

Substituted by the House, on motion of Mr. Plunkett of Lowell, for a Resolve increasing the scope of the special commission relative to the branch banking laws of the Commonwealth (House, No. 3370) and passed by the House to be engrossed. September 19.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Fifty-Seven.

AN ACT TO PROVIDE FOR THE ESTABLISHMENT AND OPERATION OF BANK HOLDING COMPANIES.

1 *Whereas*, The deferred operation of this act would tend
2 to defeat its purpose, which is to prevent forthwith the undue
3 concentration of capital stock of banking institutions in
4 holding companies and to preserve competition among
5 banks, therefore it is hereby declared to be an emergency
6 law, necessary for the immediate preservation of the public
7 convenience.

*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. The General Laws are hereby amended by
2 inserting after chapter 167 the following chapter:—

3 CHAPTER 167A.

4 BANK HOLDING COMPANIES.

5 *Section 1. Definitions.*— The following words when used
6 in this chapter, unless the context otherwise requires, shall
7 have the following meanings:—

8 (a) “Banking institution”, a bank as defined in section
9 one of chapter one hundred and sixty-seven and a national

10 banking association authorized to conduct business and lo-
11 cated in this commonwealth.

12 (b) "Commissioner", the commissioner of banks.

13 (c) "Company", any banking institution, corporation,
14 partnership, business trust, voting trust, unincorporated as-
15 sociation, joint stock association or similar organization or-
16 ganized under the laws of this commonwealth or doing busi-
17 ness in this commonwealth, but shall not include (1) any
18 corporation, the majority of the stock of which is owned by
19 the United States or by any state; or (2) any corporation or
20 association organized and operated exclusively for religious,
21 charitable or educational purposes no part of the net earn-
22 ings of which inures to the benefit of any private stockholder
23 or individual, and no substantial part of the activities of
24 which is carrying on propaganda or otherwise attempting to
25 influence legislation; or (3) any corporation or partnership
26 owning or controlling stock acquired in connection with the
27 underwriting of securities and which is held only for such
28 period of time as will permit the sale thereof on a reasonable
29 basis.

30 (d) "Bank holding company", any company (1) which,
31 directly or indirectly, owns, controls or holds with power to
32 vote twenty-five per centum or more of the voting stock of
33 each of two or more banking institutions; or (2) which con-
34 trols the election of a majority of the directors of any two or
35 more banking institutions; or (3) for the benefit of whose
36 stockholders or members twenty-five per centum or more of
37 the voting stock of each of two or more banking institutions
38 is held by one or more trustees; and for the purposes of
39 this section, any successor to any such company shall be
40 deemed to be a bank holding company from the date as
41 of which such predecessor company became a bank holding
42 company. Notwithstanding the foregoing, no bank shall be
43 a bank holding company by virtue of its ownership or con-
44 trol of stock in a fiduciary capacity, except where such stock
45 is held for the benefit of the stockholders of such banking
46 institution.

47 (e) "Affiliate", (1) any company twenty-five per centum
48 or more of whose voting stock (excluding stock owned by

49 the United States or by any company wholly owned by the
50 United States) is owned or controlled by a bank holding com-
51 pany; or (2) any company the election of a majority of whose
52 directors is controlled in any manner by a bank holding com-
53 pany; or (3) any company twenty-five per centum or more
54 of whose vote or voting stock is held by trustees for the bene-
55 fit of the stockholders or members of a bank holding company.

56 (f) The term "successor" shall include any company
57 which acquired, directly or indirectly, from a bank holding
58 company stock of any banking institution when and if the
59 relationship between such company and the bank holding
60 company is such that the transaction effects no substantial
61 change in the control of the banking institution or beneficial
62 ownership of the stock thereof. The commissioner may, by
63 regulation, further define the word "successor" to the ex-
64 tent necessary to prevent evasion of the purposes of this
65 section.

66 *Section 2.* Except with the prior written approval of the
67 board of bank incorporation (1) no company shall become a
68 bank holding company; (2) no bank holding company own-
69 ing, controlling or holding with power to vote, directly or
70 indirectly, twenty-five per centum or more of the voting
71 stock of each of two or more banking institutions shall
72 acquire direct or indirect ownership or control of any addi-
73 tional voting stock in any such banking institution or shall
74 acquire direct or indirect ownership or control of any voting
75 stock in any other banking institution if, after such acquisi-
76 tion, such bank holding company will, directly or indirectly,
77 own or control more than five per centum of the voting stock
78 thereof; (3) no bank holding company or affiliate thereof,
79 other than a banking institution, shall acquire all or sub-
80 stantially all of the assets of a banking institution; (4) no
81 bank holding company shall merge or consolidate with any
82 other bank holding company; and (5) no bank holding com-
83 pany shall vote the stock controlled by it in a trust company
84 or banking company.

85 *Section 3.* The prohibitions contained in section two shall
86 not apply to (1) stock acquired in good faith in a fiduciary
87 capacity except where such stock is held for the benefit of

88 the shareholders of a banking institution or bank holding
89 company; (2) stock accepted in good faith as collateral
90 security for advances made or stock acquired in the regular
91 course of securing or collecting a debt previously contracted
92 in good faith; provided, such stock shall be sold or otherwise
93 disposed of within the term of five years from the date of its
94 acquisition unless its further holding is approved by the
95 board of bank incorporation; (3) stock acquired as a conse-
96 quence of a merger or consolidation of one banking institu-
97 tion with another, or the conversion of one banking insti-
98 tution into another, or the sale of assets of one banking
99 institution to another where the stock acquired does not
100 represent a larger percentage interest in the stock of the
101 banking institution in which acquired than was held prior
102 to such consolidation, merger, conversion or sale by the bank
103 holding company in the banking institution consolidated,
104 merged or converted, or whose assets were the subject of
105 the sale; or (4) any stock acquired in connection with the
106 underwriting of the issue of such stock and which is held
107 only for such period of time as will permit the sale thereof
108 on a reasonable basis.

109 *Section 4.* Any company or bank holding company seek-
110 ing authority to act under the provisions of section two shall
111 file a petition with the board of bank incorporation, and said
112 board shall hold a public hearing thereon pursuant to the
113 provisions of chapter thirty A. In determining whether or
114 not to approve said petition the decision of the board shall
115 be based on a finding whether or not competition among
116 banking institutions will be unreasonably affected, and
117 whether or not public convenience and advantage will be
118 promoted. Such decision shall be subject to review in the
119 manner provided for in chapter thirty A.

120 *Section 5.* (a) Each bank holding company holding
121 twenty-five per centum or more of the voting stock of each
122 of two or more banking institutions shall register with the
123 commissioner on forms prescribed by him which shall in-
124 clude such information with respect to the financial condi-
125 tion, operations, management and intercompany relation-
126 ships of the bank holding company and its affiliates and

127 related matters as he may deem necessary or appropriate to
128 carry out the purposes of this chapter. The commissioner
129 may, in his discretion, extend the time within which a bank
130 holding company shall register and file the requisite infor-
131 mation.

132 (b) The commissioner, from time to time, may require re-
133 ports under oath to keep him informed as to whether the
134 provisions of this chapter and the rules and regulations es-
135 tablished thereunder have been complied with, and, except
136 in the case of a national banking association, he may make
137 examinations of each bank holding company and each affili-
138 ate thereof, the cost of which shall be assessed against and
139 paid by such holding company.

140 (c) The commissioner may establish such rules and regu-
141 lations as he deems necessary to carry out the purposes of
142 this chapter.

143 *Section 6.* (a) Any company which knowingly violates
144 any provision of this chapter or any regulation or order
145 issued by the commissioner pursuant thereto may be pun-
146 ished by a fine of not more than one hundred dollars for each
147 day during which such violation continues.

148 (b) Any individual who willfully participates in a viola-
149 tion of this chapter, or any rule or regulation of the commis-
150 sioner issued pursuant thereto, shall be punished by a fine
151 of not more than five thousand dollars.

152 (c) Any individual who swears or affirms that any report
153 required by the commissioner pursuant to this chapter is
154 true, knowing the same to be false, shall be punished by a
155 fine of not more than five thousand dollars or by imprison-
156 ment for not more than one year, or both.

157 (d) Any officer, director, trustee, employee or agent of
158 any bank holding company or affiliate thereof who makes
159 any false entry in any book, record or statement of such com-
160 pany or affiliate with the intent to deceive any examiner
161 lawfully appointed to examine into its condition or into any
162 of its affairs, or who, with like intent, willfully omits to
163 make a true entry of any material pertaining to the business
164 of such company or affiliate in any book, report, record or

165 statement of such company or affiliate, made, written or
166 kept by him or under his direction shall be punished by a
167 fine of not more than ten thousand dollars, or by imprison-
168 ment in the state prison for not more than ten years, or in
169 a jail or house of correction for not more than two and one
170 half years, or by both such fine and imprisonment.

171 *Section 7.* The supreme judicial court or any justice
172 thereof shall have jurisdiction in equity to enforce the pro-
173 visions of this chapter.

1 SECTION 2. Any company which on the effective date of
2 this act is a bank holding company, as defined in section one
3 of chapter one hundred and sixty-seven A of the General
4 Laws, shall, within ninety days after said effective date,
5 register with the commissioner of banks on forms prescribed
6 by him, and shall include therein such information as he
7 may deem necessary or appropriate, under the provisions of
8 paragraph (a) of section three of said chapter one hundred
9 and sixty-seven A. The said commissioner may, in his dis-
10 cretion, extend the time within which such registration shall
11 be made.

1 SECTION 3. Any company which on the effective date of
2 this act is a bank holding company, as defined in section one
3 of chapter one hundred and sixty-seven A of the General
4 Laws, shall not be required to divest itself of the voting stock
5 of a banking institution held on said effective date, and such
6 company may acquire additional stock in any banking in-
7 stitution in which, on said effective date, it owns more than
8 fifty per centum of the voting stock, without obtaining the
9 approval of the board of bank incorporation, notwithstand-
10 ing the provisions of section two of said chapter one hundred
11 and sixty-seven A.

1 SECTION 4. Nothing herein contained shall be interpreted
2 or construed as approving any act, action or conduct which
3 is or has been or may be in violation of existing law, nor shall
4 anything herein contained constitute a defense to any action,

5 suit or proceeding pending or hereafter instituted on account
6 of any prohibited anti-trust or monopolistic act, action or
7 conduct.

1 SECTION 5. If any section or clause of this act is held
2 invalid or unconstitutional by a court of competent juris-
3 diction, the remainder shall not be affected thereby.

