

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

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Legislative Document

No. 121

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H. P. 97

House of Representatives, January 20, 1977

Referred to the Committee on Business Legislation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Ms. Clark of Freeport.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-SEVEN

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AN ACT to Clarify the Banking Code.

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Be it enacted by the People of the State of Maine, as follows:

**Sec. 1.** 9-B MRSA § 221, sub-§ 1, 1st sentence, as enacted by PL 1975, c. 500, § 1, is repealed and the following enacted in its place:

The superintendent shall examine each financial institution subject to his supervision and regulation at least once in every 18 months, or more frequently as he may determine.

**Sec. 2.** 9-B MRSA § 339, sub-§ 1, as enacted by PL 1975, c. 500, § 1, is amended by adding at the end a new sentence to read:

The use of a bank employee, bonded carrier or other hired messenger to transport deposits from a customer's place of business to a financial institution, whether paid for by the customer or the financial institution, shall not be construed as the establishment or operation of a mobile branch.

**Sec. 3.** 9-B MRSA § 463, sub-§ 3, as last amended by PL 1975, c. 666, § 22, is further amended to read:

3. **Exception.** The prohibitions contained in subsections 1 and 2 shall not apply to any shares held in a fiduciary capacity by a financial institution; to shares acquired upon a merger or consolidation pursuant to chapter 35; to shares acquired pursuant to chapter 101; to shares lawfully held under the Bank Holding Company Act of 1956, as amended, on the effective date of this Act October 1, 1975; to shares of a financial institution holding company acquired in exchange for shares of a financial institution authorized to do business in this State in a transaction approved by the superintendent pursuant to chapter 101; nor, with respect to shares lawfully held, to shares

acquired by way of stock split, stock dividend, exercise of conversion rights, reclassification or recapitalization, provided no nonvoting convertible preferred stock or convertible bonds shall be converted into voting securities without the prior written approval of the superintendent.

**Sec. 4.** 9-B MRSA § 464, sub-§ 3, as enacted by PL 1975, c. 500, § 1, is repealed and the following enacted in its place:

3. Purchase of own shares. Nothing in this section shall be construed as prohibiting an institution, with the prior written approval of the superintendent, from:

A. Redeeming shares of its capital stock of any type pursuant to provisions of its bylaws or articles of incorporation;

B. Purchasing shares of its capital stock of any type for the purpose of reducing its outstanding shares pursuant to provisions of its bylaws or articles of incorporation; or

C. Purchasing shares of any type of its own capital stock or the capital stock of its parent financial institution holding company pursuant to any stock option plan, stock bonus plan, or other incentive plan for any or all directors, officers, and employees, duly adopted by the financial institution's board of directors.

**Sec. 5.** 9-B MRSA § 465, sub-§ 2, ¶ A, as last repealed and replaced by PL 1975, c. 666, § 23, is amended to read:

A. Except for loans adequately secured by a first mortgage on real estate, a savings deposit, ~~or~~ a certificate of deposit ~~or a share account~~, or personal loans having an aggregate value of \$5,000 or less, no thrift institution or credit union subject to the laws of this State shall make any loans to its officers or directors ~~and no~~. No thrift institution shall make a loan to its corporators, ~~officers or directors~~ and no credit union shall make a loan to its ~~officers or directors~~ unless such loans are on the same terms as are generally available to the public ~~or its members~~.

**Sec. 6.** 9-B MRSA § 538, sub-§ 1, ¶ A, as enacted by PL 1975, c. 500, § 1, is amended to read:

A. Loans secured by a pledge of any share account ~~or~~ deposit book or certificate issued by any financial institution located in the ~~State of Maine~~ United States, or secured by a pledge of a life insurance policy or pledge of any listed securities.

**Sec. 7.** 9-B MRSA § 732, sub-§ 3, ¶ E, as enacted by PL 1975, c. 500, § 1, is amended to read:

E. Principal payments on any loan may be waived from time to time for good cause by an authorized officer whose action is confirmed by the board of ~~auditors~~ directors;

#### STATEMENT OF FACT

The purpose of this bill is to further correct and clarify the Banking Code enacted by the 107th Legislature.

Section 1 is to make our examining requirement coincide with that of the Federal Deposit Insurance Corporation and to spread the increasing workload, required by the increased number of branch and other special applications being received, without increasing the number of field employees.

Section 2 is to clarify opposite rulings by Maine and federal officials regarding an interpretation of branch banking and thus give equal competitive status to financial institutions, regardless of the source of their charter, in providing this service.

Section 3 is to clarify the conditions under which a Maine financial institution or financial institution holding company may convert any preferred stock or bonds of another financial institution into voting securities of that institution.

Section 4 is to clarify the purchase by a Maine financial institution or financial institution holding company of its own or its parent corporation stock for employees stock option benefits, stock option plan, stock bonus plan, or other incentive plan for any or all directors, officers, and employees, duly adopted by the financial institution's board of directors.

Section 5 is to clarify the limitation on loans to officers and directors of thrift institutions and credit unions and interest rates to be paid on such loans by them and by corporators of savings banks.

Section 6 is to permit savings banks to loan on accounts of its customers which they may have in other financial institutions anywhere in the United States.

Section 7 is to correct a word which does not apply to intent of law.