

17:12B-281 et al

4/21/88

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:12B-281 et al

(savings & loan holding companies--
savings & loan acquisitions--establish
Department of Banking authority)

LAWS OF: 1987

CHAPTER: 225

Bill No: S3121

Sponsor(s): Lesniak

Date Introduced: March 11, 1987

Committee: Assembly: Financial Institutions

Senate: Labor, Industry and Professions

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

Date of Passage: Assembly: June 8, 1987

Senate: May 18, 1987

Date of Approval: July 30, 1987

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: No

S2428 Signed into law 7-30-87, as L. 1987 c. 226

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SENATE, No. 3121

STATE OF NEW JERSEY

INTRODUCED MARCH 11, 1987

By Senator LESNIAK

Referred to Committee on Labor, Industry and Professions

AN ACT concerning the oversight and examination of certain insured institutions and savings and loan holding companies by the Commissioner of Banking, and amending and supplementing P. L. 1963, c. 144 (C. 17:12B-1 et seq.).

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

1 1. (New section) As used in this act:

2 a. "Insured institution" and "savings and loan holding com-
3 pany" shall have the respective meanings set forth in Title IV,
4 section 408 of the "National Housing Act," as amended (12
5 U. S. C. § 1730a).

6 b. "State association" means any savings and loan association,
7 building and loan association, or any corporation, however named,
8 operating pursuant to the provisions of P. L. 1963, c. 144 (C.
9 17:12B-1 et seq.). "State association" shall also include a person
10 who controls an association when used in section 4 of this act.

11 c. "Person" means an individual or company.

12 d. "Company" means any corporation, partnership, trust, joint-
13 stock company, association or similar organization, but does not
14 include the Federal Savings and Loan Insurance Corporation,
15 any Federal Home Loan Bank, or any company the majority of
16 the shares of which is owned by the United States or any state,
17 or by an officer of the United States or any state in his official
18 capacity, or by an instrumentality of the United States or any
19 state.

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 April 27, 1987.

20 e. (1) "Control" of an insured institution or state association
21 means:

22 (a) Owning, controlling, or having power to vote ***10%***
23 *25%* or more of the outstanding shares of any class of voting
24 securities of an insured institution, directly or indirectly, or
25 acting through one or more persons;

26 (b) Controlling in any manner the election of a majority
27 of the directors, trustees, general partners, or individuals
28 exercising similar functions of the insured institution; or

29 (c) Exercising or having the power to exercise directly or
30 indirectly a controlling influence over the management or
31 policies of an insured institution;

32 (2) A person which is a state association shall not be deemed
33 to control voting securities or assets of a state association ac-
34 quired: (a) in good faith in a fiduciary capacity, except where
35 those voting securities are held in a trust that constitutes a
36 company; or (b) in the regular course of securing or collecting
37 a debt previously contracted in good faith which securities are
38 disposed of within a period of two years after the date on which
39 they were acquired or after the enactment of this act, whichever
40 is later;

41 (3) A person is deemed to control voting securities or assets
42 owned, controlled, or held directly or indirectly:

43 (a) by any subsidiary of the person; or

44 (b) in a fiduciary capacity, including by pension and profit-
45 sharing trusts, for the benefit of the shareholders, members,
46 employees, or individuals serving in similar capacities, of
47 the person or of any of its subsidiaries; or

48 (c) in a fiduciary capacity for the benefit of the person
49 or any of its subsidiaries.

50 f. "Subsidiary" means any person or company which is con-
51 trolled by another person or company.

52 g. "Voting securities" means shares of common or preferred
53 stock, general or limited partnership shares of interests or similar
54 interests if the shares of interests, by statute, charter, or in any
55 manner, entitle the holder:

56 (1) to vote for or to select directors, trustees, partners,
57 or persons exercising similar functions for the issuing com-
58 pany; or

59 (2) to vote on or to direct the conduct of the operations
60 or other significant policies of the issuing person.

61 Preferred shares, limited partnership shares or interests, or
62 similar interests are not "voting securities" if:

63 (1) any voting rights associated with the shares of in-
64 terests, including the right to select or vote for the selection
65 of directors, trustees, or partners or persons exercising sim-
66 ilar functions, are limited solely to the type customarily pro-
67 vided by statute with regard to matters that would significantly
68 and adversely affect the rights or preference of the security
69 or other interest, such as the issuance of additional amounts
70 or classes of senior securities, the modification of the terms
71 of the security or interest, the dissolution of the issuing per-
72 son, or the payment of dividends by the issuing person when
73 preferred dividends are in arrears, or, entitle the holder
74 thereof to vote for the election of directors, trustees or
75 partners or persons exercising similar functions only as the
76 result of the failure to pay a dividend or to fulfill an obliga-
77 tion or satisfy a condition specified by the terms of the share
78 or interests; and

79 (2) the shares or interests represent an essentially passive
80 investment or financing device and do not otherwise provide
81 the holder with control over the issuing person.

82 h. "Commissioner" means the Commissioner of Banking.

83 i. "Department" means the Department of Banking.

84 j. "United States" means the United States and include any
85 of the United States, the District of Columbia, any territory of
86 the United States, Puerto Rico, Guam, American Samoa, and
87 the Virgin Islands.

1 2. (New section) a. A savings and loan holding company or an
2 insured institution shall, upon the request of the commissioner,
3 provide to the commissioner a copy of its filings with the Federal
4 Home Loan Bank Board, Federal Savings and Loan Insurance
5 Corporation, or their successors, and the Securities and Exchange
6 Commission.

7 b. A person, other than a savings and loan holding company,
8 a state of the United States, the United States or a corporation
9 the majority of the shares of which are owned by the United
10 States or by any state, which controls a state association, shall
11 annually provide the following information to the commissioner
12 on or before April 30:

13 (1) The identity, personal history, business background
14 and experience of the person, including material business

15 activities and affiliations during the past five years, and a
16 description of any material, pending legal or administrative
17 proceedings in which the person is a party and any criminal
18 indictment or conviction of the person issued by a state or
19 federal court;

20 (2) A statement of the assets and liabilities of the person,
21 for each of five preceding fiscal years, together with related
22 statements of income and source and application of funds
23 for each of those fiscal years, prepared in accordance with
24 generally accepted accounting principles consistently applied;
25 and

26 (3) Any additional relevant information in that form which
27 the commissioner may require by rule or regulation or by
28 specific request.

29 c. The commissioner may by rule or regulation or on an in-
30 dividual basis exempt persons from the reporting requirements
31 of this section.

1 3. (New section) a. The commissioner shall have the right to
2 examine any savings and loan holding company which controls
3 a state association, the cost of which examination shall be assessed
4 against and paid by the savings and loan holding company in an
5 amount to be set by rule or regulation of the commissioner.

6 b. The examination authorized by this section shall be con-
7 ducted jointly, concurrently or in lieu of examinations made by
8 a federal or other state regulatory agency. The commissioner
9 shall use, to the extent deemed feasible, filings and reports made
10 by the savings and loan holding company which controls a state
11 association to federal or other state regulatory authorities.

12 c. A copy of any examination report prepared by the depart-
13 ment may be given to any federal or other state regulatory au-
14 thority pursuant to a written agreement providing for the ex-
15 change of reports of examinations between the department and
16 the federal or other state regulatory authority.

17 d. Except as provided in subsection c. of this section, every
18 report and copy of a report of examination of a savings and loan
19 holding company made by or under the supervision of the com-
20 missioner and every report and copy of a report of examination
21 of a savings and loan holding company which proposes to control
22 or controls a state association made by or under the supervision
23 of any federal or other state regulatory authority shall be con-
24 fidential, and shall not be made public by any officer, director or

25 employee of the savings and loan holding company or the depart-
26 ment. These reports and reports of examination shall not be sub-
27 ject to subpoena or to admission into evidence in any action or
28 proceeding in any court, except pursuant to an order of the court
29 made upon notice to the commissioner and after affording the
30 commissioner an opportunity to advise the court of reasons for
31 excluding from evidence the report or any portion thereof. The
32 court shall order the issuance of a subpoena for the production or
33 admission into evidence of any report or portion thereof, only
34 if it is satisfied that: (1) it is material and relevant to the issues
35 in the proceedings; and (2) the ends of justice and public advan-
36 tage will be served thereby. This subsection shall not apply to
37 any action or proceeding instituted by the commissioner or At-
38 torney General pursuant to any law of this State.

1 4. (New section) a. No person, acting directly or indirectly, or
2 through or in concert with one or more other persons, shall acquire
3 or offer to acquire or exercise control of a state association unless
4 the commissioner has been given 60 days' prior written notice of
5 the proposed acquisition, and has not issued a notice disapproving
6 the proposed acquisition during that period or during an addi-
7 tional 30-day period immediately thereafter. The period for dis-
8 approval may be further extended only if the commissioner deter-
9 mines that any acquiring party has not furnished all the infor-
10 mation required under subsection f. of this section or that in his
11 judgment any material information submitted is substantially
12 inaccurate. An acquisition may be made prior to expiration of
13 the disapproval period if the commissioner issues written notice
14 of his intent not to disapprove the acquisition.

15 b. If the commissioner determines that he must act immediately
16 upon notice of a proposed acquisition in order to prevent the
17 probable failure of the state association involved in the proposed
18 acquisition, he may waive the approval process requirements
19 of this section.

20 c. Within three days after the date of the commissioner's deci-
21 sion to disapprove any proposed acquisition, the commissioner
22 shall notify the acquiring party in writing of the disapproval. The
23 notice shall provide a statement of the basis for the disapproval.

24 d. Within 10 days of receipt of a notice of disapproval, the
25 acquiring party may ask the commissioner in writing to hold a
26 hearing on the proposed acquisition. The hearing shall be held
27 in accordance with the provisions of the "Administrative Pro-

28 cedure Act," P. L. 1968, c. 410 (C. 52:14B-1 et seq.) and any
29 rules or regulations adopted thereunder.

30 e. The commissioner's disapproval of a proposed acquisition
31 following a hearing shall be subject to review by the Appellate
32 Division of the Superior Court.

33 f. Except as otherwise provided by rule or regulation, a notice
34 of proposed acquisition filed pursuant to this section shall contain
35 the following information:

36 (1) The identity, personal history, business background and
37 experience of each person by whom or on whose behalf the
38 acquisition is to be made, including material business activi-
39 ties and affiliations during the past five years, and a descrip-
40 tion of any material, pending legal or administrative proceed-
41 ings in which the person is a party and any criminal indict-
42 ment or conviction of the person issued by a state or federal
43 court;

44 (2) A statement of the assets and liabilities of each person
45 by whom or on whose behalf the acquisition is to be made,
46 as of the end of the fiscal year for each of the five fiscal years
47 immediately preceding the date of the notice, together with
48 related statements of income and source and application of
49 funds for each of those fiscal years, all prepared in accordance
50 with generally accepted accounting principles consistently
50A applied, and an interim statement of the assets and liabilities
50B for each person, together with related statements of income
50C and source and application of funds, as of a date not more
50D than 90 days prior to the date of the filing of the notice;

51 (3) The terms and conditions of the proposed acquisition
52 and the manner in which the acquisition is to be made;

53 (4) The identity, source and amount of the funds or other
54 consideration used or to be used in making the acquisition,
55 and if any of these funds or other consideration has been or
56 is to be borrowed or otherwise obtained for the purpose of
57 making the acquisition, a description of the transaction, the
58 names of the parties, and any arrangements, agreements, or
59 understandings between or among the parties;

60 (5) Any plans or proposals which any acquiring party mak-
61 ing the acquisition may have to liquidate the state association
62 or savings and loan holding company, sell its assets or merge
63 it with any company, or make any other major changes in
64 its business or corporate structure or management;

65 (6) The identification of any person employed, retained or
 66 to be compensated by the acquiring party, or by any person
 67 on his behalf, to make solicitations or recommendations to
 68 stockholders for the purpose of assisting in the acquisition,
 69 and a brief description of the terms of that employment, re-
 70 tainer, or arrangement for compensation;

71 (7) Copies of all invitations, tenders or advertisements
 72 making a tender offer to stockholders for purchase of their
 73 stock to be used in connection with the proposed acquisi-
 74 tion; and

75 (8) Any additional relevant information in such form as
 76 the commissioner may require by rule or regulation or by
 77 specific request in connection with any particular notice.

78 g. In determining whether to approve a proposed acquisition
 79 pursuant to this section, the commissioner may consider the fol-
 80 lowing factors with respect to the applicant:

81 (1) The financial and the managerial resources and experi-
 82 ence of the applicant;

83 (2) The competence, character, and integrity of the appli-
 84 cant;

85 (3) The applicant's plans and intentions with respect to
 86 the operation of the state association;

87 (4) Any other factors which the commissioner may deem
 88 relevant to the acquisition.

89 h. In determining whether to approve a proposed acquisition
 90 pursuant to this section, the commissioner may consider the fol-
 91 lowing factors with respect to the state association:

92 (1) The financial condition and prospects of the state asso-
 93 ciation, which shall include consideration as to the sufficiency
 94 of current or projected capital positions, as well as the level
 95 of indebtedness of the state association, before and after the
 96 acquisition;

97 (2) The convenience and needs of the depositors and the
 98 communities served by the state association; and

99 (3) The effect of the proposed acquisition on the safety and
 100 soundness of the state association.

101 i. The commissioner may disapprove any proposed acquisition if:

102 (1) The financial condition of any acquiring person is such
 103 as might jeopardize the financial stability of the state asso-
 104 ciation or prejudice the interests of the depositors of the
 105 state association;

106 (2) The competence, experience, or integrity of any acquir-
107 ing person or of any of the proposed management personnel
108 indicates that it would not be in the interest of the depositors
109 of the state association, or in the interest of the public to
110 permit such person to control the state association; or

111 (3) Any acquiring person neglects, fails, or refuses to
112 furnish all the information required by the commissioner.

113 j. Whenever any state association makes a loan or loans, se-
114 cured, or to be secured, by 25% or more of the outstanding voting
115 stock of a state association, the president or other chief executive
116 officer of the lending state association shall promptly report this
117 fact to the department upon obtaining knowledge of the loan or
118 loans, except that no report need be made in those cases where
119 the borrower has been the owner of record of the stock for a
120 period of one year or more or where the stock is that of the newly
121 organized state association prior to its opening.

122 k. The report required by subsection j. of this section shall con-
123 tain the information required by subsection f. of this section, and
124 any other relevant information the department may require by
125 rule or regulation or by specific request in connection with any
126 particular report.

127 l. Within 12 months after a change of control, a state association
128 shall report promptly to the commissioner any change or replace-
129 ment of its chief executive officer or of any director, and shall
130 include in the report a statement of the past and current busi-
131 ness and professional affiliations of any new chief executive
132 officer or director.

133 m. This section shall not apply to the following transactions:

134 (1) Any transaction subject to regulation 563.22 of the
135 Federal Home Loan Bank Board's rules governing the Fed-
136 eral Savings and Loan Insurance Corporation (12 CFR
137 563.22) or the provisions of Article XIII of P. L. 1963, c. 144
138 (C. 17:12B-198 through 17:12B-212);

139 (2) The acquisition of additional shares of a class of voting
140 securities of a state association or person by any person who
141 has lawfully acquired and maintained control of 25% or more
142 of that class of voting securities after filing the notice re-
143 quired under this section;

144 (3) The acquisition of voting securities in good faith in a
145 fiduciary capacity, except that in circumstances described in
146 subparagraph (b) of paragraph (2) of subsection e. of sec-

147 tion 1 of this act, the person in control of the voting securities
148 shall within 60 days of acquisition provide the commissioner
149 with a notice containing the information specified in subsection
150 f. of this section and dispose of the voting securities if
151 the commissioner objects to the control, or in situations where
152 the fiduciary has sole discretionary voting authority, provide
153 the commissioner with a notice containing the information
154 specified in subsection f. and dispose of the sole voting power
155 if the commissioner objects to the voting authority;

156 (4) The acquisition of voting securities, which would otherwise
157 require a notice under this section, in satisfaction of a
158 debt previously contracted in good faith if the commissioner
159 is notified within 60 calendar days after acquisition and the
160 acquiring party provides any relevant information requested
161 by the commissioner;

162 (5) The acquisition of voting securities through inheritance
163 or a bona fide gift if the commissioner is notified within 60
164 calendar days after acquisition and the acquiring party provides
165 any relevant information requested by the commissioner;
166

167 (6) The acquisition of the power to vote securities through
168 receipt of a revocable proxy in connection with a proxy solicitation
169 for the purposes of conducting business at a regular or special
170 meeting of a state association or person in control of a state
171 association, if the proxy terminates within a reasonable time
172 after the meeting;

173 (7) The receipt of voting securities through a stock dividend
174 or stock split if the proportional interest of the recipient
175 in a state association or person in control of a state association
176 remains substantially the same;

177 (8) The acquisition of voting securities acquired in connection
178 with the underwriting of securities if the securities are held
179 only for a period of time as will permit the sale thereof on
180 a reasonable basis;

181 (9) Acquisition by any corporation the majority of the
182 shares of which are owned by the United States;

183 (10) Transactions entered into prior to the effective date
184 of this act;

185 (11) Any transaction for which the approval of the commissioner
186 is required prior to consummation other than pursuant to this
187 section;

188 (12) Transactions which the commissioner shall determine
 189 to be exempt from the application of this section; or

190 (13) Acquisition by any company which immediately prior
 191 to that acquisition could be examined by the commissioner
 192 pursuant to section 3 of this act, but in such case the commis-
 193 sioner shall be notified within 30 calendar days after the
 194 acquisition.

1 5. (New section) The following fees shall be paid to the com-
 2 missioner for the use of the State. The fees shall be in the mini-
 3 mum amount indicated or in such amount as provided by regu-
 4 lation of the commissioner, which amount shall not exceed the
 5 maximum amount provided below:

	Minimum	Maximum
6 a. Filings pursuant to subsection a.		
7 of section 2 of this act, per item filed	\$50.00	\$100.00
8 b. Filings pursuant to subsection b.		
9 of section 2 of this act, per item filed	\$50.00	\$100.00
10 c. Notice pursuant to subsection a.		
11 of section 4 of this act	\$625.00	\$2,500.00
12 d. Request for hearing pursuant to		
13 subsection d. of section 4 of this act	\$625.00	\$2,500.00
14 e. Report required by subsection j.		
15 of section 4 of this act	\$50.00	\$100.00
16 f. Additional report required by subsection k.		
17 of section 4 of this act	\$50.00	\$100.00
18 g. Report required by subsection l.		
19 of section 4 of this act	\$50.00	\$100.00
20 h. Notice required by paragraph (3)		
21 of subsection m. of section 4 of this act	\$50.00	\$100.00
22 i. Notice required by paragraph (4)		
23 of subsection m. of section 4 of this act	\$50.00	\$100.00
24 j. Notice required by paragraph (5)		
25 of subsection m. of section 4 of this act	\$50.00	\$100.00

1 6. (New section) It shall be unlawful, on and after the date
 2 three years following the effective date of this act, for any state
 3 association to operate without insurance of its accounts by the
 4 Federal Savings and Loan Insurance Corporation as defined in
 5 subsection (20) of section 5 of P. L. 1963, c. 144 (C. 17:12B-5),
 6 (hereinafter referred to as "FSLIC insurance").

7 a. Within one year of the effective date of this act, every state
 8 association shall, as a condition to operate in this State, apply
 9 for FSLIC insurance.

10 b. Any state association which has failed to apply for FSLIC
 11 insurance within one year of the effective date of this act, or
 12 which has been denied a commitment for FSLIC insurance, shall,
 13 within 90 days thereafter, begin steps to merge with an insured
 14 association, or transfer, sell or exchange in bulk its assets to an
 15 insured association, or a banking institution as defined in sub-
 16 section (2) of section 1 of P. L. 1948, c. 67 (C. 17:9A-1). Liquidation
 17 following the transfer, sale or exchange in bulk of its assets
 18 shall be managed and directed by the thereupon to be dissolved
 19 state association's board of directors in accordance with the provisions
 20 of section 205 and sections 207 through 212 of P. L. 1963,
 21 c. 144 (C. 17:12B-205 and 17:12B-207 through 17:12B-212).

22 c. A state association may apply in writing for an extension of
 23 time to obtain FSLIC insurance or to consummate a merger or bulk
 24 sale. The commissioner may grant one or more 90-day extensions
 25 of time, but not exceeding one year, for a state association to
 26 obtain FSLIC insurance or cease its operations as provided by
 27 this section.

1 7. (New section) In the event that any state association shall
 2 fail to comply with the provisions of this act, the commissioner
 3 may take charge of the state association and possession of all its
 4 assets, books and records, and continue the operation of its business
 5 until the possession and management shall be returned to
 6 its board, or until the association shall merge, be dissolved or
 7 liquidated. The operation of the state association by the commissioner
 8 shall be in accordance with the provisions of Article XII
 9 of P. L. 1963, c. 144 (C. 17:12B-177 through 17:12B-197).

1 8. (New section) No state association shall be granted a charter
 2 by the commissioner on or after the effective date of this act,
 3 unless the state association has obtained a commitment for insurance
 4 of its accounts by the Federal Savings and Loan Insurance Corporation.
 5

1 9. Section 14 of P. L. 1963, c. 144 (C. 17:12B-14) is amended
 2 to read as follows:

3 14. Contents of certificate of incorporation of a mutual association.
 4 The incorporators shall personally sign a certificate of incorporation,
 5 which shall state:

6 (1) The name of the State association, which shall contain the
 7 words "savings and loan association[.]" or "savings bank
 8 S.L.A." The name shall not be one already in use by another association
 9 in this State, nor one so similar thereto as to deceive the

10 public or lead to uncertainty or confusion and this provision shall
11 be subject to any law *otherwise* restricting or prohibiting the use
12 of the word "bank" or "banker" or "banking"; provided, how-
13 ever, that any association organized under this act may make
14 representations describing its powers, services or functions pro-
15 vided for in this act.

16 (2) The street, street number, if any, and the municipality in
17 this State in which the State association is to be located.

18 (3) That it is incorporated to operate as a mutual association
19 pursuant to this act for the purposes herein stated.

20 (4) The name, residence (including street and number, if any)
21 post office address and occupation of each incorporator.

22 (5) The amount which each incorporator agrees to subscribe
23 for and pay into the guaranty account of the State association.

1 10. Section 224 of P. L. 1963, c. 144 (C. 17:12B-224) is amended
2 to read as follows:

3 224. Conversion from Federal to State charter; procedure. Any
4 federal association may convert itself into an association of this
5 State with the same force and effect as though originally incor-
6 porated under this act, and the proceedings to effect such con-
7 version shall be as follows:

8 (a) When in the judgment of the board of such federal asso-
9 ciation it shall be deemed advisable and for the interests of its
10 members that the same shall be converted into an association of
11 this State, the board of directors shall adopt a resolution to
12 that effect.

13 (b) After the adoption of such resolution, a meeting of the
14 members of the association shall be held upon not less than 10
15 days' written notice to the members by mail, postage prepaid,
16 directed to their addresses appearing on the books of the asso-
17 ciation, which notice shall contain a statement of the time, place
18 and purpose for which such meeting is called. Proof by affidavit
19 of mailing of such notice shall be mailed to the Federal Home
20 Loan Bank Board before the time of such meeting.

21 (c) At a meeting of the members of any such federal associa-
22 tion held as provided in paragraph (b) of this section, such mem-
23 bers may by the affirmative vote of $\frac{2}{3}$ of the members present
24 either in person or by proxy, declare by resolution the determina-
25 tion to convert the association into an association of this State.
26 A copy of the minutes of the proceedings of such meeting of the
27 members, verified by the affidavit of the president or vice-presi-

28 dent, and the secretary of the meeting, shall be filed in the office
 29 of the commissioner and mailed to the Federal Home Loan Bank
 30 Board, within 10 days after the date of such meeting.

31 (d) Within 30 days after the date of the meeting held as pro-
 32 vided in paragraphs (b) and (c) of this section, a majority of
 33 the board of such federal association shall subscribe, acknowledge
 34 and deposit with the commissioner in duplicate, a certificate which
 35 shall contain:

36 1. The name of the association, which shall not be so nearly
 37 like that of any other association as to deceive the public,
 38 and the words "savings and loan association" or "*savings*
 39 *bank S.L.A.*" shall form a part thereof;

40 2. The municipality where it is to be located and its busi-
 41 ness transacted, which shall be within this State;

42 3. A statement that it is to operate as an association pur-
 43 suant to this act for the purposes stated herein;

44 4. The name, residence, occupation and post office address
 45 of each officer and director;

46 5. Application for the approval of the commissioner to the
 47 conversion of said association into an association of this State.

1 11. (New section) The commissioner shall have the authority
 2 to promulgate rules and regulations necessary to carry out the
 3 purposes of this act.

1 12. (New section) Upon a finding by the commissioner, after
 2 notice and an opportunity to be heard, of a violation by any
 3 person of any provision of this act, or any regulation or order
 4 of the commissioner issued pursuant thereto, the commissioner
 5 may order the person to cease any violation or to pay a civil
 6 penalty not in excess of \$1,000.00 per day for each day that the
 7 violation continues, or both, the penalty being recoverable in the
 8 name of the commissioner in a summary proceeding pursuant to
 9 "the penalty enforcement law," N. J. S. 2A:58-1 et seq.

1 *13. (New section) Notwithstanding the provisions of section 14
 2 of P. L. 1963, c. 144 (C. 17:12B-14) or any other law of this State,
 3 no state association, including a capital stock association, now or
 4 hereafter organized pursuant to P. L. 1963, c. 144 (C. 17:12B-1
 5 et seq.) shall use the words "*savings bank S. L. A.*" in its name,
 6 representations or advertisements, without obtaining the commis-
 7 sioner's prior approval as herein provided and subject to other
 8 terms and conditions as the commissioner may specify by regula-
 9 tion. The commissioner, upon application of a state association

10 *and approval thereof by the commissioner, may authorize a state*
 11 *association to use the words "savings bank S. L. A." in its name,*
 12 *representations or advertisements, if he determines that: a. the use*
 13 *of the words "savings bank S. L. A." by the state association is in*
 14 *the public interest; b. the state association is an insured associa-*
 15 *tion; c. the state association is being operated in a safe and sound*
 16 *manner and has adequate capital; d. the state association shall not*
 17 *assume or use a name already in use by a mutual or capital stock*
 18 *savings bank organized pursuant to P. L. 1948, c. 67 (C. 17:9A-1*
 19 *et seq.), as amended, nor a name so similar thereto as to deceive the*
 20 *public or lead to uncertainty or confusion; provided, however, that*
 21 *the commissioner shall not approve an application filed pursuant*
 22 *to this section if the state association meets one or both of the tests*
 23 *applicable to a supervisory merger or supervisory acquisition as*
 24 *provided in subsections a. and b. of section 2 of P. L. 1982, c. 8*
 25 *(C. 17:16J-2), except that such application may be approved by the*
 26 *commissioner in the course of an acquisition made pursuant to P. L.*
 27 *1963, c. 144 (C. 17:12B-1 et seq.) and P. L. 1982, c. 8 (C. 17:16J-1*
 28 *et seq.).*

1 *14. Sections 44, 45, 46 and 47 of P. L. 1974, c. 137 (C. 17:12B-273*
 2 *through C. 17:12B-276) are repealed.**

1 **[13.]* *15.* This act shall take effect immediately but shall*
 2 *remain inoperative until the enactment into law of Senate Bill No.*
 3 *2423 of 1986.*

BANKING AND FINANCIAL INSTITUTIONS

Provides the Department of Banking with oversight and regulatory authority in regard to savings and loan holding companies and the acquisitions of State savings and loans.

28 dent. and the secretary of the meeting, shall be filed in the office
29 of the commissioner and mailed to the Federal Home Loan Bank
30 Board, within 10 days after the date of such meeting.

31 (d) Within 30 days after the date of the meeting held as pro-
32 vided in paragraphs (b) and (c) of this section, a majority of
33 the board of such federal association shall subscribe, acknowledge
34 and deposit with the commissioner in duplicate, a certificate which
35 shall contain:

36 1. The name of the association, which shall not be so nearly
37 like that of any other association as to deceive the public,
38 and the words "savings and loan association" or "savings-
39 bank S.L.A." shall form a part thereof;

40 2. The municipality where it is to be located and its busi-
41 ness transacted, which shall be within this State;

42 3. A statement that it is to operate as an association pur-
43 suant to this act for the purposes stated herein;

44 4. The name, residence, occupation and post office address
45 of each officer and director;

46 5. Application for the approval of the commissioner to the
47 conversion of said association into an association of this State.

1 11. (New section) The commissioner shall have the authority
2 to promulgate rules and regulations necessary to carry out the
3 purposes of this act.

1 12. (New section) Upon a finding by the commissioner, after
2 notice and an opportunity to be heard, of a violation by any
3 person of any provision of this act, or any regulation or order
4 of the commissioner issued pursuant thereto, the commissioner
5 may order the person to cease any violation or to pay a civil
6 penalty not in excess of \$1,000.00 per day for each day that the
7 violation continues, or both, the penalty being recoverable in the
8 name of the commissioner in a summary proceeding pursuant to
9 "the penalty enforcement law," N. J. S. 2A:58-1 et seq.

1 13. This act shall take effect immediately but shall remain in-
2 operative until the enactment into law of Senate Bill No. 2428
3 of 1986.

STATEMENT

As New Jersey's savings and loan associations move into an era of interstate expansion, a regulatory system should be established in order to monitor the activities of those entities that control state associations, as well as to ensure that a safe and

sound savings industry is preserved in New Jersey. To this end, this bill sets forth increased supervisory, examination and oversight responsibilities for the Department of Banking in anticipation of the participation of our savings institutions in future interstate acquisitions.

The bill calls for the department to establish certain reporting requirements, gives it expanded examination and supervisory authority over entities owning savings and loan associations in New Jersey, and increases its oversight of acquisitions which involve changes of control of state-chartered associations. The provisions parallel those found in the "New Jersey Banking Oversight and Change of Control Act" (P. L. 1986, c. 6), which was enacted in conjunction with the New Jersey interstate banking law (P. L. 1986, c. 5).

Section 2 of the bill requires all companies and individuals that control a savings and loan association located in New Jersey (regardless of whether it is state-chartered or federally chartered) to file copies of existing reports with the Commissioner of Banking upon request and for information purposes only. Section 3 provides the Commissioner of Banking with examination authority over all companies which control a state association.

Section 4 concerns the change of control of a state association and provides a mechanism whereby the Commissioner of Banking exercises approval authority over transactions that will result in a change of control of any state association, whether the acquiring party is an individual or a savings and loan holding company.

Section 5 of the bill provides a fee schedule for the filing, reports and notices required under the act.

The balance of the bill is concerned with preparing our savings and loan associations so they can take advantage of the new opportunities for growth and diversification that will arise as a result of interstate expansion. Sections 6 through 8 set out a time frame whereby all state associations must be part of the Federal Savings and Loan Insurance system. Sections 9 and 10 authorize state chartered savings and loan associations (whether mutual or capital stock associations) to use the words "savings bank S.L.A." in their names with a distinction made to their status as savings and loan associations.

These provisions are necessary for the safety and soundness of our savings and loan industry in an era of increased acquisitions by individuals and companies from New Jersey and from

other states. The provisions are reasonable and will not impose undue burdens or costs upon the industry, while providing an effective measure of protection for the public.

BANKING AND FINANCIAL INSTITUTIONS

Provides the Department of Banking with oversight and regulatory authority in regard to savings and loan holding companies and the acquisitions of State savings and loans.

ASSEMBLY FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 3121

[OFFICIAL COPY REPRINT]

STATE OF NEW JERSEY

DATED: MAY 21, 1987

This bill provides the Commissioner of Banking with supervision and examination authority over persons and companies owning savings and loan associations in New Jersey and oversight of acquisitions resulting in a change of control of State-chartered savings and loan associations.

The bill requires certain savings and loan holding companies and federally chartered savings and loan associations and federally chartered savings banks to file with the commissioner, at his request, a copy of any filings which they make with the Federal Home Loan Bank Board, Federal Savings and Loan Insurance Corporation and the Securities and Exchange Commission. These filings would be used by the commissioner for informational purposes only. The bill requires any person or entity, other than a savings and loan holding company or federal or state agency, which controls a State-chartered savings and loan association to file with the commissioner a report containing a personal and business history, information concerning any material pending legal or administrative proceedings or any criminal indictments or convictions and certain financial information.

The commissioner is given the authority to examine any savings and loan holding company which controls a State-chartered savings and loan association. The cost of the examination would be paid by the holding company.

The bill provides the commissioner with approval authority over transactions that would result in a change of control of any State-chartered savings and loan association, whether the acquiring party is a savings and loan holding company or other entity. The bill would prohibit any person from acquiring a State-chartered savings and loan association unless the commissioner has been given 60 days' prior written notice of the proposed acquisition, and he has not issued a notice disapproving the proposed acquisition during that period or during an additional 30-day period immediately thereafter. The commissioner may waive this prior notification requirement in the case of the acquisition of a failing savings and loan association.

The notice of the proposed acquisition would be required to contain a personal and business history of the person making the acquisition; information concerning any pertinent legal or administrative proceedings or criminal indictments or convictions of the person; certain financial information; the terms and conditions of the acquisition; the identity, source and amount of funds to be used in making the acquisition; plans or proposals for the use of the acquisition; and other relevant information.

The commissioner could disapprove any proposed acquisition if: (1) the financial condition of any acquiring person might jeopardize the financial stability of the savings and loan association or prejudice the interests of its depositors; (2) the competence, experience or integrity of any acquiring person or the proposed management indicates that it would not be in the interest of the depositors of the savings and loan association or the public to permit such person to control the savings and loan association; or (3) any acquiring person neglects, fails or refuses to furnish all the information required by the commissioner. The commissioner's decision to disapprove any proposed acquisition may be appealed in a administrative hearing, which is subject to review by the Appellate Division of the Superior Court. There are various exceptions to the prior notification requirement.

The bill would require all State-chartered savings and loan associations which are not currently insured by the Federal Savings and Loan Insurance Corporation to be so insured within three years. It would further require that all new State-chartered savings and loan associations be so insured. The bill also would authorize State-chartered savings and loan associations, whether mutual or capital stock associations, to use the words "savings bank S. L. A." in their names, under certain circumstances, with a distinction made to their status as savings and loan associations.

The bill provides that a person who violates any provision of this bill, or any regulation or order of the commissioner thereunder, may be subject to an order of the commissioner to cease any violation or to pay a civil penalty of not more than \$1,000.00 per day for each day that the violation has continued, or both.

The Senate committee amended the bill to change the threshold for change of control from 10% to 25% of the voting shares of any class of voting securities of an insured institution and thereby made it comparable to various current laws. The Senate committee also repealed various sections in the "Savings and Loan Act (1963)," P. L. 1963, c. 144, which currently regulate the acquisition of control of a State association or savings and loan holding company.

The bill provides a fee schedule for the filings, reports and notices required under the provisions of the bill.

This bill will not take effect until Senate Bill No. 2428 of 1986 is signed into law.

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SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

SENATE, No. 3121

with Senate committee amendments

STATE OF NEW JERSEY

DATED: APRIL 27, 1987

This bill provides the Commissioner of Banking with supervision and examination authority over persons and companies owning savings and loan associations in New Jersey and oversight of acquisitions resulting in a change of control of State-chartered savings and loan associations.

The bill requires all savings and loan holding companies and insured institutions that control a State-chartered or federally-chartered savings and loan association, or both, located in this State to file a copy of their filings with the federal Home Loan Bank Board, federal Savings and Loan Insurance Corporation and the Securities and Exchange Commission with the Commissioner of Banking upon request and for informational purposes only. A person, other than a savings and loan holding company or federal or State agency, which controls a State-chartered savings and loan association must annually file with the commissioner a report containing a personal and business history, information concerning any material pending legal or administrative proceedings or any criminal indictments or convictions and certain financial information.

The Commissioner of Banking is given the authority to examine any savings and loan holding company which controls a State-chartered savings and loan association. The cost of the examination would be paid by the company in an amount determined by regulation.

The bill provides the Commissioner of Banking with approval authority over transactions that will result in a change of control of any State-chartered savings and loan association, whether the acquiring party is a person or a savings and loan holding company. No person may acquire control of a State-chartered savings and loan association unless the commissioner has been given 60 days' prior written notice of the proposed acquisition, and he has not issued a notice disapproving the proposed acquisition during that period or during an additional 30-day period immediately thereafter. The commissioner may waive this prior notification requirement in the case of the acquisition of a failing savings and loan association. The notice of the proposed acquisition must contain a personal and business history of the person making

the acquisition; information concerning any pertinent legal or administrative proceedings or criminal indictments or convictions of the person; certain financial information; the terms and conditions of the acquisition; the identity, source and amount of funds to be used in making the acquisition; plans or proposals for the use of the acquisition; and other relevant information. The commissioner may disapprove any proposed acquisition if: (1) the financial condition of any acquiring person might jeopardize the financial stability of the savings and loan association or prejudice the interests of its depositors; (2) the competence, experience or integrity of any acquiring person or the proposed management indicates that it would not be in the interest of the depositors of the savings and loan association or the public to permit such person to control the savings and loan association; or (3) any acquiring person neglects, fails or refuses to furnish all the information required by the commissioner. The commissioner's decision to disapprove any proposed acquisition may be appealed in an administrative hearing, which is subject to review by the Appellate Division of the Superior Court. There are various exceptions to the prior notification requirement.

The bill provides a fee schedule for the filings, reports and notices required under the provisions of the bill.

The bill requires all State-chartered savings and loan associations which are not currently insured by the federal Savings and Loan Insurance Corporation to be so insured within three years. It further requires that all new State-chartered savings and loan associations be so insured. The bill also authorizes State-chartered savings and loan associations, whether mutual or capital stock associations, to use the words "savings bank S. L. A." in their names, under certain circumstances, with a distinction made to their status as savings and loan associations.

The bill provides that a person who violates any provision of this bill, or any regulation or order of the commissioner thereunder, may be subject to an order of the commissioner to cease any violation or to pay a civil penalty of not more than \$1,000.00 per day for each day that the violation has continued, or both.

This bill will not take effect until Senate Bill No. 2428 of 1986 is signed into law.

The committee amended the bill to change the threshold for change of control from 10% to 25% of the voting shares of any class of voting securities of an insured institution and thereby made it comparable to various current laws. The committee also repealed various sections in the "Savings and Loan Act (1963)" which currently regulate the acquisition of control of a State association or savings and loan holding company.

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OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001

Contact: JOHN SAMERJAN
609-292-8956 OR 292-6000 EXT. 207

TRENTON, N.J. 08625

Release: THUR., JULY 30, 1987

Governor Thomas H. Kean today signed the following legislation:

S-2428, sponsored by Senator John F. Russo, D-Ocean and Assemblyman Louis Kosco, R-Bergen, permits savings and loan associations to engage in interstate banking.

The legislation authorizes the acquisition of New Jersey savings and loan associations by out of state savings institutions located in a state which has adopted interstate banking legislation.

Similar legislation covering the State's commercial banks was adopted in 1986.

Interstate banking will commence first on a regional basis then on a national basis. The two-step process is triggered when other states adopt legislation allowing New Jersey savings and loans to acquire institutions in their states.

The legislation is effective 30 days after enactment. Two states in the Central Atlantic region, Ohio and Pennsylvania, have enacted reciprocal legislation.

S-3121, sponsored by Senator Raymond Lesniak, D-Union and Assemblyman Louis Kosco, R-Bergen and Alan Karcher, D-Middlesex, known as the "Savings and Loan Oversight Bill" is companion legislation to the interstate banking bill. This legislation increases the supervisory, examination and oversight responsibilities of the Department of Banking with respect to savings and loans and their future acquisition of out-of-state institutions.

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