

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

BANKS + BANKING

Maine

LR
Shelf

1975

STATE LAW LIBRARY
AUGUSTA, MAINE

BACKGROUND INFORMATION ON

THE MAJOR ISSUES OF

L.D. 1134

BUREAU OF BANKS AND BANKING

KF
975
.Z99
M224
.1975

MAY 13, 1975

STATE LAW LIBRARY
AUGUSTA, MAINE

May 13, 1975

Members of the Committee
on Business Legislation:

The debate on L.D. 1134 seems to have focused on five major issues. These are personal checking for thrift institutions, statewide branching, bank holding company regulation, interstate banking, and hearings on petition of 25 persons. This document summarizes for each issue the existing law, the proposed law and the basis for each proposal.

Also included for the Committee's information is a brief discussion of EFTS and the proposal in L.D. 1134 for "off premise" facilities.

The Banking Bureau would be pleased to answer any questions you may have on L.D. 1134 and furnish any additional information which would aid in your deliberations of this bill.

RALPH H. GELDER
Superintendent

INDEX

<u>Contents</u>	<u>Page</u>
Issue #1 Personal Checking For Thrift Institutions	1
Issue #2 Statewide Branching	3
Issue #3 Holding Company Regulation	7
Issue #4 Interstate Banking	8
Issue #5 Hearings on Petition of 25 Persons	9
A Primer on EFTS or Electronic Money	10

PERSONAL CHECKING ACCOUNTS FOR THRIFT INSTITUTIONS

Present Law: Only commercial banks are permitted to offer personal checking accounts.

Proposed Law: Savings banks and savings and loan associations would be allowed to offer personal checking accounts.

Proposed Language in L.D. 1134:

§ 131. Definitions

31. Personal demand deposit. "Personal demand deposit" means a deposit in a financial institution made by individuals for non-business purposes, or by a nonprofit organization operated primarily for religious, philanthropic, charitable, fraternal or other similar purposes, which is payable on demand and subject to withdrawal by negotiable or transferable instruments for the purpose of making transfers to 3rd parties, but upon which no interest or dividends are paid by the institution to the depositor thereof.

§ 423. Demand deposits

A financial institution subject to the provisions of Parts 5, 6 or 7 shall have the power to accept demand deposits, subject to the conditions and limitations set forth in this section.

1. Personal demand deposits.

A. Except as otherwise provided in subsection 2, a financial institution may accept only personal demand deposits, as defined in section 131, after the effective date of this section, subject to such regulations as may be promulgated by the superintendent.

B. A signed statement by the depositor stating that the depositor shall use a demand deposit accepted by the institution pursuant to this subsection for only nonbusiness purposes or that the deposit is made by a nonprofit organization operated primarily for religious, philanthropic, charitable, fraternal or other similar purposes, shall relieve the institution from liability for violation of this subsection; provided that if the institution acquires knowledge in the ordinary course of its business that the depositor is using such deposit for business or commercial purposes, the institution shall promptly give notice thereof to the depositor. If the depositor fails to terminate such business use within 30 days of said notice, the institution shall promptly close out such deposit by returning to the depositor the balance of funds in the account, less any service charges.

Amended slightly by "A"

Basis for Proposal:

Thrift institutions have been historically family financial institutions, providing a safe depository for family savings and making home mortgages. Commercial banks have traditionally dealt with business firms and provided business finance. After World War II, commercial banks sought to diversify their activities and began bidding for household savings and making consumer loans. Not too many years ago, only the well-to-do had personal checking accounts. Today there are few households without at least one such account. Because only commercial banks can offer this service, thrifts are now at a serious competitive disadvantage. The interest rate ceilings on savings accounts, which were once strongly in favor of thrifts over commercial banks, have been almost completely removed.

The Banking Bureau, as regulator of all financial institutions in the State, is concerned that the viability of thrift institutions and the availability of housing finance will be seriously threatened in savings banks and savings and loans if they are not given personal checking account powers. Without third party payment accounts, thrifts will be excluded from direct access to electronic banking and from cash and credit cards which activate the system. (See brief description of EFTS on page 10) For example, social security checks will be paid by direct deposit to bank accounts in New England beginning October 1, 1975. While thrifts will urge social security recipients to have their funds electronically paid to their savings account, most recipients will chose a checking account (in a commercial bank) that will enable them to pay their bills. Simply put, thrifts must have a third party payment account to hold on to their savings accounts if they are to continue to finance housing and other household needs. Since electronic banking is spreading rapidly in many areas of the nation and is making its appearance in Maine, the personal checking account issue must be faced now --not next year.

The Banking Bureau is not concerned about the growth and viability of commercial banks in the State if thrifts get third party payment powers. Commercial banks, large and small, will still have exclusive power to provide checking and loan services to business firms in their areas. Moreover, all institutions that would have the power to offer personal checking account services would be subject to essentially the same reserve requirements, taxes, rates paid on deposits and regulatory surveillance. The public stands to benefit greatly from the availability of checking accounts at thrift institutions.

STATEWIDE BRANCHING

Present Law: Branching is allowed only in home county or adjoining counties, or in any municipality where no bank is operating or where a unit bank or branch of a bank is taken over. BHCs are permitted statewide operations.

Proposed Law: Allow statewide branching

Proposed Language in L.D. 1134:

**CHAPTER 33
BRANCHES**

§ 331. Applicability of chapter; statewide branching

1. Applicability. The provisions of this chapter shall govern the establishment of a branch office, agency or facility by a financial institution subject to the laws of this State.

2. Statewide branching. Subject to the conditions and limitations contained in this chapter, a financial institution may establish a branch office or facility anywhere within this State.

Basis for Proposal:

Under current law it is possible for a holding company to branch into almost any area of the State by acquiring a few strategically located commercial bank affiliates. For example, as shown in Table 1 (page 4), there are very few of Maine's 16 counties that the five largest bank holding companies cannot branch in if they should elect to do so. Since the largest commercial banks have the option of statewide banking, all of the State's independent commercial banks as well as thrift institutions should have the same option.

Aside from equity considerations, there is the question of access and participation in statewide electronic fund transfer system (EFTS). If all institutions are to share in the development of an EFTS system, then the State's institutions must have the same geographic branching options. Branching of the future will not consist primarily of bricks and mortar, but electronic terminals in stores, plant sites and other convenient locations in the State.

Table II shows the prevalence of statewide banking operations for commercial banks in other states. As shown, only five states do not permit some form of branching or holding company expansion. Kansas, one of these five states, has just passed legislation permitting "off-premises" facilities on a statewide basis, similar to the provisions contained in L.D. 1134 (see attached article). Almost three-fourths of the states permit interstate banking, either in the form of branching or statewide holding company operations. The Banking Bureau believes that statewide branching for all financial institutions is needed now in order to permit the development of an EFTS system in the State on a shared basis which is geared to the interests of the Maine public.

TABLE I
BANK HOLDING COMPANIES
IN MAINE
DECEMBER 31, 1974

<u>Banking Organization</u>	<u>Deposits</u> (millions)	<u>Number of</u> <u>banks</u>	<u>Number of</u> <u>Banking Offices</u>	<u>Number of</u> <u>Counties where</u> <u>Offices</u> <u>Located</u>	<u>Number of</u> <u>Counties where</u> <u>Branching</u> <u>Possible</u>
Bank Holding Companies:					
Casco-Northern Corp.	\$297	3	55	8	15
Depositors Corporation	274	6	55	13	16
Northeast Bankshares	243	8	37	7	14
Merrill Bankshares Co.	240	4	35	8	12
United Bancorp of Maine*	163	4	32	8	15
Bank of Maine Corp.	50	1	7	1	7
Merchants Corporation	40	1	7	1	7
Total Bank Holding Cos.	<u>\$1,307</u>	<u>27</u>	<u>228</u>		
Other Commercial Banks:					
Maine National Bank	247	1	33	1	7
All other banks	273	18	60	**	**
Total other banks	<u>\$520</u>	<u>19</u>	<u>93</u>		
GRAND TOTAL	<u>\$1,827</u>	<u>46</u>	<u>321</u>		

* Includes United Canal Bank, Bangor, which opened for business January 10, 1975.

** Not shown separately.

TABLE II

CLASSIFICATION OF STATE LAWS REGARDING
BRANCHING AND BHC COMPANY EXPANSION
WITHIN STATE

	Statewide Operations		Limited Area Branching; BHC's Restricted	No Branching; BHC's Restricted
	Statewide Branching	Statewide BHC'S		
Alabama		x	Arizona	Illinois
Alaska	x		Georgia	Kansas
Arizona	x	x	Indiana	Nebraska
California	x	x	Iowa	Oklahoma
Colorado		x	Kentucky	West Virginia
Connecticut	x	x	Mississippi	
Delaware	x	x	New Hampshire	
District of Columbia	x	x	Pennsylvania	
Florida		x		
Hawaii	x	x		
Idaho	x	x		
Louisiana	x			
Maine		x		
Maryland	x	x		
Massachusetts		x		
Michigan		x		
Minnesota		x		
Missouri		x		
Montana		x		
Nevada	x	x		
New Jersey	x	x		
New Mexico		x		
New York	x	x		
North Carolina	x	x		
North Dakota		x		
Ohio		x		
Oregon	x	x		
Rhode Island	x	x		
South Carolina	x	x		
South Dakota	x	x		
Tennessee		x		
Texas		x		
Utah	x	x		
Vermont	x			
Virginia	x	x		
Washington	x			
Wisconsin		x		
Wyoming		x		
	<hr/> 38	<hr/> 22	<hr/> 34	<hr/> 8
			<hr/> 8	<hr/> 5

Kansas Banks Allowed EFT Units Anywhere In State on July 1

MIDWESTERN BUREAU

TOPEKA.—Kansas banks will be able July 1 to establish anywhere within the state remote off-premise electronic terminals or teller devices, as a result of signing of an electronic funds transfer bill by Kansas Gov. Robert W. Bennett.

The measure had the support of the Kansas Bankers Association and represents one of the first bills on EFT to clear a Midwest legislature.

North Dakota enacted last month an industry-sponsored measure providing equality for state banks on EFT development, in connection with a December interpretive ruling by the Comptroller of the Currency that national banks have power to establish customer-bank communication terminals without geographic restriction.

In Kansas, the EFT bill which was drafted by the Kansas BA following months of study by an EFT task force, went through the legislature with token opposition. It passed the House two weeks ago by a vote of 112-10. The Senate had passed the bill by 36 to 4 on March 31.

A key provision, making the measure palatable to small rural banks which fear domination of EFT by large institutions, calls for banks to share the terminal devices, known as remote service units.

The new law states that as a condition of operating a remote service unit, a bank "must agree that such remote service unit be available for use by customers of any other bank or banks upon the request of said bank or banks to share its use and the agreement of banks to share all costs."

Those costs, the law says, include "a reasonable return on capital expenditures incurred in connection with its installation and operation."

In addition, the owner of the remote service unit must make the device available to other banks on a nondiscriminatory basis.

It was uncertain Tuesday how soon after July 1 banks would take advantage of this enabling legislation.

A spokesman for the Kansas BA pointed out that bank activity in establishing remote service units may not develop in order to await until fall completion of an EFT strategy study for state bankers associations by Arthur D. Little, Inc., under auspices of the American Bankers Association.

Kansas is one of 10 states being surveyed on EFT strategies by the Cambridge, Mass., management consulting firm. The study, begun in March, is to be completed by September.

Passage of the EFT bill of the Kansas BA coincides with that of another measure drafted by savings and loan interests affording similar EFT authority to S&Ls.

At least one S&L, the \$621 million-deposit Capitol Federal Savings & Loan Association of Topeka, said it has received permission of the Federal Home Loan Bank Board to install electronic terminals in four supermarkets—two in Topeka and one each in Lawrence and Overland Park.

The devices, to be made by Financial Data Sciences, Inc., of Orlando, Fla., are to be installed in mid-June.

The Capitol Federal operation is similar to the Hinky Dinky supermarket tie-in with the \$354.1 million-deposit First Federal Savings & Loan Association in Lincoln, Neb. Customers of the S&L can make deposits into or withdrawals from their savings accounts through computer-based terminals near the checkout counters of the stores.

Capitol Federal is Kansas' largest financial institution.

Two of the Capitol Federal terminals will be in Dillon's food stores, at the Brookwood shopping center in Topeka and in Lawrence. The two other Capitol Federal units will be at Harry's IGA supermarket in Topeka and at Cherokee United Super in Overland Park.

Regarding the Kansas BA legislation, John L. Cooley, senior vice president of the \$366 million-deposit Fourth National Bank & Trust Co., Wichita, said it was too soon to determine specific plans of his own bank or others on establishing EFT systems. Fourth National is the state's largest bank.

"We are taking a real hard look at some of the hardware but we have not entered into any agreements," Mr. Cooley said.

St. Louis and Kansas City banks, sponsoring Credit Systems, Inc., have asked Fourth National, he added, to join them in forming a \$30 million shared EFT network among banks in Kansas and four other midwestern states. However, Fourth National chose to give the issue more study before taking part in the EFTs of CSI as an initiating bank.

CSI, of St. Louis, is the Master Charge processing firm for banks in the five Midwest states and announced earlier this month plans to establish a separate corporation to buy EFT hardware for an interstate system. Besides Kansas, states in the proposed hoopup are Illinois, Missouri, Kentucky and Iowa.

Mr. Cooley noted in an interview that while the First Federal-Hinky Dinky arrangement in neighboring Nebraska seems to be highly favored by consumers, "nobody is beating down our doors" to offer the service in Kansas.

Nevertheless, he said he is convinced that a banking EFT hookup will be forthcoming in Kansas. "It is a matter of timing," he observed.

He said Fourth National has no immediate plan to file notice with the Comptroller of the Currency to establish customer-bank communication terminals. To date no nationally chartered bank in Kansas has filed for a CBCT despite the prospect that EFT legislation would be passed.

CBCTs, as interpreted by the Comptroller, are electronic terminals which may be established off national banks' premises. Through them a bank customer may withdraw or deposit funds, transfer funds between his checking and savings accounts and transfer funds from his account into accounts maintained by other bank customers.

These terminals, which the Comptroller has ruled may be set up by national banks without geographic restriction, may be unmanned and operated by the customer himself, as in the case of automated teller machines, or manned by employees of business establishments, as in the case of retail point-of-sale terminals.

The new Kansas law, specifies that the remote service units "shall not be considered to be branch banks or branch offices" or limited service facilities.

Kansas is a unit-banking state which prohibits branching but does allow banks to establish up to three limited service detached facilities within municipal limits.

One clause in the statute, inserted upon the advice of legal counsel, provides that "any banking transaction effected by use of a remote service unit shall be deemed to be transacted at the bank to which the information is transmitted for entry in a customer's account."

In a key EFT ruling of last summer, the state's attorney general—then Lavern Miller—held that banking transactions initiated through an electronic device, such as an automated teller or POS terminal, are actually consummated within the bank, and therefore do not violate the state's no-branching laws.

The attorney general's July opinion had been requested by the Kansas BA and had been formally submitted by the State Bank Commissioner, then Carl O'Leary, to clarify entry of Kansas banks into developing EFT systems.

For fear that the opinion might be changed by future attorneys general, the Kansas BA had its EFT bill guarantee banks' authority in establishing EFT systems without violating the branching prohibition.

The Kansas attorney general's ruling has been cited by lawyers in other states where EFT legislation has been drawn.

ISSUE #3

HOLDING COMPANY REGULATION

Present Law: None.

Proposed Law: Would give Bank Superintendent regulatory surveillance over activities of financial institution holding companies in State.

Proposed Statutory Language:

See Chapter 101, pp. 170-174

Basis for Proposal:

The growth of bank holding company systems, while subject to Federal regulation, have been completely free of State scrutiny and supervision. Since mid-1966, the number of bank holding companies has grown from a single organization with 4 banks accounting for about five percent of the State commercial bank offices to 7 holding company systems with a total of 27 banks accounting for over 72 percent of the State's deposits. The development of legislation to deal with the bank holding company issue was included in Governor Curtis' charge to the Banking Study Advisory Committee.

Section 7 of the Bank Holding Company Act of 1956 gives the states primary jurisdiction in the regulation of bank holding companies, if they care to exercise it. With the rapid expansion of bank holding companies, states have taken advantage in increasing numbers of the broad powers available to them under Federal law. Over two-thirds of the states have some form of law that limits or places under closer regulatory surveillance the activities of bank holding companies. The proposed Maine financial institution holding company law is broadly consistent with Federal law and was, in fact, drafted by a former Assistant General Counsel of the Federal Reserve Board in Washington.

Briefly, Chapter 101 of L.D. 1134 would give the Bank Superintendent the authority to approve or deny acquisition by financial institution holding companies (Section 1013) and to determine the list of permissible closely related activities in which holding companies may engage (Section 1014). Section 1016 gives the Superintendent the power to obtain such reports and information necessary to proper supervision of such companies, but that submission of reports required by Federal authorities may be submitted to comply with Banking Bureau requirements. Section 1017 requires that the State's forms for applications and reports conform with those required by Federal authority. The Banking Bureau does not plan to examine the national bank subsidiaries of bank holding companies as long as the Federal examination reports are made available to the Bureau and there are no serious problems warranting direct Banking Bureau involvement.

Amended slightly by "A"

INTERSTATE BANKING

Present Law: None.

Proposed Law: An out-of-state holding company may establish or acquire a Maine financial institution, subject to the approval of the Bank Superintendent, provided that Maine holding companies may establish or acquire a financial institution in that state under conditions no more restrictive than Maine law.

Proposed Statutory Language:

§ 1013. Acquisition of interests in financial institutions

1. Superintendent's approval. No company shall acquire control of a Maine financial institution, and no Maine financial institution holding company shall acquire more than 5% of the voting shares of any other Maine financial institution or of a financial institution authorized to do business outside of the State of Maine, without the prior approval of the Superintendent.

2. Acquisition by out-of-state company; reciprocity. A financial institution holding company that controls one or more financial institutions outside of the State of Maine may establish or acquire control of one or more Maine financial institutions with the prior approval of the superintendent; provided that the State in which operations of the subsidiary financial institutions of such financial institution holding company are principally conducted authorizes the establishment of, or acquisition of control of, financial institutions in that State by Maine financial institution holding companies, under conditions no more restrictive than those imposed by this chapter, as determined by the superintendent.

Basis for Proposal:

The relatively small size of Maine's banking organizations tends to limit capital availability in the State, particularly to larger business concerns. Permitting the State's largest banks to merge with each other is not a feasible alternative. To deal with this problem, L.D. 1134 would permit a holding company located in another state to establish or acquire a bank in Maine provided that Maine bank holding companies are afforded reciprocal acquisition privileges in that state. Such acquisitions would also have to have the prior approval of the Bank Superintendent under Chapter 101 of the proposed Title 9-B.

HEARINGS ON PETITION OF 25 PERSONS

Present Law: None.

Proposed Law: A group of 25 or more persons would be allowed to petition the Bank Superintendent to hold a hearing if the group can show that financial institution or financial institution holding company is not complying with the standards of public convenience and advantage or is violating Title 9-B or regulations issued pursuant thereto.

Proposed Statutory Language:

§ 255. Hearings on petition of 25 persons

1. Alleged non-compliance with this Title. A group of 25 or more persons may join together and petition the superintendent to hold a hearing if such group submits to the superintendent a written petition alleging facts demonstrating that a financial institution holding company or financial institution subject to the laws of this State is not complying with the standards of public convenience and advantage set forth in section 253, or that such institution has violated or is violating any provision of this Title or regulation issued pursuant thereto.

2. Request for rule-making. A group as defined in subsection 1 may also petition the superintendent to hold a rule-making proceeding for the purpose of promulgating such rules, regulations, or amendments as may be proposed in their petition and may petition for a hearing as an interested party under sections 251 and 252.

3. Procedures for requesting hearing. A petition for a hearing pursuant to this section shall be made in accordance with section 254, subsection 1.

4. Grant or denial of request. Unless the superintendent shall, in a writing setting forth the reasons therefor, deem the petition frivolous or not bona fide, he shall designate the group as an interested party and hold a hearing pursuant to section 254 for the purpose set forth in the petition. Such decision shall be made within 20 days of the receipt of any such petition.

5. Treatment as interested party. A group whose petition is granted by the superintendent shall be treated as a single interested party for all purposes of this chapter, unless otherwise determined by the superintendent.

*"A"
Amended by*

Basis for Proposal:

The public has a stake in the operations and regulations of the Banking Bureau and in the services and performance of financial institutions in the State. To assure that the public has a voice in such financial matters, L.D. 1134 provides a vehicle for the public to initiate and participate in hearings as an interested party. The concept of hearings on petition of 25 or more persons was patterned after procedures of the Maine Public Utilities Commission.

PRIMER ON EFTS
OR ELECTRONIC MONEY

(In place of the slides referred to in this presentation, a set of black and white prints of the slides will be made available to the Committee in a few days.)

BUREAU OF BANKS AND BANKING
MAY 12, 1975

A PRIMER ON EFTS OR ELECTRONIC MONEY

"Electronic Funds Transfer Systems" (EFTS) or "electronic money" is an enigma to most people. This brief presentation together with a few basic slides is intended to provide an overview of what EFTS is, how it works, and what it does. It should be remembered that electronic money services are simply a continuation of the evolution of our payment system from barter to cash...to checks...to credit cards...and now to "cash" or "debit" cards.

It is often argued that card-activated "third party transfers" will not be accepted in Maine. Public acceptance of making out checks is the best system we know. We are comfortable with its simplicity, convenience and its record retention features. Yet, electronic terminals and electronic money are coming faster than most people realize. Cards are already firmly established in the payment process and in the habits of consumers through the widespread use of credit cards (Slide #1). Electronic payment services via cash cards are merely extensions of the basic credit card.

One of the problems with the term "EFTS" is that it encompasses a wide range of financial services. These services can be broken down into three major EFTS areas: Automated Clearing Houses (ACH's); Automated Teller Machines (ATM's); and Point-of-Sale Devices (POS). (Slide #2)

Automated Clearing House

The Automated Clearing House (Slide #3) is probably the least visible EFTS service insofar as the consumer is concerned. An ACH is essentially a service to financial institutions and performs the same functions of clearing that the Federal Reserve currently performs with paper checks. The focus of ACH is elimination of checks. It is anticipated that check volume could reach 40 billion by 1980, up from an estimated 25 billion in 1972.

Electronic transfers through ACH's should cut payments to a small fraction of the current cost of paper transfers. In addition to the basic clearing functions, there are a host of likely ACH services which go well beyond the check mechanism. (Slide #4) These include debits such as preauthorized payment of insurance premiums, mortgage payments, rents, utility bills and other regularly occurring bill payments and credits including the distribution of corporate payrolls, dividends, interest payments, and government payments such as social security.

In the Northeast, there is one ACH currently in operation called the New England Automated Clearing House (NEACH) and membership is available to any commercial bank. Efforts are being made through Savings Bank Associations and Federal Home Loan Bank Board to assure full membership by thrifts. NEACH's initial efforts are directed towards the direct deposit and distribution of payrolls and government credits and the offering of bill payment services. NEACH is operated by the Federal Reserve on a contract basis, where ACH activities are performed side by side with the normal check clearing process.

In order to describe the services available through an Automated Clearing House, take the direct deposit program. (Slide #5) Under this program, the employee signs an authorization which he gives to his employer. The employer then creates a magnetic payroll tape in place of the normal payroll check and delivers that tape to his bank, who in turn forwards it to the automated clearing house for distribution to financial institutions. The process is similar for social security and welfare payments as well as debits drawn against customer accounts as in the case of preauthorized insurance premium payments, etc. (Slide #6) (It should be noted that the State of Maine has had modified direct deposit program for the State payroll for two years. These payments go almost exclusively to commercial banks.)

Automated Teller Machines

The second element of EFTS is automated teller machines (ATM's) which are used by a customer to deal directly with his financial institution. (Slide #7) In contrast to ACH's, the ATM is a competitive device or a marketing tool of individual banks. ATM's are a way for the customer to perform routine transactions after normal business hours and a way for the financial institution to provide convenient customer access to his account. However, ATM's cannot be used to make payments to third parties.

It is interesting that studies have shown the bulk of the transactions through electronic terminals occur about 6:30 in the evening on weekdays, 4:00 in the afternoon on Saturdays, and noon on Sundays. These are all hours that financial institutions are closed.

There are many automated teller devices currently available. (Slide #8) An ATM may be used as a walk-up facility, either in the wall of a branch or main office or in a shopping center (Slide #9), or as a drive-in facility (Slide #10).

Because of their compactness, financial facilities can be placed in areas which do not lend themselves to conventional branches. For example, in the lobby of an airport, or bus terminal, or they can be installed in employee lounges and other areas where space, transaction volume, and economic considerations would not support a manned branch facility. (Slide #11) Slide #12 shows a picture of a totally unmanned branch located in Texas which combines postal facilities and financial facilities.

Point-of-Sale Devices

The third segment of EFTS is point-of-sale devices or so-called "merchants terminals". These facilities make available services of financial institutions through retail entities such as supermarkets and department stores and are geared toward facilitating retail transactions. (Slide #13)

Some of the services that can be performed using point-of-sale devices include (a) authorization type services, such as check verification, or authorizations for credit card purchases, or (b) transfer of funds activities where a transfer takes place between the customer's account and a merchant's account.

Slide #14 shows a typical point-of-sale computer access terminal, which can perform a variety of customer-merchant transactions. This device rents for about \$40 per month, is about the size of a typewriter, and can handle both debit and credit transactions.

A typical POS transaction may be described as follows: The consumer wishing to buy goods and services enters his card into the device, (Slide #15) and the clerk inserts a receipt into the machine (Slide #16). The customer then enters the transaction via the keyboard (Slide #17) along with his secret identification code. The customer's account data and transaction are checked against the computer-based record at the financial institution. If okay, the customer's account is debited and merchant's account is credited (Slide #18). A receipt is produced for both the customer and the merchant. (Slide #19) Finally, the card is returned to the customer. (Slide #20)

Clearly, the nation and the State of Maine are on the threshold of changes in the payments mechanism that will effect the organization and structure of our financial institutions. The "satellite" or "off premise" facilities provisions of Section 334 of L.D. 1134 are designed to provide a statutory framework within which EFTS services can develop in the State with a reasonable degree of regulatory oversight. Moreover, by requiring compulsory sharing of terminal devices, L.D. 1134 should help assure that these facilities will be available for use by customers of small banks as well as those of larger organizations.

CHAPTER 13
DEFINITIONS

§ 131. Definitions

35. Satellite facility. "Satellite facility" or "off-premise facility" means an electronic terminal or facility at which an existing financial institution customer may initiate banking transactions including, but not limited to, cash deposits to and withdrawals from his account, cash advances on a preauthorized credit line, transfers between his checking and savings account or payment transfers from his account to accounts of other financial institution customers. Such a facility is not part of a main office or branch office of a financial institution. Such an off-premise facility may be part of an electronic funds transfer system.

CHAPTER 33
BRANCHES

§ 331. Applicability of chapter; statewide branching

1. Applicability. The provisions of this chapter shall govern the establishment of a branch office, agency or facility by a financial institution subject to the laws of this State.

2. Statewide branching. Subject to the conditions and limitations contained in this chapter, a financial institution may establish a branch office or facility anywhere within this State.

§ 334. Satellite facilities

1. Superintendent's approval. A financial institution may establish or participate in the establishment of a satellite or off-premise facility, as defined in section 131; provided that no such facility shall be established without prior approval of the superintendent, pursuant to section 336. Such facilities are branches for the purpose of this Title.

2. Manned or unmanned facility permitted. A satellite facility may be unmanned and operated by the customer himself. Such a facility may be located in the premises of an establishment that is not a financial institution and may be manned by an employee of such establishment.

3. Ownership. Such facility may be wholly or partly owned by the institution; or may be owned by 2 or more such financial institutions; provided that the superintendent shall approve such joint ownership.

4. Access by other institutions. Any satellite facility established by a financial institution shall be made available for use by other financial institutions authorized to do business in this State; provided that any institution seeking to use a satellite facility established by another institution shall obtain the prior approval of the superintendent, pursuant to section 336, for such use; and provided further that any institution receiving permission to use such satellite or off-premise facility shall share in the cost thereof.

5. Location of facilities on premises. Nothing shall preclude a financial institution from locating an electronic terminal on the premises of its main office or of a branch office for its customers' convenience. Access by other financial institutions to such on-premise facilities shall be at the discretion of said financial institution.