

# MAINE STATE LEGISLATURE

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1 (Governor's Bill)  
2 SECOND REGULAR SESSION  
3

4 ONE HUNDRED AND TENTH LEGISLATURE  
5

6 **Legislative Document**

**No. 1891**

7  
8 S. P. 804

In Senate, January 27, 1982

Referred to the Committee on Business Legislation and 1,600 ordered printed. Sent down for concurrence.

MAY M. ROSS, Secretary of the Senate

9 Presented by Senator Clark of Cumberland.

Cosponsors: Representative Brannigan of Portland, Representative Jackson of Yarmouth and Senator Collins of Knox.

10  
11 STATE OF MAINE  
12

13 IN THE YEAR OF OUR LORD  
14 NINETEEN HUNDRED AND EIGHTY-TWO  
15

16 AN ACT to Make Interstate Bank  
17 Ownership Possible.  
18

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

20 **Sec. 1.** 9-B MRSA §463, as last amended by PL 1979, c.  
21 663, §42, is repealed.

22 **Sec. 2.** 9-B MRSA §463-A is enacted to read:

23 §463-A. Stock in Maine financial institutions

24 No financial institution authorized to do business in  
25 this State may acquire control of any other financial insti-  
26 tution authorized to do business in this State or of a Maine  
27 financial institution holding company without the prior  
28 approval of the superintendent. No financial institution  
29 authorized to do business in this State may acquire more  
30 than 5% of the voting shares of any other financial institu-  
31 tion authorized to do business in this State or of a Maine  
32 financial institution holding company without the prior  
33 approval of the superintendent.

1       Sec. 3. 9-B MRSA §1011, sub-§§7-9 are enacted to  
2 read:

3       7. Eligible Maine assets. "Eligible Maine assets"  
4 consist of:

5       A. Demand and time deposits placed with other Maine  
6 financial institutions;

7       B. Investments in bonds and other obligations issued  
8 or guaranteed by this State or issued by an instru-  
9 mentality or agency of this State or of a political  
10 subdivision thereof, whether or not the full faith and  
11 credit of the issuer is pledged, which is not in de-  
12 fault on any of its outstanding funded obligations;

13       C. Bonds, stocks and other obligations issued by any  
14 corporation which is not in default whose principal  
15 place of business is located in Maine or which has sub-  
16 stantial assets in Maine;

17       D. All obligations generally considered loans,  
18 nonrecourse asset purchase agreements, sales of federal  
19 funds and purchases of securities subject to resale  
20 agreements:

21               (1) On which residents of this State or firms,  
22 partnerships, corporations or other entities whose  
23 principal place of business is located in this  
24 State or which have substantial assets in this  
25 State are directly or contingently obligated; or

26               (2) Which are secured by real estate located in  
27 this State;

28       E. Assets pledged to this State or to any agency,  
29 instrumentality or political subdivision thereof pur-  
30 suant to the laws of this State; and

31       F. Such other assets as the superintendent shall  
32 approve as assets located in, or having a substantial  
33 connection to, this State.

34       8. Equity capital. "Equity capital" shall consist of  
35 the sum of common stock, preferred stock, surplus and  
36 undivided profits.

37       9. Non-Maine financial institution holding com-  
38 pany. "Non-Maine financial institution holding company"  
39 means a financial institution holding company, the opera-

1 tions of which are principally conducted outside the State.

2 **Sec. 4. 9-B MRSA §1013, sub-§1, 2nd ¶,** as enacted by  
3 PL 1979, c. 349, is repealed.

4 **Sec. 5. 9-B MRSA §1013, sub-§2,** as enacted by PL 1975,  
5 c. 500, §1, is repealed and the following enacted in its  
6 place:

7 2. Acquisition by a non-Maine financial institution  
8 holding company. A non-Maine financial institution holding  
9 company may establish or acquire control of one or more  
10 Maine financial institutions or Maine financial institution  
11 holding companies with the prior approval of the superinten-  
12 dent subject to this section and section 1015, provided that  
13 the Maine financial institution or Maine financial institu-  
14 tion holding company to be established or acquired enters  
15 into an agreement with the superintendent to provide reports  
16 and permit examination of its records to the extent deemed  
17 necessary by the superintendent to insure compliance with  
18 subsection 3 and other relevant provisions of this chapter.

19 **Sec. 6. 9-B MRSA §1013, sub-§3** is enacted to read:

20 3. Requirements for acquisition or establishment. A  
21 non-Maine financial institution holding company may estab-  
22 lish, acquire or maintain control of a Maine financial  
23 institution or Maine financial institution holding company  
24 when and for so long as the following conditions are satis-  
25 fied.

26 A. A Maine financial institution or Maine financial  
27 institution holding company, the stock of which is to  
28 be acquired or held, shall have, on the date of acquis-  
29 ition or establishment, a minimum of \$5,000,000 in  
30 equity capital and shall have, at the end of the 5th  
31 full fiscal year following the date of acquisition or  
32 establishment, a minimum equity capital of \$7,000,000.

33 B. A non-Maine financial institution holding company,  
34 which acquires control of or establishes a Maine finan-  
35 cial institution or Maine financial institution holding  
36 company, shall maintain in the asset structure of the  
37 acquired or established Maine financial institution or  
38 Maine financial institution holding company, or in its  
39 own asset structure, or in the asset structure of any  
40 of its affiliates, a daily average amount of eligible  
41 Maine assets, as defined in section 1011, subsection 7,  
42 equal in the aggregate to:

1           (1) The daily average amount of eligible Maine  
2 assets for the fiscal year immediately preceding  
3 the date of acquisition of control of a Maine  
4 financial institution or Maine financial institu-  
5 tion holding company plus;

6           (2) Either 65% of the total incremental change in  
7 the total of the daily average assets of the Maine  
8 financial institution or Maine financial institu-  
9 tion holding company from its fiscal year immedi-  
10 ately preceding the date of acquisition of control  
11 to the total of daily average assets for its most  
12 recent fiscal year; or 85% of the total  
13 incremental change in deposits and other borrow-  
14 ings obtained from the following sources: Resi-  
15 dents of this State, from partnerships, corpora-  
16 tions or other entities whose principal place of  
17 business is located in this State or which have  
18 substantial assets in this State, or from the  
19 State, any political subdivision or agency thereof  
20 or other public funds derived in Maine, from the  
21 fiscal year immediately preceding the acquisition  
22 of the Maine financial institution or Maine finan-  
23 cial institution holding company to the total of  
24 daily average assets for its most recent fiscal  
25 year. Deposits and funds from the borrowings de-  
26 scribed in this subsection shall be maintained in  
27 eligible Maine assets on the basis of a daily  
28 average for the most recent fiscal year of the  
29 Maine financial institution or Maine financial  
30 institution holding company.

31           The superintendent may promulgate regulations effecting  
32 changes in the percentages set forth in this paragraph.  
33 These regulations shall be consistent with the needs of  
34 financial institutions to operate within the framework  
35 of a competitive environment and shall recognize the  
36 needs of a free market economic system. Criteria to be  
37 considered when adjustments to the percentages are made  
38 shall include, but not be limited to, changes in loan  
39 demand, investment opportunities and capital and  
40 liquidity requirements.

41           C. In order to qualify for the purpose of satisfying  
42 the asset maintenance requirement of paragraph B, eli-  
43 gible Maine assets maintained in the asset structure of  
44 a non-Maine financial institution holding company or in  
45 any of its non-Maine affiliates must be acquired subse-  
46 quent to the date of acquisition or establishment of a  
47 Maine financial institution or Maine financial institu-  
48 tion holding company.

1 D. During the 5 fiscal years subsequent to the estab-  
2 lishment or acquisition of a Maine financial institu-  
3 tion or Maine financial institution holding company by  
4 a non-Maine financial institution holding company, the  
5 approval of the superintendent shall be required at  
6 least 30 days prior to declaration of dividends, if the  
7 proposed dividends to be declared by the Maine finan-  
8 cial institution or Maine financial institution holding  
9 company in any calendar year shall exceed 50% of its  
10 net income for that year combined with its retained net  
11 income of the preceding 2 years, less any required  
12 transfers to surplus or a fund for the retirement of  
13 any preferred stock. The percentage established in  
14 this subsection shall increase by annual increments of  
15 10%, beginning with the 6th fiscal year following the  
16 acquisition or establishment, until 100% is attained.

17 E. Any other assessments and fees paid by the Maine  
18 financial institution or Maine financial institution  
19 holding company to the non-Maine financial institution  
20 holding company or its affiliates shall be consistent  
21 with sound banking practices and subject to review by  
22 the superintendent.

23 F. The superintendent may promulgate regulations to  
24 supplement the requirements of this section and to aid  
25 in the administration of this section, including  
26 reports to ensure compliance with the section.

27 **Sec. 7. 9-B MRSA §1015, sub-§3, as enacted by PL 1975,**  
28 **c. 500, §1, is amended to read:**

29 3. Application fee. No application for approval re-  
30 quired in subsection 1 of an acquisition or establishment of  
31 a financial institution or financial institution holding  
32 company by a Maine financial institution holding company or  
33 required in subsection 1, paragraph D or E shall be deemed  
34 complete by the superintendent unless accompanied by an  
35 application fee of \$1,000 payable to the Treasurer of State  
36 to be credited and used as provided in section 214. No  
37 application for approval of an acquisition or establishment  
38 of a financial institution or financial institution holding  
39 company by a non-Maine financial institution holding company  
40 shall be deemed complete by the superintendent unless accom-  
41 panied by an application fee of \$5,000 payable to the Treas-  
42 urer of State to be credited and used as provided in section  
43 214.

44 **Sec. 8. 9-B MRSA §1019, sub-§2, as enacted by PL 1975,**  
45 **c. 500, §1, is amended by adding at the end a new paragraph**  
46 **to read:**



1 which have been published, nor any of those being suggested  
2 for consideration by Congress, contain provisions identical  
3 to Maine's law. Interstate banking, which exists in fact if  
4 not in laws and which is being encouraged by agencies of the  
5 Federal Government in emergency situations, is inevitable.

6 This bill provides statutorily for interstate bank own-  
7 ership to occur in Maine in a forthright and orderly manner  
8 which can be regulated in the interest of Maine's citizens.

9 If Maine is to attract significant out-of-state capital  
10 to its financial institutions, it must take the initiative  
11 and broaden the out-of-state ownership provisions of its  
12 banking code. This bill allows a non-Maine financial insti-  
13 tution holding company to establish or acquire control of a  
14 Maine financial institution or Maine financial institution  
15 holding company without the need for reciprocity by its home  
16 state. This bill requires substantial minimum capital  
17 investment and it contains supervisory and enforcement  
18 powers with which the Bureau of Banking can assure that the  
19 conditions of acquisition are fulfilled and maintained.

20 Sections 1 and 4 of this bill remove the present  
21 limitations on interindustry mergers or acquisitions of or  
22 by Maine financial institutions. The differences between  
23 the various types of financial institutions have been sig-  
24 nificantly blurred by events of the past 5 years. The con-  
25 solidation of some commercial banks and thrift institutions,  
26 which is now occurring throughout the United States on an  
27 emergency basis, appears to establish a pattern which finan-  
28 cial circumstances warrant. These sections permit thrifts  
29 and commercial banks to consolidate with approval of the  
30 superintendent and appropriate votes of their shareholders,  
31 corporators or stockholders.

32 Sections 10 and 11 of this bill provide that a Maine  
33 financial institution which becomes the subject of an  
34 attempted takeover be given specific notification. At the  
35 present time, financial institutions are excluded from this  
36 protection