

17:9A-344

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:9A-344

Bank deposits-- eliminate restrictions on amount any company or person may control)

LAWS OF: 1987

CHAPTER: 210

Bill No: S3365

Sponsor(s): Lesniak

Date Introduced: June 8, 1987

Committee: Assembly: -----

Senate: Labor, Industry and Professions

Amended during passage: Yes Amendments during passage denoted by asterisks.

Date of Passage: Assembly: June 29, 1987

Senate: June 25, 1987

Date of Approval: July 23, 1987

Following statements are attached if available:

Sponsor statement: Yes (Below)

Committee statement: Assembly No

Senate Yes

Fiscal Note: No

Veto Message: NO

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: No

Sponsor's statement:

This bill eliminates the restrictions on the percentage of the total aggregate average deposits of financial institutions in this state that any holding company or person may control.

7-23-87

[OFFICIAL COPY REPRINT]

SENATE, No. 3365**STATE OF NEW JERSEY**

INTRODUCED JUNE 8, 1987

By Senator LESNIAK

Referred to Committee on Labor, Industry and Professions

AN ACT concerning limitations upon ownership of bank stocks and amending P. L. 1957, c. 70 *and P. L. 1986, c. 5* and repealing sections 1, 7, 8 and 9 of P. L. 1986, c. 4.

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 1 of P. L. 1957, c. 70 (C. 17:9A-344) is amended to
2 read as follows:

3 1. As used in this act,

4 (a) "Bank" means an institution organized under the laws of
5 the United States, a state of the United States, the District of
6 Columbia, or a territory or possession of the United States, which
7 does business in the United States that is not incidental to the
8 institution's activities outside the United States and which (1)
9 accepts deposits that the depositor has a legal right to withdraw
10 on demand and (2) engages in the business of making commercial
11 loans, except that "bank" does include an organization oper-
12 ating under section 25 or section 25(a) of the "Federal Reserve
13 Act," 38 Stat. 251 (12 U. S. C. §§ 601-604(a)) or 41 Stat. 378, (12
14 U. S. C. § 611 et seq.) or a [federal] *federally* or State chartered
15 savings and loan association. A "bank located outside of this
16 State" means a bank which has its principal, head or main office
17 outside of this State. A "bank located in this State" means a bank
18 which has its principal, head or main office in this State;

19 (b) "Company" means a corporation, joint stock company,
20 business trust, investment trust, general or limited partnership,

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

***—Senate committee amendments adopted June 15, 1987.**

21 voting trust, association, and any similar organized group of
22 persons, whether incorporated or not, and whether or not orga-
23 nized under the laws of this State or any other state or any terri-
24 tory or possession of the United States or under the laws of a
25 foreign country, territory, colony or possession thereof, other than
26 a corporation all the capital of which is owned by the United
27 States; "company" includes subsidiary and parent companies;

28 (c) "Stock" means a security issued by a bank or corporation
29 which presently entitles the holder thereof to vote at meetings
30 of shareholders of the bank or corporation for the election of
31 directors, but does not include a security which entitles the holder
32 thereof to vote for the election of directors only as a result of
33 the failure to pay a dividend or to **[fulfill]** *fulfill* an obligation or
34 satisfy a condition specified by the terms of the security;

35 (d) "Bank stock" means stock issued by a bank;

36 (e) "Subsidiary" of a company means (1) a corporation more
37 than 50% of whose stock is owned by such company; and (2) an
38 unincorporated company in which such company directly or in-
39 directly owns more than a 50% share or interest;

40 (f) "Parent company" means a company of which another com-
41 pany is a subsidiary;

42 (g) "Own," "owner," "owned" and "ownership," when ap-
43 plied to stock, mean direct and indirect ownership of such stock,
44 and includes stock not owned, but directly controlled with power
45 to vote;

46 (h) "Foreign bank" means an institution organized under the
47 laws of a foreign country which engages in the business of bank-
48 ing, is recognized as a banking entity by the bank supervisory or
49 monetary authority of the country of its organization or principal
50 banking operations, receives deposits to a substantial extent in
51 the regular course of business and has the power to accept de-
52 posits which the depositor has a legal right to withdraw on demand;

53 (i) "Foreign bank holding company" means a company orga-
54 nized under the laws of a foreign country, which has one or more
55 subsidiaries which are foreign banks and which has more than
56 half of its consolidated assets **[,]** located, or consolidated revenues
57 derived, outside of the United States. As used in this subsection,
58 "revenues" means gross income and "consolidated" means con-
59 solidated in accordance with generally accepted accounting prin-
60 ciples in the United States;

61 (j) "Bank holding company located in this State" means a bank
62 holding company subject to the "Bank Holding Company Act of

63 1956," 70 Stat. 133 (12 U. S. C. § 1-41 et seq.), which is either orga-
 64 nized under the laws of this State or the operations of whose bank-
 65 ing subsidiaries are principally conducted in this State within the
 66 meaning of the "Bank Holding Company Act of 1956";

67 (k) "Foreign country" means the government of a country
 68 other than the United States or its territories or possessions[;].

69 (1) ["Depository institution" means a banking institution as de-
 70 fined in subsection (2) of section 1 of P. L. 1948, c. 67 (C. 17:9A-1),
 71 or a State or federally chartered savings and loan association or
 72 a federally chartered savings bank with its principal office in this
 73 State; provided, however, that if a savings and loan association
 74 or savings bank, regardless of where it is chartered or where its
 75 principal office is located (other than in this State), accepts de-
 76 posits at offices in this State which are insured by the Federal
 77 Savings and Loan Insurance Corporation or the Federal Deposit
 78 Insurance Corporation or any successor to either thereof, that
 79 savings and loan association or savings bank shall be deemed to
 80 be a depository institution solely for the purpose under section 2
 81 of P. L. 1957, c. 70 C. 17:9A-345) of having the deposits of its
 82 offices located in this State included in the aggregate average
 83 deposits of depository institutions in the State.] (*Deleted by*
 84 *amendment, P. L. 1987, c.*) (*now pending before the Legisla-*
 85 *ture as this bill*).

1 2. Section 2 of P. L. 1957, c. 70 C. 17:9A-345) is amended to
 2 read as follows:

3 2. Except as otherwise provided by section 3 of this act **and*
 3A *P. L. 1986, c. 5 (C. 17:9A-370 et seq.)*,*

4 (a) [No company or person which owns more than 25% of the
 5 stock of any bank located in this State or savings bank located
 6 in this State shall acquire ownership of more than 10% of the
 7 stock of another bank located in this State or savings bank located
 8 in this State or assume the deposit liabilities of another bank
 9 located in this State or savings bank located in this State in a
 10 manner which requires the approval of a federal regulatory au-
 11 thority pursuant to subsection (c) of section 18 of the "Federal
 12 Deposit Insurance Act," 64 Stat. 891 (12 U. S. C. § 1828(c)), or
 13 subsection (d) (11) and subsection (o) (2) [(o)] (D) of section 5
 14 of the "Home Owner's Loan Act of 1933," 48 Stat. 132 (12
 15 U. S. C. § 1464(d) if, at the time of that transaction, or if, as a
 16 result of that transaction, the company or person owns, or would
 17 own, more than 10% of the stock of one or more banks located in
 18 this State or savings banks located in this State, whose aggre-

19 gate average deposits exceed 12% for the first year following
 20 enactment of this 1986 amendatory and supplementary act, 13%
 21 for the second year following enactment of this 1986 amenda-
 22 tory and supplementary act, and 13.5% for the third year and for
 23 the first **[one]** half of the fourth year following enactment of this
 24 1986 amendatory and supplementary act, of the aggregate average
 25 deposits of all depository institutions as of the two call dates
 26 for which published figures are available next preceding that
 27 transaction; and **]** (*Deleted by amendment, P. L. 1987, c.*)
 28 (*now pending before the Legislature as this bill*).

29 (b) No company or person which owns more than 25% of the
 30 stock of either a bank located outside of this State or a foreign
 31 bank shall own or acquire ownership of more than 5% of the stock
 32 of a bank located in this State.

33 (c) Acquisition of ownership of more than a stated percentage
 34 of the stock of a bank shall include any acquisition of one or more
 35 shares after which the company or person owns more than the
 36 stated percentage.

37 In applying this section to a company, all bank stock owned by
 38 a subsidiary of such company and by the parent company of such
 39 company **[,]** shall be deemed to be owned by such company.

40 (d) Nothing in this section shall prevent a company or person
 41 from acquiring the stock of a bank or assuming the deposit liabil-
 42 ities of a bank if the commissioner determines that the bank is in
 43 an unsound or unsafe condition, as determined by an evaluation of
 44 the bank's capital adequacy, asset quality, management, earnings
 45 or liquidity. The commissioner may rely upon a written evalua-
 46 tion of a bank's safety and soundness prepared by a federal or
 47 other state bank regulatory agency.

1 *3. Section 2 of P. L. 1986, c. 5 (C. 17:9A-371) is amended to
 2 read as follows:

3 2. a. Notwithstanding the provisions of any other law of this
 4 State, an eligible bank holding company may acquire and retain
 5 control of a bank or banks located in this State **[providing]**; *pro-*
 6 *vided* the following conditions are complied with:

7 (1) At the time of the acquisition of control of the bank or banks
 8 located in this State, the bank holding company is an eligible bank
 9 holding company located in an eligible state which has reciprocal
 10 legislation in effect; *and*

11 (2) The eligible bank holding company shall have more than 50%
 12 of the total aggregate deposits of its banking subsidiaries in bank-
 13 ing subsidiaries located in an eligible state or eligible states, each
 14 of which has reciprocal legislation in effect **[; and]**.

15 (3) [At the time of the acquisition of control of the bank or
 16 banks located in this State, the acquisition will not result in the
 17 eligible bank holding company exceeding the limitations on stock
 18 ownership imposed by subsection (a) of section 2 of P. L. 1957, c.
 19 70 (C. 17:9A-345). This paragraph shall not prevent (a) an eligible
 20 bank holding company which does not own more than 25% of the
 21 stock of a bank located in this State from acquiring ownership and
 22 thereafter owning more than 10% of the stock of another bank
 23 located in this State or several other banks located in this State,
 24 the deposits of which in the aggregate exceed the deposit limita-
 25 tions in subsection (a) of section 2 of P. L. 1957, c. 70 (C.
 26 17:9A-345); provided, however, in the event of the ownership of
 27 more than 10% of the stock of more than one bank located in this
 28 State, such banks located in this State must have been controlled
 29 by one company at the time of the acquisition, or (b) a company
 30 which, immediately prior to the acquisition of control of a bank
 31 or banks located outside of this State, is a bank holding company
 32 located in this State whose subsidiaries which are banks located in
 33 this State have in the aggregate deposits in excess of the deposit
 34 limitations in subsection (a) of section 2 of P. L. 1957, c. 70 (C.
 35 17:9A-345), from acquiring control of or controlling a bank or
 36 banks located outside of this State. For purposes of this para-
 37 graph, the terms "bank," "company," "bank located outside of
 38 this State," "bank located in this State," "stock," "subsidiary,"
 39 "own," "owner," "owned," "ownership," and "bank holding
 40 company located in this State" shall have the meanings given those
 41 terms in P. L. 1957, c. 70 (C. 17:9A-344 et seq.).] *(Deleted by*
 42 *amendment, P. L. 1987, c. . . .) (now pending before the Legisla-*
 43 *ture as this bill.)*

44 The commissioner shall have the authority to promulgate regu-
 45 lations for enforcement of the conditions of this subsection.

46 b. Nothing in this act shall be deemed to eliminate, reduce or
 47 waive any rights of any shareholders of the bank or bank holding
 48 company being acquired pursuant to any applicable law regarding
 49 those rights.

50 c. In the event an eligible bank holding company which controls
 51 a bank or banks in this State and in one or more eligible states
 52 shall cease to be an eligible bank holding company (1) as a result
 53 of obtaining control of a bank or banks located in a state which is
 54 not an eligible state or this State, or (2) as a result of having con-
 55 trol of it obtained by a bank or bank holding company which is not
 56 an eligible bank holding company, then such bank holding company
 57 shall within one year make such divestitures as are necessary to

58 comply with the provisions of this act. The commissioner shall
59 promulgate regulations to provide a procedure for divestiture.

60 d. Notwithstanding the provisions of this act, a bank holding
61 company shall not be required to divest its control of any bank as
62 a result of any subsequent change in, or invalidity of, the laws of
63 this State, another state or the United States or as a result of a
64 state ceasing for any other reason to be an eligible state.

1 ***[3.]*** *4.* Section 1 of P. L. 1986, c. 4 (C. 17:9A-344.1) and
2 sections 7, 8, and 9 of P. L. 1986, c. 4 are repealed.

1 ***[4.]*** *5.* This act shall take effect immediately.

BANKING AND FINANCIAL INSTITUTIONS

Eliminates restrictions on amount of bank deposits any company
or person may control.

19 gate average deposits exceed 12% for the first year following
 20 enactment of this 1986 amendatory and supplementary act, 13%
 21 for the second year following enactment of this 1986 amenda-
 22 tory and supplementary act, and 13.5% for the third year and for
 23 the first [one] half of the fourth year following enactment of this
 24 1986 amendatory and supplementary act, of the aggregate average
 25 deposits of all depository institutions as of the two call dates
 26 for which published figures are available next preceding that
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 34 of the stock of a bank shall include any acquisition of one or more
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 39 company[,] shall be deemed to be owned by such company.

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 42 ities of a bank if the commissioner determines that the bank is in
 43 an unsound or unsafe condition, as determined by an evaluation of
 44 the bank's capital adequacy, asset quality, management, earnings
 45 or liquidity. The commissioner may rely upon a written evalua-
 46 tion of a bank's safety and soundness prepared by a federal or
 47 other state bank regulatory agency.

1 3. Section 1 of P. L. 1986, c. 4 (C.17:9A-344.1) and sections 7,
 2 8, and 9 of P. L. 1986, c. 4 are repealed.

1 4 This act shall take effect immediately.

STATEMENT

This bill eliminates the restrictions on the percentage of the total aggregate average deposits of financial institutions in this State that any holding company or person may control.

BANKING AND FINANCIAL INSTITUTIONS

Eliminates restrictions on amount of bank deposits any company or person may control.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 3365 Sca

DATED: June 15, 1987

This bill eliminates the restrictions on the percentage of the total aggregate average deposits of financial institutions in this State that any holding company or person may control when purchasing a bank or savings bank.

Currently, no company or person which owns more than 25% of the stock of a bank or savings bank in this State may acquire ownership of more than 10% of the stock of another bank or savings bank in this State or assume the deposit liabilities of another bank or savings bank in this State requiring federal regulatory approval if, at the time of that transaction or as a result of that transaction, the aggregate average deposits of the banks or savings banks held or to be held exceed or would exceed 13% of the aggregate average deposits of all depository institutions until March 26, 1988 and 13.5% of those deposits for a year and half following March 26, 1988. If the Legislature does not adjust the cap at the end of that period, the cap limitation will expire. This bill removes these cap limitations completely.

This bill also repeals those sections of law which were included when the cap limitations were modified in 1986. These sections required the Commissioner of Banking to monitor the effect of the modification of the cap limitation and to report within two and a half years to the Legislature and the appropriate committees thereof

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OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

TRENTON, N.J. 08625

Contact: JOHN SAMERJAN
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Release: FRI., JULY 24, 1987

Governor Thomas H. Kean today signed the following legislation:

S-2301, sponsored by Senator John H. Ewing, R-Somerset, appropriates \$400,000 to the New Jersey Commission on Science and Technology to be used as a start-up grant for the John P. Caulfield Center for Investigational Cancer Therapy.

The Center would be a new technological extension of the Center for Molecular Medicine and Immunology which is temporarily located at UMDNJ.

The legislation is effective immediately.

S-3365/A-4324, sponsored by Senator Raymond Lesniak, D-Union and Assemblyman Louis Kosco, R-Bergen removes the cap on the total amount of deposits in this State which may be controlled by a single person or bank holding company.

This legislation is designed to prepare New Jersey institutions for the onset of what is termed the "national" phase of interstate banking which is expected to commence on January 1, 1988.

The legislation is effective immediately.

S-639, sponsored by Senator Raymond Zane, D-Gloucester, exempts farmers who apply pesticides on their property from payment of the \$5 registration fee currently required. Identical legislation was sponsored in the Assembly by Jack Collins, R-Salem and Gary Stuhltrager, R-Salem. The legislation is effective immediately.

- more -

as to whether the percentage limitation on aggregate average deposits of depository institutions in effect at the time should be adjusted; and required the Legislature to adopt reasonable cap limitations or the cap limitations would sunset at the end of three and a half years after the effective date of that 1986 law that modified the cap limitations.

The Committee made technical amendments to the bill.