

17:9A-370 to 17:9A-372

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17:9A-370 to 17:9A-372 (Banking--allow reciprocal, regional banking)

LAWS OF: 1986

CHAPTER 5

BILL NO: S1467

Sponsor(s): Orechio

Date Introduced: January 21, 1986

Committee: Assembly: -----

Senate: Labor, Industry and Professions

Amended during passage: No Substituted for A1808 (not attached since identical to S1467).

Date of Passage: Assembly: March 13, 1986

Senate: March 10, 1986

Date of Approval: March 24, 1986

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly No
Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: No

Hearings: Yes
974.90 New Jersey. Legislature. Senate. Labor, Industry and Professions
B218 Committee.
1986 Public hearing, held 1-30-86 and 2-10-86 Trenton, 1986.

(OVER)

974.90 New Jersey. Legislature. Assembly. Banking and Insurance Subcommittee.
B218 Public hearing, held 2-13-85 and 4-3-85 on depository institution
1985 regulations.

974.90 New Jersey. Legislature. General Assembly. Financial Institutions
B218 Committee.
1986a Public hearing on A1808 and A1809, held February 20, 1986.
Trenton, 1986.

See newspaper clipping file in New Jersey Reference Department under "N.J. - Banking-1985" and "N.J. - Banking - 1986".

S1466, enacted as L. 1986 c. 4, effective 3-24-86.

S1467, proposed as S3506 during 1984-85 Legislative Session.

SENATE, No. 1467

STATE OF NEW JERSEY

INTRODUCED JANUARY 21, 1986

By Senator ORECHIO

Referred to Committee on Labor, Industry and Professions

AN ACT permitting certain bank holding companies to acquire banks or bank holding companies and supplementing P. L. 1948, c. 67 (C. 17:9A-1 et seq.).

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

1 1. As used in this act:

2 a. "Bank," "bank holding company," and "control" shall have the
3 meanings set forth in the federal "Bank Holding Company Act of
4 1956," 70 Stat. 133 (12 U. S. C. § 1841 et seq.); provided, however,
5 the term "bank" shall not include a state or federally chartered
6 mutual or capital stock savings bank and shall not include an in-
7 stitution which limits its activities to the conduct of activities that
8 may be performed by a trust company (including activities of a
9 fiduciary, agency or custodial nature) as those activities are per-
10 mitted by the Board of Governors of the Federal Reserve System
11 under section 4 of the federal "Bank Holding Company Act of
12 1956," 70 Stat. 135 (12 U. S. C. § 1843).

13 b. "Banking subsidiary" means a bank or bank holding company,
14 more than 50% of the stock of which is controlled by a bank hold-
15 ing company.

16 c. "Central-Atlantic Region" means the states of New Jersey,
17 Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Mis-
18 souri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia,
19 Wisconsin and the District of Columbia.

20 d. "Commercial bank deposits" means the total domestic deposits
21 in commercial banks in each state according to the most recent
22 statistics of the Federal Deposit Insurance Corporation or the

23 Federal Reserve System or, if those statistics are not available,
24 from sources designated by the commissioner.

25 e. "Commissioner" means the Commissioner of Banking of New
26 Jersey.

27 f. "Eligible state" means any state which meets either or both
28 of the following conditions:

29 (1) Any state in the Central-Atlantic Region, when at least three
30 of those states (in addition to this State), each of which has at least
31 \$20,000,000,000.00 in commercial bank deposits, have reciprocal
32 legislation in effect, and

33 (2) Any state or territory of the United States, when at least
34 13 states in addition to this state (for this purpose the District of
35 Columbia is included as a state, but all other territories are ex-
36 cluded), at least four (other than this state) of which are among
37 the 10 states (other than this State) with the largest amount of
38 commercial bank deposits, have reciprocal legislation in effect.

39 g. "Eligible bank holding company" means a bank holding com-
40 pany:

41 (1) Located in an eligible state which has reciprocal legislation
42 in effect, other than this State;

43 (2) Which is not directly or indirectly controlled by a bank hold-
44 ing company which is not located in an eligible state; and

45 (3) Which has at least 75% of the total aggregate deposits of
46 its banking subsidiaries in banking subsidiaries located in an eligi-
47 ble state or eligible states.

48 h. (1) "Location" or "located" when referring to a bank means
49 the state in which the amount of aggregate deposits of all of its of-
50 fices in that state is greater than the amount of aggregate deposits
51 of all its offices in any one other state or foreign jurisdiction.

52 (2) "Location" or "located" when referring to a bank holding
53 company means the state in which the amount of aggregate de-
54 posits of all of its banking subsidiaries in that state is greater
55 than the amount of aggregate deposits of all of its banking sub-
56 sidiaries in any one other state or foreign jurisdiction.

57 i. "Reciprocal legislation" means statutory law of a state of the
58 United States (including the District of Columbia) which autho-
59 rizes or permits a bank holding company located in this State to
60 acquire banks or bank holding companies located in that state on
61 terms and conditions substantially the same as the terms and con-
62 ditions pursuant to which a bank holding company located in that
63 state may acquire banks or bank holding companies located in that
64 state. The fact that the law of that other state imposes limitations
65 or restrictions on the acquisition of banks or bank holding com-

66 panies located in that state by a bank or bank holding company
67 located in this State shall not necessarily mean that the law of
68 that state is not reciprocal legislation; provided, however, that if
69 the law of the other state limits acquisitions by a bank or bank
70 holding company located in this State to banks or bank holding
71 companies which are not in competition with banks or bank hold-
72 ing companies located in or chartered by that state or to banks or
73 bank holding companies which do not have customary banking de-
74 posit and commercial loan powers, the law of that other state
75 shall not be reciprocal legislation. If the reciprocal legislation of
76 that other state imposes limitations or restrictions on the acquisi-
77 tion or ownership of a bank or bank holding company located in
78 that state by a bank holding company located in this State, sub-
79 stantially the same limitations and restrictions shall be applicable
80 to the eligible bank holding company located in that other state
81 with respect to its acquisition of banks or bank holding companies
82 located in this State.

1 2. a. Notwithstanding the provisions of any other law of this
2 State, an eligible bank holding company may acquire and retain
3 control of a bank or banks located in this State providing the
4 following conditions are complied with:

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

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

13 (3) At the time of the acquisition of control of the bank or banks
14 located in this State, the acquisition will not result in the eligible
15 bank holding company exceeding the limitations on stock ownership
16 imposed by subsection (a) of section 2 of P. L. 1957, c. 70 (C.
17 17:9A-345). This paragraph shall not prevent (a) an eligible bank
18 holding company which does not own more than 25% of the stock
19 of a bank located in this State from acquiring ownership and
20 thereafter owning more than 10% of the stock of another bank
21 located in this State or several other banks located in this State,
22 the deposits of which in the aggregate exceed the deposit limita-
23 tions in subsection (a) of section 2 of P. L. 1957, c. 70 (C.
24 17:9A-345); provided, however, in the event of the ownership of
25 more than 10% of the stock of more than one bank located in this
26 State, such banks located in this State must have been controlled

27 by one company at the time of the acquisition, or (b) a company
28 which, immediately prior to the acquisition of control of a bank
29 or banks located outside of this State, is a bank holding company
30 located in this State whose subsidiaries which are banks located in
31 this State have in the aggregate deposits in excess of the deposit
32 limitations in subsection (a) of section 2 of P. L. 1957, c. 70 (C.
33 17:9A-345) from acquiring control of or controlling a bank or
34 banks located outside of this State. For purposes of this paragraph,
35 the terms "bank," "company," "bank located outside of this State,"
36 "bank located in this State," "stock," "subsidiary," "own," "owner,"
37 "owned," "ownership," and "bank holding company located in this
38 State" shall have the meanings given those terms in P. L. 1957, c. 70
39 (C. 17:9A-344 et seq.).

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

42 b. Nothing in this act shall be deemed to eliminate, reduce or
43 waive any rights of any shareholders of the bank or bank holding
44 company being acquired pursuant to any applicable law regarding
45 those rights.

46 c. In the event an eligible bank holding company which controls
47 a bank or banks in this State and in one or more eligible states shall
48 cease to be an eligible bank holding company (1) as a result of
49 obtaining control of a bank or banks located in a state which is not
50 an eligible state or this State, or (2) as a result of having control
51 of it obtained by a bank or bank holding company which is not an
52 eligible bank holding company, then such bank holding shall within
53 one year make such divestitures as are necessary to comply with the
54 provisions of this act. The commissioner shall promulgate regula-
55 tions to provide a procedure for divestiture.

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

1 3. a. Notwithstanding the provisions of any other law of this
2 State, a bank holding company located in this State may acquire
3 a bank or bank holding company located in any eligible state other
4 than this State.

5 b. Nothing in this act or in any other law of this State shall be
6 deemed to prohibit or limit a bank holding company located in
7 this State from acquiring a bank or bank holding company located
8 in any jurisdiction other than an eligible state, which acquisition
9 is otherwise permitted by applicable law of the United States or

10 any other state, provided that, if the bank holding company be-
11 comes a bank holding company not located in this State, it must
12 comply with the provisions of this act if it is to continue to control
13 a bank or bank holding company located in this State.

14 c. This act shall not apply to the acquisition of a bank located
15 in this State by a bank holding company located in this State.

1 4. This act shall take effect on the 30th day after enactment but
2 section 2 of this act shall remain inoperative until such time as the
3 commissioner determines that the number of eligible states, as
4 defined in and required by subsection (f) of section 1 of this act
5 has been established and until the enactment of Senate Bill No.
6 1466 of 1986.

STATEMENT

This bill permits bank holding companies to acquire banks or bank holding companies on a reciprocal interstate basis under certain conditions and limitations. The legislation complies with the provisions of the federal Bank Holding Company Act of 1956, and the Douglas Amendments thereto, which permit states to enact interstate banking arrangements.

A recent decision of the United States Supreme Court (*North-east Bancorp. et al. v. Board of Governors of the Federal Reserve System*, decided June 10, 1985) affirmed the rights of states to establish regional interstate bank holding company laws. Connecticut, Maine and Rhode Island have enacted laws providing for a New England holding company region (in which Maine can also participate because it permits such companies from anywhere in the nation to acquire its banks under certain conditions). There is a Southeast Region in which Florida, Georgia and North Carolina have established regional interstate reciprocity effective July 1, 1985, with South Carolina to join them on January 1, 1986, and with other southern states eligible to join if they enact similar laws.

The Supreme Court opinion reports that at least 17 state legislatures have considered regional legislation. At least 12 of them reached enactment. In addition to Maine, Alaska and New York have enacted nationwide holding company laws. Five other states have laws which will trigger nationwide bank holding company reciprocity: Arizona and Rhode Island in 1986, Kentucky and Washington in 1987, and Nevada in 1989. Several of them have regional reciprocity in the interim.

The New Jersey Bankers Association has had a task force studying interstate banking since 1983, which has met and exchanged views with similar bodies in other states, and the New Jersey Department of Banking has monitored developments.

This bill sets out conditions under which New Jersey would participate in interstate bank holding company reciprocity on either a national or regional basis and which would insure the orderly growth of banking and broad banking services to the citizens and businesses of New Jersey.

A Central-Atlantic Region is established when any three states among Pennsylvania, Tennessee, Maryland, Ohio, Kentucky, Illinois, Indiana, Michigan, Missouri, Virginia and Wisconsin permit a bank holding company located in New Jersey to acquire a bank or holding company in those states. Once the region is established, this New Jersey law would offer reciprocity with Delaware, District of Columbia and West Virginia, too.

When at least 13 states, including at least four of the 10 largest by total commercial bank deposits, permit a bank holding company located in New Jersey to acquire banks or holding companies located there, New Jersey would permit holding companies in those states to acquire New Jersey banks or holding companies, and would offer similar reciprocity to any other state, on a national basis.

Under this bill, banks would not have branch offices in more than one state, but the corporate owners would be permitted to own banks in the states eligible to reciprocate with New Jersey under either the regional or national plan. Individual banks or holding companies would have the right to remain as they are on a local or within-state basis, or to have the bank join a holding company in eligible states.

Bank holding company controls, such as P. L. 1957, c. 70 (C. 17:9A-344 et seq.), remain in full force and effect, and any limitations on holding companies in eligible states also would apply to their companies in any New Jersey acquisition.

The regional provision would permit New Jersey bank holding companies to expand into nearby states of similar economic scale, and vice versa, encouraging competition. The Central-Atlantic Region's 14 states together have total domestic commercial bank deposits (at \$535 billion) about equal to the three largest states together (New York, California and Texas). (Each of the five largest banks in New York has assets exceeding the total assets of all 120 New Jersey banks.) The regional approach will allow New Jersey to remain economically strong, and a leader in the region.

A companion bill, the "New Jersey Banking Oversight and Change of Control Act," provides the Commissioner of Banking with added supervision, including reporting and examination requirements on bank holding companies, which would include out-

of-state holding companies acquiring New Jersey banks under this act. It also includes a change-of-control provision, requiring approval of the Commissioner of Banking for any individual or company acquiring control of a State bank.

All other businesses, except banking, are interstate in nature. This bill will permit interstate bank ownership and operation, while retaining the State line for the individual bank dealing with consumers.

Banking and Financial Institutions

Permits interstate banking.

Provides for reciprocal, regional interstate banking.

10 any other state, provided that, if the bank holding company be-
 11 comes a bank holding company not located in this State, it must
 12 comply with the provisions of this act if it is to continue to control
 13 a bank or bank holding company located in this State.

14 c. This act shall not apply to the acquisition of a bank located
 15 in this State by a bank holding company located in this State.

1 4. This act shall take effect on the 30th day after enactment but
 2 section 2 of this act shall remain inoperative until such time as the
 3 commissioner determines that the number of eligible states, as
 4 defined in and required by subsection (f) of section 1 of this act
 5 has been established and until the enactment of Senate Bill No.
 6 1466 of 1986.

STATEMENT

This bill permits bank holding companies to acquire banks or bank holding companies on a reciprocal interstate basis under certain conditions and limitations. The legislation complies with the provisions of the federal Bank Holding Company Act of 1956, and the Douglas Amendments thereto, which permit states to enact interstate banking arrangements.

A recent decision of the United States Supreme Court (*North-east Bancorp. et al. v. Board of Governors of the Federal Reserve System*, decided June 10, 1985) affirmed the rights of states to establish regional interstate bank holding company laws. Connecticut, Maine and Rhode Island have enacted laws providing for a New England holding company region (in which Maine can also participate because it permits such companies from anywhere in the nation to acquire its banks under certain conditions). There is a Southeast Region in which Florida, Georgia and North Carolina have established regional interstate reciprocity effective July 1, 1985, with South Carolina to join them on January 1, 1986, and with other southern states eligible to join if they enact similar laws.

The Supreme Court opinion reports that at least 17 state legislatures have considered regional legislation. At least 12 of them reached enactment. In addition to Maine, Alaska and New York have enacted nationwide holding company laws. Five other states have laws which will trigger nationwide bank holding company reciprocity: Arizona and Rhode Island in 1986, Kentucky and Washington in 1987, and Nevada in 1989. Several of them have regional reciprocity in the interim.

The New Jersey Bankers Association has had a task force studying interstate banking since 1983, which has met and exchanged views with similar bodies in other states, and the New Jersey Department of Banking has monitored developments.

S1467 (1986)

This bill sets out conditions under which New Jersey would participate in interstate bank holding company reciprocity on either a national or regional basis and which would insure the orderly growth of banking and broad banking services to the citizens and businesses of New Jersey.

A Central-Atlantic Region is established when any three states among Pennsylvania, Tennessee, Maryland, Ohio, Kentucky, Illinois, Indiana, Michigan, Missouri, Virginia and Wisconsin permit a bank holding company located in New Jersey to acquire a bank or holding company in those states. Once the region is established, this New Jersey law would offer reciprocity with Delaware, District of Columbia and West Virginia, too.

When at least 13 states, including at least four of the 10 largest by total commercial bank deposits, permit a bank holding company located in New Jersey to acquire banks or holding companies located there, New Jersey would permit holding companies in those states to acquire New Jersey banks or holding companies, and would offer similar reciprocity to any other state, on a national basis.

Under this bill, banks would not have branch offices in more than one state, but the corporate owners would be permitted to own banks in the states eligible to reciprocate with New Jersey under either the regional or national plan. Individual banks or holding companies would have the right to remain as they are on a local or within-state basis, or to have the bank join a holding company in eligible states.

Bank holding company controls, such as P. L. 1957, c. 70 (C. 17:9A-344 et seq.), remain in full force and effect, and any limitations on holding companies in eligible states also would apply to their companies in any New Jersey acquisition.

The regional provision would permit New Jersey bank holding companies to expand into nearby states of similar economic scale, and vice versa, encouraging competition. The Central-Atlantic Region's 14 states together have total domestic commercial bank deposits (at \$535 billion) about equal to the three largest states together (New York, California and Texas). (Each of the five largest banks in New York has assets exceeding the total assets of all 120 New Jersey banks.) The regional approach will allow New Jersey to remain economically strong, and a leader in the region.

A companion bill, the "New Jersey Banking Oversight and Change of Control Act," provides the Commissioner of Banking with added supervision, including reporting and examination requirements on bank holding companies, which would include out-

of-state holding companies acquiring New Jersey banks under this act. It also includes a change-of-control provision, requiring approval of the Commissioner of Banking for any individual or company acquiring control of a State bank.

All other businesses, except banking, are interstate in nature. This bill will permit interstate bank ownership and operation, while retaining the State line for the individual bank dealing with consumers.

Banking and Financial Institutions

Permits interstate banking.

Provides for reciprocal, regional interstate banking.

SENATE LABOR, INDUSTRY AND PROFESSIONS
COMMITTEE

STATEMENT TO

SENATE, No. 1467

STATE OF NEW JERSEY

DATED: MARCH 6, 1986

This bill establishes regional and national interstate banking on a reciprocal basis under certain circumstances.

This bill supplements P. L. 1948, c. 67 (C. 17:9A-1 et seq.), referred to as the "Banking Act of 1948" to establish a Central-Atlantic region for interstate banking consisting of New Jersey, Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, Wisconsin, and the District of Columbia. If any three of these states with at least \$20 billion in commercial bank deposits each, excluding New Jersey and, also, Delaware, the District of Columbia and West Virginia, because each currently has less than \$20 billion in deposits, adopt legislation permitting New Jersey based bank holding companies to acquire banks or bank holding companies in their states, then the region would be established. This means that, if any state in the region adopts or has adopted legislation permitting New Jersey based bank holding companies to acquire banks or bank holding companies in its state, then bank holding companies in that state could acquire banks and bank holding companies in New Jersey.

When at least 13 states, including at least four of the 10 largest in to nation by total commercial bank deposits, permit bank holding companies located in New Jersey to acquire banks or bank holding companies located there, New Jersey would permit bank holding companies in those states to acquire New Jersey banks or bank holding companies, and would offer similar reciprocity to any other state, on a national basis.

Bank holding company controls, such as the limitation on the percentage of the total deposits of all banks in this State that a holding company may control, remain in effect and any limitation on holding companies in states with which New Jersey has reciprocity also would apply to their bank holding companies in any acquisition in New Jersey.

The bill has anti-leapfrog provisions which prohibit a bank holding company in an eligible state which has reciprocity with New Jersey from purchasing a bank or bank holding company in New Jersey if it

is directly or indirectly controlled by a bank holding company which is not located in an eligible state; if it has less than 75% of the total aggregate deposits of its banking subsidiaries in banking subsidiaries located in an eligible state or states; or if it has 50% or less of the total aggregate deposits of its banking subsidiaries in banking subsidiaries located in an eligible state or states with reciprocal legislation. If any bank holding company ceases to meet these tests after it has acquired a bank or bank holding company, its holdings in New Jersey must be divested in accord with regulations to be promulgated by the Commissioner of Banking.

Lastly, the bill preserves the rights of shareholders of banks or bank holding companies being acquired under the provisions of the bill. The provisions of the bill do not apply to the acquisition of any bank or bank holding company located in New Jersey by a bank holding company located in New Jersey.

This bill will not become effective until Senate Bill No. 1466 of 1986 is enacted into law.



774,901
G61

OFFICE OF THE GOVERNOR NEWS RELEASE

CN-001
Contact:

PAUL WOLCOTT
292-8956 or
609-292-6000, Ext. 285

TRENTON, N.J. 08625

Release: TUES., APRIL 1, 1986

Governor Thomas H. Kean has signed legislation creating a regional banking district comprising 14 states and the District of Columbia. The measure will permit the creation of an interstate banking mechanism by allowing out-of-state bank holding companies to acquire or establish subsidiaries in New Jersey, while permitting New Jersey banks to similarly expand into other states.

The bill, S-1467/A-1808, was sponsored by State Senator Carmen O. Orechio, D-Essex and Assemblyman Louis F. Kosko, R-Bergen.

At the same time, the Governor signed S-1468/A-1809, also sponsored by Orechio and Kosko, and S-1466/A-1810, sponsored by Kosko and State Senator Raymond Lesniak, D-Union.

S-1468/A-1809 expands the New Jersey Commissioner of Banking's oversight over individuals or entities who control Federal or State chartered commercial banks.

S-1466/A-1810 makes modifications to the current requirement that no Federal or State chartered commercial bank hold more than 20 percent of the aggregate average daily deposits of all commercial banks in the State.

PROPERTY OF
NEW JERSEY STATE LIBRARY

- more -

APR 5 1986

185 W. State Street
Trenton, N. J.

S-1467/A-1808, the "interstate banking bill," is designed to meet a United States Supreme Court decision which held that states may enact and implement multi-state regional banking mechanisms which would allow bank holding companies to cross state lines to acquire or establish subsidiaries in other signatory states so long as there is reciprocity between the states.

The bill creates the Central Atlantic Banking Region which includes New Jersey, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, Ohio, Pennsylvania, Tennessee, West Virginia, Wisconsin and the District of Columbia.

Currently, reciprocal legislation has been enacted in Ohio and Kentucky.

* * * *

The Governor also signed A-1919, sponsored by Assemblyman Rodney P. Frelinghuysen, R-Morris, which provides a supplemental appropriation of \$99,000 to the Department of Health to permit the purchase of needed quantities of PKU formula, a nutritional supplement used to treat children with inborn metabolic problems.

The formula is required to treat children born with an inability to break down a particular amino acid. Build up of the amino acid in the infant can lead to severe mental retardation.

The funding is required as a supplement to a Federal block grant which has become inadequate to supply the material because of increased cost and a need for more of the supplement.

#