

No. 1990-191

AN ACT

SB 1512

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," permitting the formation of mutual holding companies; authorizing mergers of savings bank holding companies and their wholly owned subsidiary savings banks; further providing for legal holidays; authorizing certain banks to become members of a Federal Home Loan Bank; providing for change of location; providing for pledges for deposits; and providing for reciprocal interstate operations for savings banks.

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

Section 1. Section 113(a) and (b) of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, amended March 4, 1982 (P.L.135, No.44) and December 13, 1985 (P.L.331, No.89), are 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 (the third Monday in January);
- (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, *except for such activities or conduct of business at such locations as the bank may elect*;
- (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.

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

Section 115.1. Mutual Holding Companies

(a) In general—Notwithstanding any other provision of this act, a savings bank organized under this act in mutual form may reorganize ~~so as to~~ become a holding company by:

(i) chartering a subsidiary stock savings bank, the stock of which is wholly owned by the mutual savings bank at the time of the reorganization; and

(ii) transferring the substantial part of its assets and liabilities, including all of its liabilities which are insured by any deposit insurance corporation, to the subsidiary stock savings bank.

(b) Trustees' approval of plan required—A reorganization is not authorized under this section unless a plan providing for such reorganization has been approved by the affirmative vote of two-thirds of the board of trustees of the mutual savings bank.

(c) Notice to, and approval by, the department—

(i) At least sixty days prior to taking any action described in subsection (a), a mutual savings bank seeking to establish a mutual holding company shall provide written notice to the department. The notice shall contain such relevant information as the department shall require by regulation or by specific request in connection with any particular notice.

(ii) Upon receipt of an application for approval of a plan of reorganization authorized by this section, the department shall conduct such investigation as it may deem necessary to determine whether:

(A) the plan satisfies the requirements of this act; and

(B) the plan adequately protects the interests of depositors, borrowers and creditors.

(iii) Within sixty days after receipt of the application, the department shall approve or disapprove the application on the basis of its investigation and shall immediately give to the savings bank written notice of its decision, and in the event of disapproval, a statement in detail of such grounds therefor as are permitted by paragraph (iv).

(iv) The department may disapprove any proposed holding company formation only if:

(A) the plan providing for such reorganization fails to comply, or as implemented would fail to comply, with such regulations as the department may promulgate from time to time;

(B) such disapproval is necessary to prevent unsafe or unsound practices;

(C) the financial or management resources of the resulting mutual holding company or the resulting savings bank warrant disapproval; or

(D) the savings bank fails to furnish the information required under paragraph (i).

(v) At the time of the transaction described in subsection (a), a savings bank may, with the approval of the department, retain capital assets at the holding company level to the extent that such capital assets are not needed by the subsidiary stock savings bank in order for the subsidiary to satisfy applicable regulatory requirements.

(d) Permitted activities—A mutual holding company may engage only in the following activities:

(i) investing in the stock of one or more financial institution subsidiaries;

(ii) acquiring one or more additional financial institution subsidiaries through the merger of such financial institution subsidiaries into a subsidiary of the holding company;

(iii) subject to subsection (e), merging with or acquiring another holding company, one of whose subsidiaries is a financial institution subsidiary;

(iv) investing in a corporation the capital stock of which is available for purchase by a savings bank under Federal law or under this act;

(v) engaging in such activities as are permitted, by statute or regulation, to a holding company of a federally chartered insured mutual institution under Federal law; and

(vi) engaging in such other activities as may be permitted by the department.

(e) Limitations on certain activities of acquired holding companies—

(i) If a mutual holding company acquires or merges with another holding company pursuant to subsection (d)(iii), the holding company acquired or the holding company resulting from such merger or acquisition may invest in only those assets and engage in only those activities which are authorized under subsection (d).

(ii) Not later than two years following a merger or acquisition described in subsection (d)(iii), the acquired holding company or the holding company resulting from such merger or acquisition shall:

(A) dispose of any asset which is an asset in which a mutual holding company may not invest under subsection (d); and

(B) cease any activity which is an activity in which a mutual holding company may not engage under subsection (d).

(f) Regulation—*The department shall have the authority to issue rules, regulations and orders as may be necessary to properly administer this section. Until the department has adopted regulations pursuant to this section, the department shall not approve any application by a savings bank for approval of a plan of reorganization into a mutual holding company. The regulations adopted under this section shall be no less restrictive than those promulgated by the Office of Thrift Supervision for federally chartered savings banks.*

(g) Definitions—*The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:*

(i) "Mutual holding company"—*a corporation organized as a holding company under this section.*

(ii) "Financial institution subsidiary"—*a savings association, a Federal savings and loan association or savings bank which is located in Pennsylvania, a bank, a bank and trust company, a trust company, a savings bank, a regional thrift institution or, after March 4, 1990, a foreign thrift institution.*

Section 3. Section 117 of the act, amended or added December 18, 1986 (P.L.1702, No.205) and May 18, 1988 (P.L.399, No.65), is amended to read: Section 117. Authorization of [Regional,] Reciprocal Interstate Operations of Savings Banks

(a) Definitions for purpose of section—*The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:*

(i) "Acquire"—*to acquire (as defined in section 112(a)(i)) five percent or more of the voting stock of an entity and shall also mean a merger or consolidation or a purchase of assets and an assumption of liabilities, other than in the regular course of business.*

(ii) "Bank holding company"—*the same meaning as that term has under the Bank Holding Company Act of 1956, 12 U.S.C. § 1841(a).*

(iii) "Branch"—*an office which performs the functions described in section 102(h).*

(iv) "Control"—*the power, directly or indirectly, to direct the management or policies of an entity or to vote twenty-five percent or more of any class of voting securities of an entity.*

(v) "Entity"—*any corporation, partnership, association or similar organization, including banks and thrift institutions.*

(vi) "Foreign association"—*a savings and loan association or building and loan association located in and organized and operating under the laws of a state other than Pennsylvania and a Federal association, as defined in 12 U.S.C. § 1462(d), that is located in a state other than Pennsylvania.*

(vii) "Foreign savings bank"—*a savings bank located in and organized and operating under the laws of a state other than Pennsylvania.*

(viii) "Foreign thrift institution"—*a foreign savings bank or a foreign association.*

(ix) *“Foreign thrift institution holding company”*—an entity which controls one or more foreign thrift institutions and is located in a state other than Pennsylvania.

[(vi)] (x) *“Pennsylvania savings bank”*—a savings bank as defined in section 102(x).

[(vii)] (xi) *“Pennsylvania savings bank holding company”*—an entity which controls one or more Pennsylvania savings banks and is located in Pennsylvania.

[(viii)] (xii) *“Region”*—the States of Delaware, Indiana, Kentucky, Maryland, New Jersey, Ohio, Virginia and West Virginia, and the District of Columbia.

[(ix)] (xiii) *“Regional association”*—a savings and loan association or building and loan association located in and organized and operating under the laws of a state in the region and a Federal association, as defined in 12 U.S.C. § 1462(d), that is located in the region.

[(x)] (xiv) *“Regional savings bank”*—a savings bank located in and organized and operating under the laws of a state in the region.

[(xi)] (xv) *“Regional thrift institution”*—a regional savings bank or a regional association.

[(xii)] (xvi) *“Regional thrift institution holding company”*—an entity which controls one or more regional thrift institutions and is located in a state in the region.

[(xiii)] (xvii) *“Savings and loan holding company”*—as defined in 12 U.S.C. § 1730a(a)(1)(D).

[(xiv)] (xviii) *“State”*—includes the District of Columbia.

[(xv)] (xix) State in which an entity is “located”—

(A) with regard to a thrift institution, the state in which its deposits are largest; and

(B) with regard to a thrift institution holding company, a savings bank holding company, a savings and loan holding company or a bank holding company, the state in which the total deposits of its subsidiaries, including commercial banks, are largest.

Provided, that an entity or its legal successor that is located in Pennsylvania on the effective date of this legislation shall be deemed thereafter to be located in Pennsylvania regardless of the location of its deposits or the deposits of its subsidiaries if said entity has not been either acquired by an entity located outside of Pennsylvania or a party to a merger or consolidation transaction in which the holders of its voting shares immediately prior to the transaction held less than fifty percent of the voting shares of any class of stock in the entity surviving after, or resulting from, the merger or consolidation.

(b) Acquisitions by [regional] *foreign* thrift institutions and [regional] *foreign* thrift institution holding companies—A [regional] *foreign* thrift institution or [regional] *foreign* thrift institution holding company may acquire a Pennsylvania savings bank or a Pennsylvania savings bank holding company if:

(i) the law of the state where the acquiring thrift institution or thrift institution holding company is located and the law of the state where any savings and loan holding company or bank holding company which directly or indirectly owns or controls the power to vote five percent or more of its shares is located satisfies, in each case, the reciprocity requirement of subsection (d);

(ii) the acquiring thrift institution or thrift institution holding company and any savings and loan holding company or bank holding company which directly or indirectly owns or controls the power to vote five percent or more of its shares is, in each case, located in a state in the region or in Pennsylvania, *except that the requirement of location in the region or in Pennsylvania will not be applicable to an acquisition consummated after March 4, 1990*; and

(iii) approval has been received from the department. When considering a proposed acquisition by a [regional] *foreign* thrift institution or a [regional] *foreign* thrift institution holding company, the department shall give specific attention to the effect of the acquisition on the availability, in this Commonwealth, of those banking and basic transaction account services set forth in subsections (i) and (j).

(c) Branching by [regional] *foreign* savings banks—

(i) A [regional] *foreign* savings bank may, with the prior written approval of the department, maintain as a branch any office acquired as part of an acquisition effected under this section or section 114 of the Savings Association Code of 1967.

(ii) A [regional] *foreign* savings bank may establish and maintain branches in this Commonwealth if:

(A) the state in which it is located and the state in which any savings and loan holding company or bank holding company which directly or indirectly owns or has the power to vote five percent or more of its shares is located satisfies, in each case, the reciprocity requirement of subsection (d);

(B) the savings bank and any savings and loan holding company or bank holding company which directly or indirectly owns or controls the power to vote five percent or more of its shares is, in each case, located in a state in the region or in Pennsylvania, *except that the requirement of location in the region or in Pennsylvania will not be applicable with respect to a branch established after March 4, 1990*; and

(C) the branch is approved by the department in the same manner and subject to the same conditions as are applicable to de novo branches of Pennsylvania savings banks under sections 904 and 905.

(d) Reciprocity requirement—

(i) The law of another state is reciprocal under this section to the extent the department determines it to be so. The department's determination under this subsection shall include, but is not limited to:

(A) with regard to acquisitions, whether the law of that other state authorizes Pennsylvania savings banks and Pennsylvania savings bank holding companies to acquire [regional] *foreign* thrift institutions and

[regional] foreign thrift institution holding companies located in that state on terms and conditions reasonably equivalent to those applicable to acquisitions by **[regional] foreign** thrift institutions and **[regional] foreign** thrift institution holding companies of Pennsylvania savings banks or Pennsylvania savings bank holding companies and whether the law of that other state imposes conditions on the acquisition by Pennsylvania savings banks or Pennsylvania savings bank holding companies of **[regional] foreign** thrift institutions or **[regional] foreign** thrift institution holding companies located in that state that are substantially more onerous than those imposed on the same acquisitions by thrift institutions or thrift institution holding companies located in that state; and

(B) with regard to branching, whether the law of that other state authorizes Pennsylvania savings banks to establish or maintain branches in that state on terms and conditions reasonably equivalent to those applicable to the establishment or maintenance of branches in Pennsylvania by savings banks located in that state, and reasonably equivalent to those applicable to the establishment and maintenance of branches in that state by a savings bank located in that state.

(ii) The department need not determine that the law of another state fails to meet the reciprocity requirement of this subsection solely by reason of the fact that that law does not allow Pennsylvania savings banks or Pennsylvania savings bank holding companies to engage in a particular type of branching or acquisition, or imposes conditions on such branching or acquisition that are substantially more onerous than those imposed on the same activities of savings banks or savings bank holding companies located in that state. However, in such circumstances, the department shall find reciprocity only after imposing on the savings banks and savings bank holding companies located in that state conditions and limitations on branching and acquisitions in Pennsylvania substantially similar to those imposed on branching and acquisitions in that state by Pennsylvania savings banks and savings bank holding companies.

(iii) The department may determine that the law of another state is not reciprocal regarding a particular type of branching or acquisition if the law of that other state does not allow all Pennsylvania savings banks or, alternatively, all Pennsylvania savings bank holding companies to engage on equal terms with each other in the particular type of branching or acquisition.

(e) Authority of the department—In addition to the powers granted elsewhere in this section and in other provisions of Pennsylvania law, the department is authorized to impose any conditions or requirements it deems appropriate, in light of the purposes of this act, on thrift institutions and thrift institution holding companies acquired or operating directly or indirectly in Pennsylvania under this section. Such conditions or requirements include, but are not limited to, provisions for examinations, reports and the payment of fees. The department may accept examinations and other reports of Federal and state regulators and may enter into agreements with Federal and

state regulators for the exchange of information, including examination reports.

(f) Change in circumstances—If a **[regional] foreign** thrift institution or **[regional] foreign** thrift institution holding company **[located in another state]** which has acquired a Pennsylvania savings bank or Pennsylvania savings bank holding company or has established a branch in Pennsylvania under this section shall have a change of circumstances so that it no longer satisfies the conditions of subsections (b) and (c) (either by reason of a change in the place in which it is located or by reason of acquisition by a savings and loan holding company or a bank holding company located in a state which does not satisfy the conditions of subsections (b) and (c) of five percent or more of its voting shares, or the power to vote those shares), said **[regional] foreign** thrift institution or **[regional] foreign** thrift institution holding company shall divest each Pennsylvania savings bank, savings bank holding company and branch it has acquired or established prior to entering into a voluntary combination which causes such change of circumstances or within one year (or such longer period of not more than an additional year as the department may allow in writing) after the occurrence of an event, other than a voluntary combination, which causes the change in circumstances.

(g) Effect of invalidity—The purpose of this section is solely to authorize reciprocal, **regional interstate** operations by savings banks and associations, and this section shall not be construed to authorize any acquisition or the establishment of any branch by any entity located in another state except as expressly provided in this section. In the event that any limitation on the geographical location of entities granted acquisition or branching powers by this section is held to be invalid by a final order of a court which is not subject to further review or appeal, the authorization of this section shall terminate immediately. Any acquisition or branch establishment consummated pursuant to this section prior to such termination shall not be affected thereby.

(h) Acquisitions in other states by Pennsylvania savings banks and Pennsylvania savings bank holding companies—A Pennsylvania savings bank or Pennsylvania savings bank holding company which proposes to acquire a thrift institution or thrift institution holding company located in another state shall file an application for approval by the department in such form and upon payment of such fee as the department shall prescribe and shall supplement such application with such additional information as the department may reasonably request. The department shall conduct such investigation as it deems necessary to determine whether to approve or disapprove the application. The investigation shall include consideration of the effects the proposed acquisition would have on the availability, in this Commonwealth, of those banking services and basic transaction account services set forth in subsections (i) and (j). Within sixty days after receipt of the application or within a longer period, not in excess of thirty days, after receipt from the applicant of additional information requested by the department, the department shall approve or disapprove the proposed acquisition and give written notice of its decision to the applicant. In approving an acquisition under this

section, the department may place conditions upon such approval and incorporate such terms and agreements as are deemed necessary to effect the purposes of this act.

(i) Availability of banking services—The department shall have the authority to assure that interstate thrift acquisitions authorized by this section will not diminish reasonable availability of banking services to all segments of the public and economy of this Commonwealth, with special emphasis on economic development and the financing of enterprises to the end that employment opportunities will be either increased or, where there is the prospect of reduction, retained. Upon receipt of an application for approval of an acquisition by an institution or company located in another state under subsection (b) or approval of an acquisition in another state by a Pennsylvania savings bank or savings bank holding company under subsection (h), the department shall review the credit practices and policies of each Pennsylvania savings bank or savings bank holding company which is involved in the proposed transaction. Such review shall determine the overall performance of such company or institution in providing credit and financial services to individuals and business enterprises in the communities which it serves in the light of its role as a thrift institution, its resources, its capital and its income, the particular needs of such communities, competition and alternative sources of credit. With respect to individuals, there shall be a review of consumer loans, residential mortgages, home improvement loans and student loans, particularly to residents of low-income and moderate-income neighborhoods. With respect to business enterprises, there shall be a review of extensions of credit and investments intended to promote economic development and creation, or retention where there is the prospect of reduction, of employment opportunities, including, without limitation, Small Business Administration and other small business loans, industrial development loans, financing of employe stock option plans and leveraged buyouts of businesses by employes, financing of nonprofit community development projects, loans and investments intended to maintain existing businesses and to encourage economic expansion and job opportunities, and loans and investments to promote participation by businesses in this Commonwealth in international trade and to increase exports. The review by the department shall also include all other activities of the institution or company deemed to be suitable to its particular circumstances and the communities served. If the department determines that the overall performance of the institution or company has not been materially deficient and that it justifies the conclusion that the institution or company does and will provide suitable credit and financial services to its communities, it may approve the application without imposing any terms or conditions but otherwise may impose such terms and conditions as it deems appropriate to improve such overall performance over a stated period of time. The department shall, from time to time, review the continuing overall performance of each such institution or company after an acquisition and, if it finds that its overall performance has not continued to be satisfactory, shall issue such order to the applicant as it deems appropriate.

(j) Availability of basic transaction account services—The department shall have the authority to assure that thrift institution holding companies and thrift institutions that become part of interstate banking organizations by reason of acquisitions requiring approval under this section make basic transaction account services available to the public. For this purpose the department shall obtain, from all sources available to it or through such studies as it may commission, adequate information to determine:

(i) The needs of the public and, in particular, individuals with low or moderate income, for a basic checking or other transaction account.

(ii) The principal characteristics that such an account should have, such as the number of checks, deposits and other items for which a minimum charge may be made, the amount or rate of such minimum charge and the forms of identification that may be required for opening and using such an account.

(iii) The existing availability of basic accounts with some or all of such principal characteristics currently offered by depository institutions, including applicants under this section, in separate communities of this Commonwealth.

An applicant shall, at the request of the department, supply information to the department with respect to such accounts offered by the applicant and by each institution which is a subsidiary of the applicant. The department may approve an application prior to the time it has acquired the information required by this section, but the applicant and each institution which is a subsidiary of the applicant shall be subject, both before and after an approval of the acquisition under this section, to requirements imposed by the department, from time to time, to assure to the public, in the communities served by the institution, the continuing availability of the basic transaction account services which the department has determined the public needs.

(k) Advisory Commission—For the purpose of advising the department in the conduct of its functions under subsections (i) and (j), the advisory commission established by section 116(k) is empowered and directed to provide information, opinions and recommendations as to guidelines the department may establish, from time to time, for the purpose of determining the overall performance of an institution or company under subsection (i) and the availability of basic transaction account services under subsection (j). All decisions and determinations made under this section shall be made by the department. *In evaluating an application which would result in an interstate acquisition or an interstate branch, the department shall consider the following regulatory criteria:*

(i) *capital adequacy;*

(ii) *asset quality;*

(iii) *management ability and effectiveness;*

(iv) *earnings quantity and quality;*

(v) *liquidity;*

(vi) *ability to meet the needs of the community;*

(vii) *effect of the transaction upon competition;*

- (viii) *existence of insider transactions;*
- (ix) *adequacy of all disclosures relating to the transactions; and*
- (x) *resistance to external economic and financial conditions.*

The department shall not approve the application for any such interstate acquisition or interstate branch, unless the evaluation determines that all of the institutions involved in the transaction are in compliance with all relevant regulatory criteria. These regulatory criteria shall apply to all interstate acquisition and interstate branch applications involving the following institutions: a Pennsylvania savings bank, a Pennsylvania savings bank holding company, a foreign association, a foreign savings bank, a foreign thrift institution or a foreign thrift institution holding company.

Section 4. Section 203 of the act is amended by adding a subsection to read:

Section 203. Additional Powers Related to Conduct of Business of Incorporated Institutions Other Than Trust Companies

A bank, a bank and trust company and a savings bank shall have in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

* * *

(e) Membership in Federal Home Loan Bank—The power to become a member of the Federal Home Loan Bank System, to hold shares of stock in a Federal Home Loan Bank, to take all actions incident to maintenance of such membership and to exercise all powers, not inconsistent with provisions of this act, conferred on member banks.

Section 5. Section 311(d) of the act, amended December 21, 1988 (P.L.1416, No.173), is amended to read:

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

* * *

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

(i) shares of stock of a Federal Reserve Bank, without limitation of amount;

(ii) shares of stock of:

(A) the Federal National Mortgage Association, 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, 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,

(B.1) a subsidiary corporation engaged in the functions or activities that an institution is authorized to carry on, if the shares are acquired with the prior written approval of, and in accordance with the terms and conditions of transfer prescribed by, the department, or

(C) a corporation organized under the laws of the United States or of any state or any foreign country and principally engaged, directly or indirectly, in international or foreign banking or financial operations or in banking or financial operations in a dependency, or insular possession of the United States or in the Commonwealth of Puerto Rico, if the shares are acquired with the prior written approval of, and in accordance with the terms and conditions prescribed by, the department in an amount the cost of which to the institution for the shares of any such association or corporation so acquired or held is not in excess of ten percent of the aggregate of the capital, surplus and capital securities of the institution and in the case of shares covered by clause (B) of this subsection (d)(ii), in an amount the cost of which to the institution for the shares of all such issuers so acquired or held is not in excess of the lesser of ten percent of the total assets of the institution or one hundred percent of the aggregate of the capital, surplus and capital securities of the institution;

(iii) shares of stock of small business investment companies organized pursuant to the Small Business Investment Act, in an amount the cost of which is not in excess of one percent of the aggregate of the capital, surplus and capital securities of the institution;

(iv) in the case of a bank and trust company, shares of stock of a corporation organized under the laws of the Commonwealth for the purpose of conducting a title insurance business to which the institution has transferred the assets of its title insurance business, in an amount:

(A) the cost of which is not in excess of the lesser of (1) ten percent of the aggregate of the capital, surplus and capital securities of the institution or (2) double the minimum amount of capital and paid-in surplus required for the incorporation of such corporation, or

(B) with the prior approval of the department, the cost of which is not in excess of fifteen percent of the aggregate of the capital, surplus and capital securities of the institution;

(v) shares of stock of business development credit corporations to the extent provided by the Business Development Credit Corporation Law;

(vi) shares of stock of a corporation organized to promote the public welfare and community development, expand the economy or provide for social reform, subject to regulation by the department;

(vii) shares of stock of a clearing corporation as defined in Article 8 of the Uniform Commercial Code;

(viii) shares of stock of a stock savings bank located in Pennsylvania;

(ix) shares of stock of a corporation engaged exclusively in activities not prohibited by this act, which shares have been held continuously since November 30, 1965; [and]

(x) shares of stock of a savings association, a Federal savings and loan association or a Federal savings bank, located in Pennsylvania, provided that an institution may hold no more than ten percent of the outstanding shares of the common stock of such savings association, Federal savings and loan association or Federal savings bank[.]; *and*

(xi) *shares of stock of a Federal Home Loan Bank, without limitation of amount.*

* * *

Section 6. Sections 312 and 314(b) of the act are amended to read:

Section 312. Pledges For Deposits

(a) An institution may pledge assets as security for deposits of:

(i) public funds,
 (ii) funds of a pension fund for employes of a political subdivision of the Commonwealth,

(iii) funds for which a political subdivision of the Commonwealth or an officer or employe thereof is the custodian or trustee pursuant to statute,

(iv) funds held by the Secretary of Banking as receiver or by the Insurance Commissioner as statutory liquidator,

(v) funds which are required to be secured by law or by an order of a court, **[and]**

(vi) in the case of a bank and trust company, funds held in a fiduciary capacity and deposited in its commercial department pursuant to subsection 403 (c) of this act[.], *and*

(vii) *funds held in a fiduciary capacity by a trust company which is an affiliate of the institution.*

(b) An institution may not pledge assets as security for deposits other than those covered by subsection (a) of this section.

Section 314. Borrowings

* * *

(b) The aggregate amount of outstanding liabilities of an institution for money borrowed exclusive of:

(i) liabilities to a Federal Reserve Bank on account of money borrowed or rediscounts,

(ii) liabilities on account of the acquisition of reserve balances at a Federal Reserve Bank or other reserve agent from a member or non-member bank,

(iii) liabilities on account of agreements to repurchase securities sold by the institution (commonly known as "repurchase agreements") **[and]**,

(iv) liabilities which do not constitute or result from the borrowing of money under definitions prescribed by regulation of the department, *and*

(v) *liabilities to a Federal Home Loan Bank on account of money borrowed or rediscounts*

shall not at any time exceed the aggregate of the amount of its capital and one-half of the amount of its surplus.

Section 7. Section 504(b)(xiii) of the act, amended December 21, 1988 (P.L.1416, No.173), is amended to read:

Section 504. Investments

* * *

(b) Authority under this act or other statutes—Except as otherwise provided in its articles, a savings bank may, in addition to investments authorized by its articles, other provisions of this act or other statutes, make investments in:

* * *

(xiii) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, capital stock, securities or other obligations of any service corporation, subject to the following limitations:

(A) the entire capital stock of the service corporation shall be available for purchase by, or be transferable to, only savings banks, savings and loan associations organized under the laws of this Commonwealth, Federal savings banks and savings and loan associations having their home offices in this Commonwealth, [or] regional thrift institutions, as that term is defined in section 117, *or, after March 4, 1990, foreign thrift institutions, as that term is defined in section 117,*

(B) unless authorized by the department a savings bank shall not have an aggregate outstanding investment in the capital stock, securities or obligations of service corporations the cost of which exceeds three percent of the assets of the savings bank at the time of acquisition of such stock, securities or obligations,

(C) a service corporation qualifying for investment under this subsection may engage in the following activities:

(1) originating, purchasing, selling and servicing loans upon real estate and participating interests therein,

(2) performing clerical, bookkeeping, accounting, statistical or similar functions, primarily for financial institutions,

(3) acquisition and development of real estate, principally for construction of housing or for resale to others for such construction or for use as mobile home sites, either separately or in conjunction with others provided that such development shall be completed within five years of the commencement of development, unless that period is extended by the department,

(4) acquiring interests in improved residential real estate and mobile homes to be held for rental, and

(5) any other activity authorized by the department by regulation; and

* * *

Section 8. Section 903(a) of the act, amended March 4, 1982 (P.L.135, No.44) and April 8, 1982 (P.L.262, No.79), is 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 mutual 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,

(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 township 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.]

anywhere in this Commonwealth.

* * *

Section 9. Section 1609(a)(iii) of the act, amended December 18, 1986 (P.L.1702, No.205), is amended to read:

Section 1609. Mergers, Consolidations and Conversions of Savings Banks

(a) Authority to merge, consolidate or convert—

* * *

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

(A) one or more savings banks, one or more Federal savings banks and one or more Federal savings and loan associations may merge into a savings bank, Federal savings bank or a Federal savings and loan association or consolidate into a new savings bank, a new Federal savings bank or a new Federal savings and loan association, [and]

(B) one or more savings banks may merge or consolidate with a regional thrift institution, *and, after March 4, 1990, with a foreign thrift institution*, as *those terms are* defined in and subject to any applicable limits of section 117[.], and

(C) *a business corporation which owns all of the issued and outstanding shares of a savings bank may merge into such savings bank.*

* * *

Section 10. Section 1808(a)(i) of the act is amended to read:
Section 1808. Involuntary Dissolution

(a) Issuance of certificate of dissolution by department—In the event that:

(i) a certificate of authorization has not been issued to a newly incorporated institution within [two years] *one year* after the date of its incorporation or such longer time as the department may allow for satisfaction of conditions precedent to the issuance of a certificate,

* * *

Section 11. This act shall take effect immediately.

APPROVED—The 18th day of December, A. D. 1990.

ROBERT P. CASEY