

SENATE STATE MANAGEMENT, INVESTMENTS AND
FINANCIAL INSTITUTIONS COMMITTEE

STATEMENT TO

SENATE, No. 307

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 1996

The State Management, Investments and Financial Institutions Committee reports favorably and with committee amendments Senate Bill No. 307.

Senate Bill No. 307, as amended, is in response to the provisions of the federal "Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994," provides for: nationwide interstate banking; interstate branching by acquisition and merger transactions between any combination of federally and state chartered insured depository institutions in those states not opting out of the provisions concerning interstate branching; interstate branching by state and federally chartered insured depository institutions by the purchase of a single branch of a bank; and interstate branching by State and out-of-State state chartered savings and loan associations through merger and acquisition and purchase of a single branch with associations chartered in other states also adopting interstate branching. Branching by State chartered associations is provided in order to give them parity with federally chartered savings banks which already have such authority under regulations promulgated by the Office of Thrift Supervision.

This bill permits a branch of an out-of-State insured depository institution to be a public depository under the Governmental Unit Deposit Protection Act.

Under sections 2 through 27, the bill: provides for interstate branching by State chartered banks and savings banks and out-of-State banks (including savings banks) through merger and acquisition and purchase of a single branch; establishes a cap of 30% on the percent of deposits of insured depositories in this State a resulting bank, including all its federally insured depository institution affiliates, can acquire and control and provides that the commissioner, by regulation, may establish a procedure whereby this cap can be waived; and permits an insured depository institution located in this State to accept deposits and conduct other banking business as agent for any affiliate, in-State or out-of-State, without being required to obtain a license as a branch of that affiliate.

Under sections 28 through 36, the bill: provides for bank holding company acquisitions on an interstate basis consistent with the provisions of the federal "Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994;" establishes a cap of 30% on the percent of deposits of insured depositories in this State a bank holding company can acquire and control and provides that the commissioner, by regulation, may establish a procedure whereby this cap can be waived; requires a person who controls a bank or bank holding company that does not file with any other bank regulatory agency, to file reports with the commissioner; and authorizes the commissioner to enter into contracts with bank supervisors of other states for the purpose of establishing effective and efficient supervisory and regulatory structures and practices with respect to interstate branching and agency.

Under sections 37 through 86, the bill provides for foreign (country) bank entry, in a manner consistent with and appropriate to other out-of-State (foreign) banks, through four types of offices: representative; commercial lending company; agency; and branch. Under sections 37 through 54, general requirements for entry and operation of offices are provided, including, but not limited to, requirements with respect to: applications; fees; reports; books and records; federal versus State offices; location of offices; names of companies; examinations; and appointment of the commissioner to receive service of any lawful process.

Sections 55 through 60 of the bill establish the procedures for obtaining a license to operate a representative office of a foreign bank; set forth the activities in which a representative office is permitted to engage; and provide for the relocation and closure of a representative office.

Sections 61 through 71 of the bill establish the procedures for obtaining a license to operate an agency or a branch of a foreign bank; set forth the activities in which an agency or a branch is permitted to engage; establish the requirements for asset maintenance and a minimum asset pledge; provide for the relocation and closure of an agency or branch office; and provide for the examination of and filing of reports by agency and branch offices.

Sections 72 through 78 of the bill establish the procedures for obtaining a license to operate a commercial lending company; set forth the activities in which a commercial lending company is permitted to engage; and provide for the relocation and closure of a commercial lending office.

Sections 79 through 85 establish the procedures for the voluntary relinquishment of a license and for action by the commissioner to suspend or revoke a license; to take possession of the property and business of a licensee; and to conserve or liquidate the property and business of the foreign bank.

Sections 87 through 101 provide for interstate branching by in- and out-of-State state chartered savings and loan associations and

provide the commissioner the authority to examine and supervise the branches that result from such activities on the part of State and out-of-State state chartered savings and loan associations.

The bill repeals various sections of statutory law, including, but not limited to: P.L.1957, c.70 (C.17:9A-344 et seq.) concerning transfer of control of stock ownership; and P.L.1986, c.5 (C.17:9A-370 et seq.) and P.L.1986, c.6 (C.17:9A-373 et seq.) concerning interstate banking on a reciprocal basis.

The amendments to this bill remove the sections of Senate, No. 307 permitting de novo entry into this State by an out-of-State bank, savings bank, savings and loan association or foreign (country) banks.

Other amendments to the bill are technical in nature, renumbering sections and changing references to section numbers that have been changed by the deletion of two sections from the bill.

This bill was prefiled for introduction in the 1996 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.