

17:16E-1 to 6

LEGISLATIVE FACT SHEET

N.J.R.S. 17:16E-1 to 6

on *Municipalities - prohibit interlocking relationships among financial institutions.*
(Amendment)

LAWS OF 1975

CHAPTER 265 December 22, 1975

SENATE BILL

ASSEMBLY BILL 487 (2OCR) [A2411-1973]

INTRODUCED *pre-filed*

BY Spizziri

SPONSOR'S STATEMENT

YES NO

ASSEMBLY COMMITTEE STATEMENT

YES NO

SENATE COMMITTEE STATEMENT

YES NO
to OCR see other side

FISCAL NOTE

YES NO

AMENDED DURING PASSAGE

YES NO

HEARING *None discovered*

VETO

SPONSOR'S STATEMENT to Assembly No. 487

This bill seeks to promote fair competition among financial institutions operating in the same or neighboring localities, by prohibiting certain interlocking relationships among the managements of these institutions. No person who is an officer, director or manager of a financial institution which has an office in a particular municipality may occupy a similar position in any other financial institution which has an office in the same municipality, or in a contiguous or adjacent municipality. The Commissioner of Banking is empowered to determine whether two municipalities are in such close proximity to one another, or are in the same market area, so as to be considered adjacent for the purposes of this act.

In many areas of this State, persons who sit on the board of directors of a local bank also control the savings bank or savings and loan association in the same community. While the vast majority of such persons undoubtedly attempt to act with due regard for the interests of both institutions, it is at times difficult to take an objective approach to the problems and responsibilities of one institution while sitting on the board of a competing institution. This practice is inherently dangerous, and undermines public confidence in the financial industry of this State.

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ASSEMBLY, No. 487

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1974 SESSION

By Assemblyman SPIZZIRI

AN ACT concerning financial institutions and prohibiting certain interlocking relationships among financial institutions located in the same municipality or in contiguous or adjacent municipalities.

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

1 1. The purpose of this act is to further fair competition among
2 financial institutions by prohibiting certain interlocking relation-
3 ships among institutions located in the same municipality, or in
4 contiguous or adjacent municipalities.

1 2. For the purposes of this act:

2 a. "Financial institution" shall include State or National bank,
3 trust company, savings bank, State or Federal savings and loan
4 association, State or Federal credit union and bank holding com-
5 pany. ***[A bank holding company, together with all its subsidiaries**
6 **and branches thereof, shall be considered a single financial institu-**
7 **tion, and an officer or director of any subsidiary shall be considered**
8 **an officer or director of the holding company. Two or more financial**
9 **institutions in which more than 50% of the stock of each is owned**
10 **directly or indirectly by the same persons shall be considered a**
11 **single financial institution, and the officers and directors of one shall**
12 **be considered officers and directors of all such affiliated institu-**
12A **tions.]***

13 b. "Municipality" **means a municipality located in the State*
13A *of New Jersey and** shall include city, town, township, village,
14 borough, and any municipality governed by a board of commis-
15 sioners or improvement commission.

16 c. Municipalities shall be considered contiguous when their
17 boundaries touch or coincide at any point.

18 d. Municipalities shall be considered adjacent when they are
19 located in such close proximity to one another or within the same

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

20 market area as shall be determined to be adjacent by the Commis-
21 sioner of Banking.

22 *e. "Manager" means a member of a board of directors or a
23 member of a board of managers of a savings bank.*

1 3. ***[No]*** *Except as otherwise provided in section 6 of this act*
1A *no** person who is a director, officer or manager of a financial
2 institution which has a principal or branch office in a particular
3 municipality shall serve as a director, officer or manager of another
4 financial institution which has a principal or branch office in the
5 same municipality or in a contiguous or adjacent municipality.

1 4. The Commissioner of Banking shall, in accordance with the
2 "Administrative Procedure Act," P. L. 1968, c. 410 (C. 52:14B-1
3 et seq.), make and issue such rules and regulations as are necessary
4 or appropriate to enforce the provisions of this act and effectuate
5 its purpose. *The Commissioner of Banking may, upon formal*
6 *application and for good cause shown, waive the application of*
7 *this prohibition if special circumstances warrant such action and*
8 *when such waiver is in the public interest, for a period of 2 years.*
9 *In establishing criteria for determining when municipalities are*
10 *adjacent to one another for the purposes of section 2 (d) of this*
11 *act, the Commissioner of Banking shall consider the prohibition*
12 *on interlocking relationships among banks which is imposed by*
13 *Federal law, regulation, rule or practice on banks which are mem-*
14 *bers of the Federal reserve system.**

1 5. Any interlocking relationship prohibited by section 3 of this
2 act which existed prior to the effective date of this act may continue
3 for such a reasonable period of time as may be necessary to
4 terminate one or more of the relationships involved in an orderly
5 manner, but all such interlocking relationships shall be terminated
6 within 1 year after the effective date of this act.

1 *6. *Nothing in this act shall prevent a person who is a director*
2 *or officer of a bank holding company from being a director or*
3 *officer or any one or more banks which are subsidiaries of such*
4 *company, nor shall anything in this act prevent a person who is*
5 *a director or officer of a bank which is a subsidiary of a bank hold-*
6 *ing company from being a director or officer of any one or more*
7 *other banks which are subsidiaries of such holding company. When*
8 *there are two or more financial institutions in which more than*
9 *50% of the stock is owned directly by the same persons, a person*
10 *who is a director or officer of any one of such financial institutions*
11 *may be a director or officer of any one or more of such other in-*
12 *stitutions.**

1 ***[6.]*** *7.* This act shall take effect ****[immediately]****
2 **January 1, 1976**.

SENATE LABOR, INDUSTRY, AND
PROFESSIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 487

[OFFICIAL COPY REPRINT]

with Senate committee amendments

STATE OF NEW JERSEY

DATED: JUNE 16, 1975

This bill seeks to promote fair competition among financial institutions operating in the same or neighboring localities, by prohibiting certain interlocking relationships among the managements of these institutions. No person who is an officer, director or manager of a financial institution which has an office in a particular municipality may occupy a similar position in any other financial institution which has an office in the same municipality, or in a contiguous or adjacent municipality. The Commissioner of Banking is empowered to determine whether two municipalities are in such close proximity to one another, or are in the same market area, so as to be considered adjacent for the purposes of this act.

In many areas of this State, persons who sit on the board of directors of a local bank also control the savings bank or savings and loan association in the same community. While the vast majority of such persons undoubtedly attempt to act with due regard for the interests of both institutions, it is at times difficult to take an objective approach to the problems and responsibilities of one institution while sitting on the board of a competing institution. This practice is inherently dangerous, and undermines public confidence in the financial industry of this State.

The Senate Labor, Industry, and Professions Committee amended the bill to make the effective date January 1, 1976.