DICK THORNBURGH