

SENATE No. 478

The Commonwealth of Massachusetts

PRESENTED BY:

Michael J. Rodrigues

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act authorizing the conversion of banks to another charter.

PETITION OF:

NAME:

Michael J. Rodrigues

DISTRICT/ADDRESS:

First Bristol and Plymouth

SENATE No. 478

By Mr. Rodrigues, a petition (accompanied by bill, Senate, No. 478) of Michael J. Rodrigues for legislation to authorize conversions by Massachusetts-chartered banks or credit unions to federal or other charters. Financial Services.

[SIMILAR MATTER FILED IN PREVIOUS SESSION
SEE
□ SENATE
□ , NO. 457 OF 2011-2012.]

The Commonwealth of Massachusetts

In the Year Two Thousand Thirteen

An Act authorizing the conversion of banks to another charter.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 168 of the General Laws, as appearing in the 2010 Official
2 Edition, is hereby amended by inserting after section 34G the following section:-

3 Section 34H. A savings bank as defined in section one of chapter one hundred and sixty-
4 seven may convert into a credit union pursuant to the provisions of section 80C of chapter 171.

5 SECTION 2. Chapter 170 of the General Laws, as so appearing, is hereby amended by
6 inserting after section 26H the following section: -

7 Section 26I. A cooperative bank as defined in section one of chapter one hundred and
8 sixty-seven may convert into a credit union pursuant to the provisions of section 80C of chapter
9 171.

10 SECTION 3. Chapter 171 of the General Laws, as so appearing, is hereby amended by
11 inserting after section 80B the following section:-

12 Section 80C. (a) A savings bank governed by the provisions of chapter 168 or a
13 cooperative bank governed by the provisions of chapter 170 may convert into a credit union

14 subject to the provisions of this section. Any such conversion shall comply with all applicable
15 federal laws and regulations.

16 (b) A savings or cooperative bank that is at least adequately capitalized and has received
17 at least a satisfactory rating in its most recent examination for compliance at the Community
18 Reinvestment Act may submit a detailed plan of conversion approved by 2/3 vote of the entire
19 board of directors to the commissioner. The commissioner may require changes and additions to
20 the plan, including but not limited to, changes to any notices, disclosures, or communications,
21 except as required by federal law or regulation. The commissioner may prescribe regulations for
22 any savings or cooperative banks to convert to a credit union charter. Unless waived by the
23 commissioner, the converting savings or cooperative bank shall prepare and submit to the
24 commissioner a conversion plan which shall include, but not be limited to:

25 (1) A 3-year business plan which shall include performance financial statements for
26 the credit union;

27 (2) An estimated budget for conversion expenses;

28 (3) Financial statements for the most recently completed quarter;

29 (4) The manner in which the converting bank will comply with membership
30 requirements and divest itself of customers who do not meet credit union field-of-membership
31 limitations;

32 (5) The manner in which the converting bank will convert its board to a voluntary
33 non-paid structure and divest its board of stock options, if any;

34 (6) The manner in which the converting bank will divest its capital stock, if any;

35 (7) The manner in which the converting bank will divest impermissible investments;

36 (8) The manner in which the converting bank will comply with branching, share and
37 deposit limitations;

38 (9) The manner in which the converting bank will comply with organizational
39 member and member business loan requirements under relevant state and federal provisions;

40 (10) A copy of materials forwarded to corporations or shareholders relative to voting
41 on the plan of conversion;

42 (11) The proposed amended and restated articles of organization and bylaws of the
43 converting bank;

44 (12) If applicable, the procedures and timing for conversion from federal deposit
45 insurance to federal share insurance;

46 (13) If applicable, the procedures and timing for changes in relevant state excess
47 deposit insurers; and

48 (14) Any other relevant information that the commissioner may reasonably require.

49 (c) The converting bank shall perform a complete policy review to address appraisal
50 restrictions, lending restrictions, investment restrictions, and corporate structure restrictions, in
51 order to ensure compliance with the provisions of this chapter and any relevant state or federal
52 credit union regulations.

53 (d) Upon approval of a plan of charter conversion by the board of directors of the
54 converting savings or cooperative bank, the conversion plan and certified copy of the resolution
55 of the board of directors approving the conversion plan shall be submitted to the commissioner.
56 Included with the plan shall be an information statement to be sent to incorporators or shareholders
57 which shall fully and fairly disclose all significant terms and steps to be taken for the conversion
58 and shall include but not be limited to:

59 (1) a statement as to why the board is considering the conversion.

60 (2) a statement of the major positive and negative business effects of the proposed
61 conversion.

62 (3) the impact on the incorporators or shareholders financial and other interests in the
63 proposed credit union.

64 (4) a disclosure of any conversion related economic benefit a director or senior
65 management official may receive including receipt of or an increase in compensation.

66 (e) The commissioner may require changes to the plan of conversion and information
67 statement. The commissioner may also require any equitable disclosure he determines
68 applicable to the transaction. The commissioner may specify the form, type, timing and other
69 material aspects of the plan of reorganization and information statement to be sent to incorporators
70 and shareholders.

71 (f) The commissioner shall review the contents of the plan before the board presents the
72 conversion plan for a vote. The commissioner shall approve the contents of the conversion plan
73 and information statement only if the commissioner is satisfied of all of the following:

74 (1) The plan discloses information concerning the advantages and disadvantages of the
75 proposed conversion.

76 (2) The information statement discloses the impact on the incorporators or shareholders
77 financial and other interests in the credit union.

78 (3) The conversion would not be made to circumvent a pending supervisory action that is
79 initiated by the commissioner or other regulatory agency because of a concern over the safety
80 and soundness of the savings or cooperative bank.

81 (g) Upon approval of the contents of the conversion plan and information statement by
82 the commissioner, the savings or cooperative bank shall call a special meeting of the corporators
83 or shareholders to vote on the conversion plan. At least thirty days before the meeting, the
84 savings or cooperative bank shall mail a notice of the meeting, the conversion plan and
85 information statement to all corporators and shareholders.

86 (h) The plan of conversion shall be approved by a majority vote of the shareholders or
87 corporators voting. A shareholder or corporator may vote on the proposal to convert in person at
88 the special meeting held on the date set for the vote or by ballot. The vote on the conversion
89 proposal shall be by secret ballot and conducted by an independent entity. The independent
90 entity shall be a company with experience in conducting corporate elections. A director of
91 officer of the savings or cooperative bank, or an immediate family member of a director or
92 officer, shall not have an ownership interest in, or be employed by the entity.

93 (i) An officer or director thereof shall not directly or indirectly give or offer or provide a
94 chance to win a lottery or anything of substantial value, as determined by the commissioner, to
95 the corporators or shareholders of the bank for an action related to the conversion to a credit
96 union or as an inducement to vote on the plan of conversion.

97 (j) The provisions on notice to corporators or shareholders and voting procedures in this
98 section shall govern the process for converting to a credit union notwithstanding other provisions
99 of this chapter or a by-law of the converting savings or cooperative bank to the contrary.

100 (k) If the commissioner disapproves the methods by which the vote was taken or the
101 procedures applicable to the vote, the commissioner may direct that a new vote be taken. If the
102 commissioner does not disapprove of the methods by which the vote was taken within 10 days
103 after the notification is given, the vote shall be considered approved.

104 (l) Certified copies of records of all proceedings held by the board of directors and
105 corporators and shareholders of the savings or cooperative bank shall be filed with the
106 commissioner.

107 (m) The commissioner may authorize a credit union resulting from a charter conversion
108 under this chapter to do the following:

109 (1) Complete any activities that the converting bank legally engaged in at the effective
110 time of the charter conversion but that otherwise are not permissible for credit unions; and

111 (2) Retain for a transitional period any assets that the converting bank legally

112 held at the effective time of the charter conversion that otherwise may not be held by
113 credit unions.

114 The terms and conditions of the completion of activities under subparagraph (1) and the
115 retention of assets under subparagraph (2) of this paragraph are subject to the discretion of the
116 commissioner. However, the transitional period during which activities may be carried out under
117 subparagraph (1) or assets may be retained under subparagraph (2) may not exceed ten (10) years
118 after the effective time of the charter conversion.

119 n) If the conversion to a credit union is approved by the board of directors and the
120 commissioner receives notification from the converting savings or cooperative bank that all
121 approvals required under state and federal law and regulations, including required approvals for
122 federal share insurance by the National Credit Union Administration have been obtained, that
123 any waiting period prescribed by federal law has expired, that membership in the Massachusetts
124 Credit Union Share Insurance Corporation and of the share insurance fund thereof has been
125 obtained and that all applicable payments thereto have been made as determined by the
126 commissioner, then a certificate to transact business shall be issued by the commissioner as
127 applicable. After receipt of the certificate to transact business, the converting savings or
128 cooperative bank shall promptly file such certificate and its articles of organization with the
129 secretary of state. Upon such filing, the charter of the converting savings or cooperative bank
130 shall automatically cease, and the converting bank shall cease to be a bank and shall become a
131 credit union. Upon such conversion, the converted credit union shall possess all the rights,
132 privileges, and powers granted to it by its articles or organization and by the provisions of
133 general statutes applicable to the type of credit union charter to which it converted. All of the
134 assets and business of the converting savings or cooperative bank shall transferred to and vested
135 in it without any deed or instrument of conveyance, provided the converting bank may execute
136 any deed or instrument of conveyance as is convenient to confirm such transfer. The converted
137 credit union shall be subject to all of the duties, relations, obligations, and liabilities of the
138 converting bank, whether as debtor, depository, or otherwise, and shall be liable to pay and
139 discharge all such debts and liabilities, to perform all such duties in the same manner and to the
140 same extent as if the converted credit union had itself incurred the obligation or liability or
141 assumed the duty or relation. All rights of the credits of the converting savings or cooperative
142 bank shall be preserved unimpaired, and the converted credit union shall be entitled to receive,
143 collect, accept, hold, and enjoy any and all gifts, bequests, devises, conveyances, and
144 appointments in favor of or in the name of the converting savings or cooperative bank and
145 whether made or created to take effect prior to or after the conversion.

146 (o) A person who willfully violates the disclosure provisions of this section knowing the
147 disclosures made to be false or misleading in a material respect shall upon conviction be fined
148 not more than \$5,000 or imprisoned not more than 3 years, or both.

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