

## No. 1982-79

## AN ACT

## HB 1739

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," further providing for investment in fixed assets, purchase of acceptances, competing regulated lenders, deposits in savings banks, deposits by institutions, recognition of Federal legal reserve requirements, revising restrictions on officer and employe loans, conversion of Federal savings banks; easing restrictions on loans to clerical employes of the Department of Banking; placing restrictions against a trust company holding its own stock; permitting a restricted number of trustees of a savings bank to serve as directors of trust companies; deleting certain restrictions on loans; and permitting conversion of mutual savings banks into stock savings banks.

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

Section 1. Subsections (j), (x) and (ee) of section 102, act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," are amended to read:

Section 102. Definitions

Subject to additional definitions contained in subsequent chapters of this act which are applicable to specific chapters or sections thereof, the following words and phrases when used in this act shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

\* \* \*

(j) "Capital securities"—the sum of the face amount of issued and outstanding securities of a bank, a bank and trust company [or], a trust company *or a stock savings bank* issued pursuant to section 1105 of this act.

\* \* \*

(x) "Savings bank"—a corporation *with or* without capital stock which exists under the laws of this Commonwealth and as a savings bank under the Banking Code of 1933 was authorized to engage in the business of receiving savings deposits on the effective date of this act or which receives authority to engage in such business pursuant to this act.

\* \* \*

(ee) "Trustee"—with respect to a savings bank, an individual who is a member of the board of managers or board of trustees of the savings bank: *Provided, however, That the term "director" as used in this act shall also include a trustee of a stock savings bank.*

\* \* \*

Section 2. Clause (iii) of subsection (a) of section 112 of the act, added March 3, 1972 (P.L.104, No.38), is amended to read:

Section 112. Acquisitions, and Offers to Acquire, Shares of Banks, Bank and Trust Companies, Trust Companies and National 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:

\* \* \*

(iii) "Institution"—a bank, bank and trust company, trust company, [or] national bank *or stock savings bank* located in Pennsylvania.

\* \* \*

Section 3. Subsection (e) of section 202 of the act, amended July 23, 1970 (P.L.597, No.199), is amended to read:

Section 202. Additional Powers of Incorporated Institutions Related to Conduct of Business

An incorporated institution 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) Ownership of real property—the power to acquire and hold such real property as it:

(i) occupies or intends to occupy for the transaction of its business or partly so occupies and partly leases,

(ii) acquires for the purpose of providing parking facilities for the use of its customers, officers and employes, or

(iii) acquires solely or jointly with others for the purpose of providing data processing facilities for the institution or for the institution and others subject to the limitation that the book value of all such real property, of all furniture, fixtures and equipment acquired in connection with any real property owned or leased by the institution, of all alterations of buildings on real property owned or leased by the institution, of all shares of stock or corporations acquired under subsection (d) of this section, and investments in obligations of or for the benefit of corporations described in subsection (d) of this section or loans upon the security of the stock of such corporations shall not exceed twenty-five percent of the aggregate of surplus, unallocated reserves, undivided profits and subordinated securities in the case of a *mutual* savings bank, or twenty-five percent of the aggregate of capital, surplus, *undivided profits* and capital securities in the case of any other institution, or such larger amount as may be approved by the

department, and subject to the requirement that estimates of costs of any building on real property owned or leased by the institution shall be submitted to the department for its approval prior to the erection thereof;

\* \* \*

Section 4. Subsections (a) and (b) of section 204 and subsections (b) and (c) of section 308 of the act are amended to read:

Section 204. Adoption and Contents of By-Laws

(a) Incorporated institutions other than *mutual* savings banks—The shareholders shall have the power to make, alter, amend and repeal the by-laws of an incorporated institution but such authority may be expressly vested by the articles or the by-laws in the board of directors (except as to by-laws fixing the qualifications, classification or terms of office of directors), subject to the power of the shareholders to change such action. Unless the articles or by-laws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the members of the board of directors, or by the vote of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon, as the case may be, at any regular or special meeting duly convened after notice to the directors or shareholders of that purpose.

(b) [Savings] *Mutual savings* banks—The trustees shall have the power to make, alter, amend and repeal the by-laws of a *mutual* savings bank except as otherwise expressly provided in this act, or in the articles or by-laws of the *mutual* savings bank. Unless the articles or by-laws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the trustees at any regular or special meeting of the trustees duly convened after notice to them for that purpose. This subsection (b) shall not affect any other plan for the making of by-laws contained in the articles.

\* \* \*

Section 308. Acceptances

\* \* \*

(b) Limits on acceptances under subsection (a)—The aggregate amount of acceptances under subsection (a) of this section shall not at any time exceed:

(i) for all such acceptances on behalf of one customer, ten percent of capital [and], surplus *and undivided profits*, exclusive of any acceptance secured by documents of title or other security growing out of the same transaction as the acceptance, and

(ii) for all such acceptances:

(A) fifty percent of capital [and], surplus *and undivided profits*, or

(B) with the prior *written* approval of the department, one hundred percent of capital [and], surplus *and undivided profits*, so long as acceptances growing out of domestic transactions do not exceed fifty percent of capital [and], surplus *and undivided profits*.

(c) Dollar exchange—An institution may, with the prior *written* approval of the department, accept drafts having not more than three months sight to run drawn upon it by banks or bankers in foreign countries, or in dependencies or insular possessions of the United States, for the purpose of creating dollar exchange as required by the usages of trade where the drafts are drawn in an aggregate amount which shall not at any time exceed:

(i) for all such acceptances on behalf of a single bank or banker, ten percent of capital [and], surplus *and undivided profits*, and

(ii) for all such acceptances, fifty percent of capital [and], surplus *and undivided profits*.

Section 5. Subsection (d) of section 311 of the act is amended by adding a clause and sections are added to read:

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

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

\* \* \*

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

\* \* \*

**Section 319. Charging Interest at Rates Permitted Competing Lenders**

*Any loans authorized by this act, other than loans secured by a first lien mortgage on residential real estate, may be made at such interest, finance charge, rate or terms herein authorized or at any interest, finance charge, rate or terms permitted by Pennsylvania law for any other financial institution or any other lender regulated by any State or Federal supervisory authority on the specified class of loan.*

**Section 320. Notice of Annual Fees and Refunds on Credit Cards of Affiliate Banks**

(a) *Notice of annual fees—A bank which is an affiliate of an institution, which is domiciled in a state whose law permits an annual fee to be charged on a credit card issued by such affiliate to Pennsylvania-residents and which gives notice after the effective date of this section that such an annual fee will be charged shall, at least once in each subsequent year, give written notice to each card holder in this State of the procedure to follow if such card holder desires to terminate his account in order not to incur such fee. Such notice shall be given not less than sixty days prior to the beginning of the annual period for which such fee is computed.*

(b) *Refunds—An affiliate of an institution shall in the event of a credit balance in the account of a holder of a credit card make a cash refund of such over-payment within thirty days after demand by the card holder and in the event of failure to make a refund within such thirty days shall pay interest at the rate of five and one quarter percent on the amount of such credit balance until the refund is made.*

(c) *Definition—The term “affiliate” shall have the meaning given to it in section 102(a).*

Section 6. Subsection (d) of section 407 of the act is amended to read:

Section 407. Provisions Applicable to Trust Companies

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(d) Limitation on dealings in own shares—may not acquire or hold *for its own account* any shares of its own stock, except as specifically provided by this act.

Section 7. Clause (vi) of subsection (b) of section 504 of the act, amended November 27, 1968 (P.L.1104, No.345), 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:

\* \* \*

(vi) shares of preferred stock, guaranteed stock or common stock of a corporation or similar entity existing under the laws of the United States, any state or the District of Columbia, subject to:

(A) the prudent man rule,

(B) a limit for the aggregate cost of all shares acquired pursuant to this subsection (vi) of the lesser of seven and one-half percent[,] of the book value of the assets of the savings bank or seventy-five percent of the aggregate of its:

(I) surplus, unallocated reserves, undivided profits and subordinated securities, *in the case of a mutual savings bank, or*

(II) *capital, surplus and capital securities, in the case of a stock savings bank,* at the time of acquisition of each of such shares,

(C) a limit for the aggregate cost of all shares of one issuer of one-fifth of one percent of the book value of the assets of the savings bank at the respective times of acquisition of each of such shares, and

(D) a limit for the aggregate number of shares of one issuer of five percent of the total number of issued and outstanding shares of such issuer at the respective times of acquisition of each of such shares;

\* \* \*

Section 8. Clause (vi) of subsection (a) of section 506 of the act, added April 16, 1981 (P.L.9, No.4), is amended to read:

Section 506. Lending Powers; Direct Leasing of Personal Property

(a) A savings bank may:

\* \* \*

(vi) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, make secured or unsecured loans for personal, family or household purposes, and subject to regulation by the department, issue credit cards, extend credit in con-

nection therewith, and otherwise engage in or participate in credit card operations, except that the total amount of such loans or extensions of credit shall not exceed twenty percent of the assets of such savings bank. In any loan or extension of credit made under the authority of this clause a savings bank may charge or impose any rate or charge which could be imposed by a bank in connection with any such loan or extension of credit [under section 309 of this act and under the act of October 28, 1966 (1st Sp.Sess., P.L.55, No.7), known as the "Goods and Services Installment Sales Act," as in effect on September 30, 1980] and shall be subject to the same restrictions and limitations imposed upon a bank in connection with such loan or extension of credit [under such section and act].

A savings bank may not lend money or discount or purchase evidences of indebtedness or agreements for the payment of money except as provided in sections 504 and 505 and in this subsection (a).

\* \* \*

Section 9. Section 509, subsections (a) and (b) of section 510, subsection (c) of section 610 and section 702 of the act are amended to read: Section 509. Surplus

A *mutual* savings bank may accumulate and retain a surplus not in excess of twenty-five percent of the aggregate of its deposits. If its surplus should exceed such amount at the end of any fiscal year, its board of trustees shall divide such excess pro rata among the depositors holding accounts on the last day of such fiscal year.

Section 510. Liability for Unlawful Distributions

(a) Prohibition—The trustees of a *mutual* savings bank shall not declare or pay interest or authorize or ratify the distribution of any part of its assets to depositors or others, except as authorized by this act.

(b) Trustees liable—The trustees under whose administration an unlawful payment of interest or distribution is made shall be jointly and severally liable to the [institution] *mutual savings bank* for the amount thereof except:

(i) a trustee who voiced his dissent at the meeting at which the action was authorized and requested that his dissent be entered on the minutes of the meeting or who, if he was absent at the time, promptly upon learning of the action filed his written objection thereto with the secretary of the savings bank, or

(ii) a trustee who relied and acted upon financial statements of the savings bank represented to him to be correct by the president of the savings bank or by an officer responsible for its accounts or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the savings bank.

\* \* \*

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 percent of the aggregate of its surplus, undivided profits and unallocated reserves in the case of a *mutual* savings bank, in excess of ten percent of its net worth in the case of a private bank [or employes' mutual banking association] or in excess of ten percent of its capital [and], surplus *and undivided profits* in the case of any other institution, without the approval of the depository for that purpose by the department.

Section 702. Definitions for Purpose of Reserve Requirement

For the purposes of the reserve requirement imposed by section 703 and the composition of the required reserve fund under section 704, the terms:

(a) "demand deposits" shall mean the aggregate of deposits which can be required to be paid on demand or within less than thirty days after demand;

(b) "time deposits" shall mean deposits which cannot be required to be paid within less than thirty days;

(c) (a) "reserve agent" shall mean a depository of the institution selected as provided in section 610 and approved by the department for the deposit of funds included in the required reserve fund; and

[(d)] (b) "instrumentality of the United States" shall mean the Federal National Mortgage Association, a Federal Land Bank, a Federal Home Loan Bank, a Bank for Cooperatives and a Federal Intermediate Credit Bank.

Section 10. Section 703 of the act, amended May 21, 1980 (P.L.173, No.51), is amended to read:

Section 703. Requirement of Reserve Fund

(a) An institution which is not [a member] *subject to reserve fund requirements* of the Federal Reserve System shall maintain at all times a reserve fund in an amount fixed by regulation of the department[:].

[(i) in the case of a savings bank, in the same amount fixed for demand deposits of other institutions for all deposits of the savings bank subject to withdrawal by negotiable or transferable instruments of withdrawal and not in excess of six percent and not less than three percent of the total of other deposits, and

(ii) in the case of any other institution, not in excess of the aggregate of twenty-two percent of demand deposits and six percent of other deposits and not less than the aggregate of seven percent of demand deposits and three percent of other deposits.]

The amount of the required reserve for each day shall be computed on the basis of average daily deposits covering such bi-weekly or shorter periods as shall be fixed by regulation of the department.

(b) An institution which is [a member] *subject to reserve fund requirements* of the Federal Reserve System shall maintain at all times a reserve fund in accordance with the requirements [applicable to a member bank under] of the laws of the United States.

Section 11. Subsection (a) of section 903 of the act 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 employes' 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 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.

\* \* \*

Section 12. Subsection (b) of 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

\* \* \*

(b) Except as provided in subsection (a) of this section and in sections 907 and 908, an institution may establish a branch after the effective date of this act only in the same county in which its principal place of business is located or in a county contiguous thereto, and only 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 *or a stock savings bank*, 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 *mutual* 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) 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.

Section 13. Subsection (a) of section 1002, section 1004, subsection (a) of section 1007, subsection (a) of section 1009, subsection (b) of section 1010, section 1101, subsection (b) of section 1102 and sections 1201 and 1301 of the act are amended to read:

Section 1002. Incorporators

(a) An institution may be incorporated by:

(i) fifteen or more adults, in the case of a *mutual* savings bank, and

(ii) three or more adults who shall each subscribe to shares of common stock with an aggregate par value of at least one thousand dollars (\$1,000), in the case of any other institution.

\* \* \*

Section 1004. Articles of Incorporation

(a) Execution—Articles of incorporation shall be signed by at least five of the incorporators in the case of a *mutual* savings bank and by each of the incorporators in any other case.

(b) Contents—The articles shall set forth in the English language:

(i) the name of the institution;

(ii) the location and post office address of its principal place of business;

(iii) a brief statement of the purpose or purposes for which it is incorporated and that it is incorporated under the provisions of this act;

(iv) the term for which it is to exist which may be perpetual;

(v) except in the case of a *mutual* savings bank, the aggregate number of shares which the institution shall have authority to issue and

(A) if the shares are to consist of one class only, the par value of each of the shares, or

(B) if the shares are to be divided into classes, the number of shares of each class, the par value of each share of each class, a description of each class and a statement of the preferences, redemption provisions, qualifications, limitations, restrictions and the special or relative rights granted to or imposed upon the shares of each class;

(vi) the name, occupation, citizenship, place of residence and post-office address of each incorporator and, except in the case of a *mutual* savings bank, the number of shares to which he has subscribed;

(vii) the name, occupation, citizenship, place of residence and post-office address, in the case of a savings bank, of each of the first trustees and, in any other case, of each of the first directors who shall serve until the first annual meeting;

(viii) except in the case of a *mutual* savings bank, any provision which the incorporators may choose to insert granting to shareholders preemptive rights to subscribe to issues of shares or securities of the institution; and

(ix) any provision not inconsistent with law which the incorporators may choose to insert for the regulation of the internal affairs and business of the institution.

#### Section 1007. Approval of Proposed Institution by Department

(a) Upon receipt of an application for approval of a proposed institution the department shall conduct such investigation as it may deem necessary to ascertain whether:

(i) the articles and supporting items satisfy the requirements of this act;

(ii) the convenience and needs of the public will be served by the proposed institution;

(iii) the population density or other economic characteristics of the area primarily to be served by the proposed institution afford reasonable promise of adequate support for the institution;

(iv) the character and fitness of the incorporators, of the directors or trustees and of the proposed officers are such as to command the confidence of the community and to warrant the belief that the business of the proposed institution will be honestly and efficiently conducted;

(v) there has been or will be any violation of section 1003;

(vi) except in the case of a *mutual* savings bank, the capital structure of the proposed institution is adequate in relation to the amount and character of the anticipated business of the institution and the safety of prospective depositors; and

(vii) the proposed institution will have sufficient personnel with adequate knowledge and experience to administer fiduciary accounts, if the institution were authorized to act as fiduciary.

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#### Section 1009. Effect of Filing of Articles in Department of State and of Certificate of Incorporation

(a) As of the filing of the articles in the Department of State, the corporate existence of the institution shall begin and, except in the case of a *mutual* savings bank, those persons who subscribed for shares prior to such filing of the articles, or their assignees, shall be shareholders in the institution.

\* \* \*

#### Section 1010. Certificate of Authorization to Do Business

\* \* \*

(b) The department shall issue to an institution a certificate of authorization to do business when:

(i) except in the case of a *mutual* savings bank, capital of the institution shall have been fully paid in, in an amount specified by the department and in no event less than the minimum capital for the insti-

tution under the provisions of section 1102 and, in addition, there shall have been paid in:

(A) surplus in an amount not less than fifty percent of the capital paid in,

(B) an expense fund in an amount fixed by the department at not less than five percent of the capital paid in, and

(C) the proceeds of capital securities, if any, which were considered part of the capital structure of the institution by the department under section 1007(a)(vi) in giving its approval of the proposed institution;

(ii) an expense fund, in the case of a *mutual* savings bank, shall have been paid in, in an amount fixed by the department, subject to reimbursement to the contributors thereof only out of earnings after the *mutual* savings bank has accumulated out of earnings an expense fund at least equal to the amount of the original expense fund and surplus in an amount at least equal to the amount of such expense fund;

(iii) a majority of the directors or trustees have taken the oath or affirmation required by section 1406;

(iv) the by-laws of the institution have been filed with the department;

(v) the institution has been organized and is ready to begin the business for which it was incorporated;

(vi) all conditions imposed by the department in giving its approval of the proposed institution under section 1007 have been satisfied; and

(vii) the department has received an affidavit signed by the cashier or treasurer and by at least a majority of the directors or trustees of the institution to the effect that all of the foregoing requirements of this subsection have been satisfied.

#### Section 1101. Application of Chapter

This chapter shall apply to, and the word "institution" in the chapter shall mean, a bank, a bank and trust company, **[and]** a trust company *and a stock savings bank*.

#### Section 1102. Minimum Capital

\* \* \*

(b) New institutions—The minimum capital of an institution which is incorporated pursuant to this act, or of a bank which becomes a bank and trust company pursuant to this act, *or of a stock savings bank which is converted from a mutual savings bank pursuant to this act*, shall depend upon the population, according to the last United States census, of the city, incorporated town, borough or township where its principal place of business is located and shall be as follows:

Population of Location of Principal Place of Business	Bank	Bank and Trust Company or Trust Company
Less than 6,000	\$ 50,000	\$150,000
6,000 to 50,000	\$100,000	\$200,000
More than 50,000	\$200,000	\$300,000

Section 1201. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company **[and]**, a trust company *and a stock savings bank*.

Section 1301. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company **[and]**, a trust company *and a stock savings bank*.

Section 14. Subsection (a) of section 1403 of the act, amended July 30, 1975 (P.L.108, No.56), is amended and a subsection is added to read:

Section 1403. Number, Qualifications and Eligibility of Directors or Trustees

(a) Number—The by-laws may fix the number of trustees of a savings bank at not less than **[eleven] seven**. The by-laws of any other institution may fix the number of directors at not less than five or more than twenty-five and may provide that the board may, within such limitation, increase the number of directors by not more than two in any one year.

\* \* \*

*(d) Authorization—Subject to the provisions of this act:*

*(i) No more than two trustees of a savings bank may serve at the same time as directors of a trust company which does not make real estate mortgage loans and does not accept savings deposits from persons.*

*(ii) No more than two directors of a trust company which does not make real estate mortgage loans and does not accept savings deposits from persons may serve at the same time as trustees of a savings bank.*

Section 15. Subsection (a) of section 1404 and section 1414 of the act are amended to read:

Section 1404. Term of Office of Directors or Trustees; Vacancies; Classification of Directors

(a) Term of office—Each trustee of a *mutual* savings bank shall, except as otherwise specifically provided in its articles, hold office until he resigns, is removed or becomes disqualified and each director of any other institution shall hold office until he resigns, is removed, becomes disqualified or until his successor shall have been duly elected and qualified. Directors shall be elected by the shareholders for a term of one year except as otherwise provided in this chapter or in the articles or the by-laws.

\* \* \*

Section 1414. Preferential Rates of Interest

(a) *Preferences prohibited*—An institution shall not pay to any director, trustee, *executive* officer or attorney a higher rate of interest on deposits than the rate paid to any other depositor on similar deposits and shall not grant to any such individual a lower rate of interest on a loan, or a lower rate of charge on an agreement for the payment of money, than the rate granted to other customers under similar circumstances.

(b) *Limited definition*—The term “*executive officer*” for the purposes of this section shall be defined by regulation of the Department of Banking.

Section 16. Subsection (b) of section 1415 of the act, amended May 21, 1980 (P.L. 173, No. 51), is amended to read:

Section 1415. Loans to, and Agreements for the Payment of Money of, Directors, Trustees and Executive Officers of Institutions and Affiliates

\* \* \*

(b) Limitations as to executive officers of the institution or an affiliate—An institution shall not make a loan to an executive officer of the institution or of an affiliate of the institution, or acquire an agreement for the payment of money on which he is liable, in an amount in excess of ten thousand dollars (\$10,000) exclusive of interest and charges, except one which either:

(i) is secured by deposits in the institution or cash surrender value of life insurance in an amount equal to, or by other collateral with a market value of at least twenty percent more than, the amount of the loan or agreement for the payment of money,

(ii) is secured by a mortgage on the home of such executive officer,

(iii) is guaranteed, or is one for which a written commitment to guarantee has been made, by the Veterans Administration pursuant to the Veterans' Benefits Act,

(iv) is insured, or is one for which a written commitment to insure has been issued, pursuant to national housing legislation, or

(v) is an extension of credit not at any time exceeding twenty thousand dollars (\$20,000) for the purpose of financing the education of a child or children of an executive officer.

The aggregate of all loans and extensions of credit to one executive officer and of all agreements for the payment of money on which he is liable shall not at any time exceed ten percent of the aggregate of surplus, undivided profits, unallocated reserves and subordinated securities in the case of a *mutual* savings bank and ten percent of the aggregate of capital, surplus and capital securities in the case of any other institution.

\* \* \*

Section 17. Subsections (a) and (c) of section 1503, subsection (a) of section 1504 and subsections (a), (b) and (c) of section 1603 of the act are amended to read:

**Section 1503. Proposal and Adoption of Amendments**

(a) Proposal—An amendment of the articles shall be proposed by adoption of a resolution:

(i) in the case of a *mutual* savings bank, by two-thirds of the trustees present at a duly organized meeting, directing that it be submitted to a vote at a meeting of the board held upon not less than ten days' notice to all the trustees, or

(ii) in any other case, by the board of directors, directing that it be submitted to a vote at a meeting of shareholders held upon not less than ten days' notice to all shareholders.

\* \* \*

(c) Required vote—Adoption of each amendment shall require the affirmative vote:

(i) in the case of a *mutual* savings bank, of at least two-thirds of all the trustees, or

(ii) in any other case, of the shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon and, if any class is entitled to vote thereon as a class, of the holders of at least a majority of the outstanding shares of such class.

\* \* \*

**Section 1504. Articles of Amendment**

(a) Upon the adoption of an amendment, articles of amendment shall be signed by two duly authorized officers of the institution under its seal and shall contain:

(i) the name of the institution,

(ii) the location and post office address of its principal place of business,

(iii) the act of Assembly under which the institution was incorporated and the date of its incorporation.

(iv) the time and place of the meeting of shareholders or trustees at which the amendment was adopted and the kind and period of notice given to the shareholders or trustees,

(v) except in the case of a *mutual* savings bank, the number of shares entitled to vote on the amendment and if the shares of any class are entitled to vote as a class, the number of shares of each such class,

(vi) in the case of a *mutual* savings bank the number of trustees who voted for and against the amendment and, in any other case, the number of shares voted for or against the amendment and if shares of any class are entitled to vote as a class, the number of shares of each such class voted for and against the amendment, and

(vii) the amendment adopted which shall be set forth in full.

\* \* \*

**Section 1603. Requirements for a Merger or Consolidation**

The requirements for a merger or consolidation which must be satisfied by the parties thereto are as follows:

(a) Plan—The parties shall adopt a plan stating the method, terms and conditions of the merger or consolidation, including (except in the

case of a *mutual* savings bank) the rights under the plan of the shareholders of each of the parties, and any agreement concerning the merger or consolidation.

(b) Required vote—Adoption of the plan by each party thereto shall require the affirmative vote

(i) in the case of a *mutual* savings bank, of at least

(A) two-thirds of the trustees present at a meeting at which the plan is proposed, and

(B) two-thirds of all the trustees at a subsequent meeting held upon not less than ten days' notice to all the trustees;

(ii) in the case of any other institution, if the proposed merger or consolidation will result in an institution subject to this act, of at least

(A) a majority of the directors, and

(B) the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast thereon, and, if any class of shares is entitled to vote thereon as a class, the holders of at least two-thirds of the outstanding shares of such class, at a meeting held upon not less than ten days' notice to all shareholders; and

(iii) in the case of any other institution if the proposed merger or consolidation will result in a national bank, or in the case of a national bank, of at least such directors and shareholders whose vote thereon is required under the laws of the United States.

(c) Notices—The notice required to be given to the trustees of a *mutual* savings bank or to the shareholders of any other institution or national bank shall include a copy or summary of the plan. In any case in which dissenters' rights under section 1222 of this act are given by section 1607, the notice to shareholders shall include a full statement of the rights and remedies of dissenting shareholders, the methods of exercising them and the limitations on such rights and remedies.

\* \* \*

Section 18. Section 1609 of the act, added August 1, 1969 (P.L.211, No.85), is amended to read:

Section 1609. Mergers, Consolidations and Conversions of Savings Banks

(a) Authority to merge, consolidate or convert—

(i) upon compliance with the requirements of sections 1602, 1603, 1604, 1605 and 1606, a *mutual* savings bank may enter into a merger or consolidation with one or more other *mutual* savings banks. *In the event the book value of the total assets of the acquired mutual savings bank is less than one percent in excess of the book value of the total liabilities, the resulting institution may maintain as a branch, any office operated by the acquired institution.*

(ii) upon compliance with the requirements of this section and other applicable law, one or more *mutual* savings banks and one or more associations may merge into a *mutual* savings bank or into an association or consolidate into a new *mutual* savings bank or a new association. The word "association" in this chapter shall mean an association subject to the Savings Association Code of 1967.

(iii) upon compliance with the requirements of this section, one or more *mutual* savings banks, *one or more Federal mutual savings banks* and one or more Federal savings and loan associations may merge into a *mutual* savings bank, *Federal mutual savings bank* or a Federal savings and loan association or consolidate into a new *mutual* savings bank, *a new Federal mutual savings bank* or a new Federal savings and loan association.

(iv) the authority of a *mutual* savings bank to merge or consolidate into a *Federal mutual savings bank* or Federal savings and loan association shall be 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 Federal savings and loan association to merge or consolidate into a *mutual* savings bank.

(v) upon compliance with the requirements of this section and other applicable law, a *mutual* savings bank may be converted into a *Federal mutual savings bank*, 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.

(vi) upon compliance with the requirements of this section and other applicable law and subject to the laws of the United States, a *Federal mutual savings bank* or a Federal savings and loan association may be converted into a *mutual* savings bank or an association.

(vii) upon compliance with the requirements of this section, a *mutual savings bank* may be converted into a *stock savings bank*. A *stock savings bank* shall have authority, upon compliance with the requirements of this section, to enter into a merger or consolidation with one or more other *stock savings banks, banks, bank and trust companies, trust companies or stock savings and loan associations*.

[(vii)] (viii) all mergers, consolidations and conversions in which the resulting corporation is a savings bank or an association shall be subject to the approval of the department.

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

(i) the parties shall adopt a plan stating the method, terms and conditions of the merger, consolidation or conversion, including the rights under the plan of the members [and], depositors *and shareholders, if any*, of each of the parties, and any agreement concerning the merger or consolidation.

(ii) if the proposed merger, consolidation 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, [and]

(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, 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 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.

(iii) any modification of a plan which has been adopted shall be made by any method provided therein, or in the absence of such provision by the same vote as that required for adoption.

(iv) if a proposed merger, consolidation or conversion will result in a savings bank or an association, an application for the required approval thereof by the department shall be made in a manner prescribed by the department. The department may require notice to be given to such persons as it designates. There shall also be delivered to the department:

(A) articles of merger, consolidation or conversion,

(B) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by subsection (e),

(C) if the resulting corporation is an association, any documents or other items required under the Savings Association Code of 1967.

(D) if the proposed name of the resulting savings bank or association is not identical with the name of one of the parties to the plan, evidence of reservation of such name in the Department of State, and

(E) if there is any modification of the plan at any time prior to the approval by the department, an amendment of the application and, if necessary, of the articles, signed in the same manner as the originals, setting forth the modification of the plan, the method by which such modification was adopted and any related change in the provisions of the articles of merger, consolidation or conversion.

(c) Articles of merger, consolidation or conversion—The articles of a merger, consolidation or conversion under clauses (ii), (iii), (v) [or], (vi) or (vii) of subsection (a) shall be signed by two duly authorized officers of each party to the plan under their respective seals and shall contain:

(i) the names of the parties to the plan and of the resulting savings bank or association,

(ii) the location and post office address of the principal place of business of each,

(iii) the votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,

(iv) the names and addresses of the first trustees of the savings bank or the names and addresses of the first directors of the resulting association,

(v) in case of a merger, any amendment of the articles of the resulting savings bank or association,

(vi) if the resulting corporation is an association, a record of the employment contracts which are to be legally binding on the resulting association,

(vii) in the case of a consolidation, the provisions required in articles of incorporation of a new savings bank or association as the case may be,

(viii) in the case of a conversion, the provisions required in the articles of incorporation of a new savings bank or association as the case may be,

(ix) the plan.

(d) Action where approval by department not required—If a proposed merger, consolidation or conversion will result in a *Federal mutual savings bank* or a Federal savings and loan association, a savings bank which is a party to a plan shall:

(i) notify the department of the proposed merger, consolidation or conversion,

(ii) provide such evidence of the adoption of the plan as the department may request,

(iii) notify the department of any abandonment or disapproval of the plan,

(iv) file with the department and with the Department of State a certificate of the approval of the merger [or], consolidation or conversion by the Federal Home Loan Bank Board or its successor which has the right on behalf of the United States to approve such mergers, consolidations or conversions into *Federal mutual savings banks* or Federal savings and loan associations.

(e) Approval of merger, consolidation or conversion by department—

(i) upon receipt of an application for approval of a merger, consolidation or conversion under clauses (ii), (iii), (v) [or], (vi) or (vii) of subsection (a) and of the supporting items required by clause (iv) of subsection (b), the department shall conduct such investigation as it may deem necessary to ascertain whether:

(A) the articles of merger, consolidation or conversion and supporting items satisfy the requirements of this act, and if the Savings Association Code of 1967 is applicable, the requirements of that act are satisfied,

(B) the name of the resulting, new or converted savings bank or association conforms with the requirements of law,

(C) the plan and any modification thereof adequately protect the interests of depositors **[and]**, other creditors *and shareholders, if any*, of a savings bank which is a party to the plan,

(D) the requirements for a merger, consolidation or conversion under all applicable laws have been satisfied and the resulting corporation would satisfy the requirements of this act applicable to it, and

(E) the merger, consolidation or conversion would be consistent with adequate and sound banking and in the public interest on the basis of

(1) the financial history and condition of the parties to the plan,

(2) their prospects,

(3) the character of their management,

(4) the potential effect of the merger, consolidation or conversion on competition, and

(5) the convenience and needs of the area primarily to be served by the resulting corporation.

(ii) within sixty days after receipt of the application, articles of merger, consolidation or conversion and the applicable fee payable to the department, or within an additional period of not more than thirty days an amendment to the application, the department shall approve or disapprove the application on the basis of its investigation. The department shall immediately give to the parties to the plan written notice of its decision and, in the event of disapproval, a statement in detail of the reasons for its decision.

(f) Procedure after approval by department; issuance of certificate of merger, consolidation or conversion—

(i) if the laws of the United States require the approval of the merger, consolidation or conversion by any Federal agency, the department shall after its approval retain the articles of merger, consolidation or conversion until it receives notice of the decision of such agency. If such agency shall refuse to give its approval, the department shall notify the parties to the plan that the department's approval has been rescinded for that reason. If such agency gives its approval, the Department of Banking shall immediately deliver the articles of merger, consolidation or conversion with its written approval to the Department of State for filing as of a date and time specified by the Department of Banking and shall notify the parties to the plan.

(ii) if all the taxes, fees and charges required by law shall have been paid and if the name of the resulting savings bank or association continues to be reserved or is available on the records of the Department of State, the receipt of the articles by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of merger, consolidation or conversion as of the date and time of receipt or as of any later date and time specified by the

Department of Banking. The Department of State shall issue to the resulting corporation a certificate of merger, consolidation or conversion as of the date and time of filing with the approved articles of merger, consolidation or conversion attached thereto and shall make and retain a copy of such certificate and articles.

(g) Effect of merger, consolidation or conversion—

(i) as of the filing of the articles of merger, consolidation or conversion in the Department of State, the merger, consolidation or conversion shall be effective.

(ii) the certificate of merger, consolidation or conversion shall be conclusive evidence of the performance of all conditions precedent to the merger, consolidation or conversion and of the existence or creation of the resulting savings bank or association, except as against the Commonwealth.

(iii) when a merger, consolidation or conversion becomes effective, the existence of each party to the plan, except the resulting savings bank or association, shall cease as a separate entity but shall continue in, and the parties to the plan shall be, a single corporation which shall be the resulting savings bank or association and which shall have without further act or deed, all the property, rights, powers, duties and obligations of each party to the plan.

(iv) the articles of the resulting savings bank or association shall be, in the case of a merger, the same as its articles prior to the merger with any change stated in the articles of merger, or in the case of a consolidation, the provisions stated in the articles of consolidation.

(v) if the resulting corporation shall be a savings bank it shall engage only in such business and it shall have only such powers as it would have if it had been originally incorporated under this act, except that it may engage in any business and exercise any right that any party to the plan which was an institution subject to this act could lawfully exercise or engage in immediately prior to the merger, consolidation or conversion. If the resulting corporation shall be a savings association such association shall have the authority to engage thereafter only in such business and exercise only such powers as it would have under original incorporation under the Savings Association Code of 1967.

(vi) no liability of any party to the plan or of its trustees, officers, members or directors shall be affected, nor shall any lien on any property of a party to the plan be impaired, by the merger, consolidation or conversion. Any claim existing or action pending by or against any party to the plan may be prosecuted to judgment as if the merger, consolidation or conversion had not taken place or the resulting corporation may be substituted in its place.

(h) Rights of depositors *or shareholders* in a merger, consolidation or conversion—A depositor of a *mutual* savings bank that is a party to the plan shall be entitled to notification of the effective date of the merger, consolidation or conversion and shall have the right, within thirty days of the receipt of such notice, to make written claim for

payment in full of his deposit account together with all interest accrued thereon to the date of withdrawal, *less any penalties payable under Federal law. A shareholder of a stock savings bank that is a party to a plan which will result in an institution subject to this act who objects to the plan shall be entitled to the rights and remedies of a dissenting shareholder provided under, and subject to compliance with, the provisions of section 1222.*

*(i) Review of approval of a merger, consolidation or conversion that results in a stock savings bank—The department's approval of a merger, consolidation or conversion that results in a stock savings bank shall not be reviewable except by an appeal to the Commonwealth Court filed within twenty days after notice of the approval appears in the Pennsylvania Bulletin. In any such appeal, the department's determination that the plan adequately protects the interests of depositors of a mutual savings bank which is a party to the plan shall be conclusive if:*

*(i) such depositors are given the right to buy shares of the stock savings bank at fair market value, or*

*(ii) the plan makes available to the savings bank significant additional funds which are junior in right to the deposits, and the book value of the mutual savings bank's assets does not exceed the dollar amount of its total liabilities.*

*(j) In the event of conversion by a mutual savings bank to a stock savings bank, all depositors shall be given a preemptive right to purchase stock. The preemptive right to depositors shall be nonassignable. The department, by regulation, shall prescribe the terms on which such preemptive rights may be exercised. In the event the book value of the total assets of the savings bank is less than one percent in excess of the book value of its total liabilities, no preemptive rights will be given depositors. A stock savings bank which has converted from a mutual savings bank may not be voluntarily liquidated for a period of ten years from the date of conversion.*

Section 19. Subsection (a) of section 2004 of the act is amended to read:

Section 2004. Relationship of Institutions and Their Personnel with Officials and Employees of Department

*(a) Loans and Gifts—Except as provided in subsection (d) of this section, an institution or any director, trustee, officer, employe or attorney thereof shall not grant or give to the Secretary of Banking, any official or employe of the department, any deputy receiver or any employe of the Secretary of Banking as receiver, none of whom shall receive, any sum of money or any property as a gift or loan or otherwise, directly or indirectly—subject to the penalty provisions of this act. This subsection shall not apply to loans to employes of the Department of Banking who function in a clerical or nondecision making capacity with regard to institutions, including but not limited to clerks, typists and stenographers.*

\* \* \*

Section 20. This act shall take effect immediately.

APPROVED—The 8th day of April, A. D. 1982.

DICK THORNBURGH