

17:9A-12.2

LEGISLATIVE HISTORY CHECKLIST

NJSA: 17: 9A-12.2

(Bank holding  
companies--subsidiaries--permit  
certain +  
transactions)

LAWS OF: 1989

CHAPTER: 245

Bill No: A3177

Sponsor(s): Penn and Ogden

Date Introduced: May 16, 1988

Committee: Assembly: Financial Institutions

Senate: Labor, Industry & Professions

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

Date of Passage: Assembly: May 15, 1989

Senate: December 18, 1989

Date of Approval: January 2, 1990

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

Report metioned in statments:

Not available as of 5-1-90

[FIRST REPRINT]  
ASSEMBLY, No. 3177  
STATE OF NEW JERSEY

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INTRODUCED MAY 16, 1988

By Assemblyman PENN and Assemblywoman OGDEN

1 AN ACT permitting certain banking institution subsidiaries of  
the same bank holding company to engage in certain  
3 interactions on behalf of each other and supplementing  
P.L.1948, c.67 (C.17:9A-1 et seq.).

5

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

1. A banking institution may accept deposits and conduct other  
9 banking business <sup>1</sup>[on behalf of] as agent for<sup>1</sup> any other banking  
institution which is also a subsidiary of the same bank holding  
11 company <sup>1</sup>or savings bank holding company<sup>1</sup>, without being  
required to obtain a license as a branch office of the other  
13 banking institution; and may provide customer information to the  
bank holding company <sup>1</sup>or savings bank holding company<sup>1</sup> of  
15 which it is a subsidiary or to any other subsidiary thereof solely  
for use in conducting business with the customer. <sup>1</sup>A customer  
17 shall have the right to treat the processing of a transaction by a  
bank acting as agent pursuant to this section as processing by the  
19 customer's bank for all purposes, including the date and time of  
processing.<sup>1</sup> For purposes of this act, "subsidiary" and "bank  
21 holding company" shall have the same meaning as set forth in  
section 1 of P.L.1986, c.6 (C.17:9A-373) <sup>1</sup>, and "savings bank  
23 holding company" shall mean a "mutual savings bank holding  
company" or a "capital stock savings bank holding company" as  
25 set forth in section 1 of P.L.1987, c.201 (C.17:9A-382)<sup>1</sup>.

<sup>1</sup>2. The commissioner shall conduct a study and shall report  
27 the findings of that study within 18 months of the effective date  
of this act to the appropriate committees of the Senate and the  
29 General Assembly. The study shall consider, but is not limited to,  
the following issues:

31 a. The number of bank and savings bank holding companies  
whose subsidiaries have used the authority given to them by this  
33 act;

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 underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly AFI committee amendments adopted December 19, 1988.

1       b. The extent of customer complaints concerning the use or  
2       non-use of the authority given to a subsidiary of a bank or savings  
3       bank holding company to act as an agent for other subsidiaries of  
4       the same holding company; and

5       c. The impact of this act on the competitive positions of banks  
6       and savings banks in this State comparing those that are  
7       subsidiaries of a holding company with those that are not  
8       subsidiaries of a holding company.

9       3. The commissioner shall have the authority to promulgate  
10       regulations to implement the provisions of this act pursuant to  
11       the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1  
12       et seq.).<sup>1</sup>

13       <sup>1</sup>[2.] 4.<sup>1</sup> This act shall take effect immediately.

15

BANKING AND FINANCIAL INSTITUTIONS

17

Commerce and Industry

19       Permits certain banking institution subsidiaries to engage in  
certain interactions on behalf of each other.

ASSEMBLY, No. 3177  
STATE OF NEW JERSEY

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INTRODUCED MAY 16, 1988

By Assemblyman PENN and Assemblywoman OGDEN

1 AN ACT permitting certain banking institution subsidiaries of the  
same bank holding company to engage in certain interactions  
3 on behalf of each other and supplementing P.L. 1948, c. 67 (C.  
17:9A-1 et seq.).

5

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

1. A banking institution may accept deposits and conduct other  
9 banking business on behalf of any other banking institution which  
is also a subsidiary of the same bank holding company, without  
11 being required to obtain a license as a branch office of the other  
banking institution; and may provide customer information to the  
13 bank holding company of which it is a subsidiary or to any other  
subsidiary thereof solely for use in conducting business with the  
15 customer. For purposes of this act, "subsidiary" and "bank  
holding company" shall have the same meaning as set forth in  
17 section 1 of P.L. 1986, c. 6 (C. 17:9A-373).

2. This act shall take effect immediately.

19

21 STATEMENT

23 Many bank holding companies currently operate in a  
multi-subsidiary environment in which the subsidiaries of the  
25 same bank holding company will frequently have similar names  
with geographic descriptions appended but are actually different  
27 corporate entities. The fact that the banking institutions are  
different corporate entities even though subsidiaries of the same  
29 bank holding company means that certain limitations are placed  
on the ability of one subsidiary to accept deposits or other  
31 payments on behalf of another subsidiary of the same bank  
holding company and to obtain balance information on accounts  
33 of another subsidiary. This is particularly true in an era when an  
Automated Teller Machine (ATM) legally serves the customers of  
35 dozens of different banks.

1 Under the bill subsidiaries of the same bank holding company  
may accept deposits and conduct other banking business on behalf  
3 of each other and furnish account information to each other.

5

BANKING AND FINANCIAL INSTITUTIONS

7

Commerce and Industry

9 Permits certain banking institution subsidiaries to engage in  
certain interactions on behalf of each other.

ASSEMBLY AFI COMMITTEE

STATEMENT TO

ASSEMBLY No. 3177

with committee amendments

STATE OF NEW JERSEY

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DATED: December 19, 1988

This bill, as amended, was favorably reported by the Assembly Financial Institutions Committee.

This bill, as amended by the committee, would permit banking institutions which are subsidiaries of the same bank holding company or savings bank holding company to act as agents for each other to accept deposits and conduct other banking business on behalf of each other and to furnish customer account information to each other for the purpose of conducting business with a customer.

Under the bill, a customer would be able to consider deposits made with an agent bank as if they were made with their own bank for purposes of funds availability under federal Regulation CC (12 CFR 229).

The Commissioner of Banking is required to study and to report the findings of the study to the appropriate committees of the Senate and the General Assembly within 18 months of the effective date of the act. This study is to consider, but not be limited to, the following issues: the number of subsidiaries of bank and savings bank holding companies which use the authority given to them to act as an agent for other subsidiaries of the same holding company; the extent of customer complaints concerning the use or non-use of the authority given to a subsidiary of a bank or savings bank holding company to act as an agent for other subsidiaries of the same holding company; and the impact on the competitive position of banks and savings banks comparing those that are subsidiaries of a bank or a savings bank holding company with those that are not.

The Commissioner of Banking is given authority to promulgate regulations governing the implementation of this act.

The amendments to the bill: include subsidiaries of savings bank holding companies under the act; consider subsidiaries of the same bank holding company or savings bank holding company as agents for another subsidiary when accepting deposits or conducting other banking business; and require the commissioner to study the impact of the bill on the competitiveness of banks and savings banks

which differ in respect to being a subsidiary of a bank or savings bank holding company.

The amendments to the bill express the intent of the Assembly Financial Institutions Committee that the primary purpose of the bill is to provide consumer access to banking institutions which are different corporate entities but are subsidiaries of the same bank or savings bank holding company without at the same time requiring these different corporate entities to lose the corporate identity with which the local community is familiar. The intent is not to bypass the bank branching statutes nor to provide a competitive advantage to bank and savings bank holding companies.

SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 3177

STATE OF NEW JERSEY

DATED: NOVEMBER 30, 1989

The Senate Labor, Industry and Professions Committee reports favorably Assembly Bill No. 3177 [1R].

This bill permits banking institutions (State and federally chartered banks and State chartered savings banks) which are subsidiaries of the same bank holding company or savings bank holding company to act as agents for each other to accept deposits and conduct other banking business on behalf of each other and to furnish customer account information to each other for the purpose of conducting business with a customer.

Under the bill, a customer would be able to consider deposits made with an agent bank as if they were made with their own bank for purposes of fund availability under federal law.

The bill requires the Commissioner of Banking to study and report his findings on the impact of this bill to the appropriate committees of the Senate and General Assembly within 18 months of the effective date of this bill. The study is to consider, but not be limited to, the following issues: The number of subsidiaries of bank and savings bank holding companies which use the authority given to them under the provisions of this bill; the extent of customer complaints concerning the use or non-use of the authority given to a subsidiary of a bank or savings bank holding company under the provisions of this bill; and the impact on the competitive position of banks and savings banks which are not subsidiaries of a bank or savings bank holding company.

The primary purpose of the bill is to provide customer access to banking institutions which are different corporate entities but are subsidiaries of the same bank or savings bank holding company without at the same time requiring these different corporate entities to lose the corporate identity with which the local community is familiar. The bill is not to bypass the bank branching statute nor to provide a competitive advantage to bank and saving bank holding companies.