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## Decision of April 24, 2009

By the [Division of Banks](#)

### DECISION RELATIVE TO THE PETITION OF POWER CORPORATION OF CANADA AND POWER FINANCIAL CORPORATION, MONTREAL, QUEBEC, CANADA TO ACQUIRE PUTNAM FIDUCIARY TRUST COMPANY, NEW HAMPSHIRE

Power Corporation of Canada and Power Financial Corporation (collectively "Power" or the "Petitioner"), both of Montreal, Quebec, Canada, have petitioned the Board of Bank Incorporation (the "Board") pursuant to Massachusetts General Laws chapter 167A, sections 2 and 4 to acquire Putnam Fiduciary Trust Company ("Putnam NH"), a newly formed New Hampshire-chartered nondepository trust company. The transaction is structured so that Great-West Lifeco, Inc. ("Great-West") Winnipeg, Manitoba, Canada, which is controlled by the Petitioner, will acquire 100% of the equity interests of Putnam NH through a wholly-owned subsidiary. The acquisition is part of the corporate reorganization of Putnam Fiduciary Trust Company ("Putnam MA"), Boston, Massachusetts, a Massachusetts chartered trust company and indirect subsidiary of the Petitioner. The Board approved the Petitioner's acquisition of Putnam MA in a Decision on June 27, 2007. A related application has been filed with the Division of Banks for approval of a subsequent merger of Putnam MA with and into Putnam NH. That transaction will result in Putnam NH succeeding to the business of Putnam MA. Such business will continue to be conducted at the present Boston office of Putnam MA.

As directed by the Board, notice of the application was published and posted and a public hearing was held, thereby affording an opportunity for interested parties to attend or submit comments. Other standard procedures informing the public of this matter before the Board were implemented. The public hearing was held on January 24, 2008. Representatives of the Petitioner offered testimony and responded to questions from the members of the Board. The public comment period closed on January 31, 2008.

The Petitioner and Great-West are Canadian publicly-owned companies, the shares of which are traded on the Toronto Stock Exchange. Power Corporation of Canada is a diversified international management and holding company with interests in companies that are active in the financial services, communications and other business sectors. Power Corporation of Canada controls Power Financial Corporation, a holding company with substantial interests in the financial services industry. Power Financial, in turn, controls Great-West, a financial services holding company with interests in the life insurance, health insurance, retirement, savings, and reinsurance businesses. Great-West has operations in Canada, United States, and Europe.

This matter remained pending before the Board while other necessary threshold actions in this multi-step transaction were approved by other regulatory bodies. Although many significant events have occurred in the financial markets during the pendency of the matter, no material changes have

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impacted the parties to this corporate reorganization.

Putnam MA is a Massachusetts-chartered trust company. It maintains its sole office at One Post Office Square, Boston, Massachusetts. Its primary business is providing investment and trust services to institutions throughout the United States. As of December 31, 2008, Putnam MA had total assets of approximately \$287 million. Putnam MA provides investment and trust services to institutions, including acting as trustee and administrator for retirement and college savings plans, provides investment management services through commingled funds maintained for qualified retirement plans, and serves as transfer agent for customers including a large family of registered investment companies, the "Putnam Funds". This transfer agent business has been or will be transferred to an affiliate of Putnam MA. Putnam MA accepts no deposits from the public and makes no loans but maintains deposit accounts of two affiliates in the aggregate amount of \$500,000 which allows it to be FDIC insured. In connection with the subsequent merger of Putnam MA with and into Putnam NH the deposits of the affiliates will be withdrawn and Putnam NH's FDIC insurance will be terminated as soon as authorized by the FDIC.

Prior to approving an application under chapter 167A, the Board must have received notice from the Massachusetts Housing Partnership Fund (the "MHPF") that satisfactory arrangements have been made by the Petitioner consistent with statute and MHPF's various affordable housing loan programs. The Board has received notice that satisfactory arrangements had been made by the Petitioner with the MHPF.

The Board's review of this matter focuses on the applicable statutory and administrative criteria which include, among other things, whether competition among banking institutions will be unreasonably affected and whether public convenience and advantage will be promoted. In determining whether the public convenience and advantage are promoted by the transaction, the Board considers, among other things, whether there has been a showing of "net new benefits." Net new benefits are defined as initial capital investments, job creation plans, consumer and business services, commitment to maintain and open branch offices within a bank's delineated local community, and such other matters as the Board may deem necessary or advisable. The Board also considers the banks record of performance under the Community Reinvestment Act ("CRA") and any relevant testimony received at the public hearing or submitted during the open comment period.

On the issue of whether banking competition will be unreasonably affected by the proposed transaction, the Board considers, but does not rely exclusively on, the guidelines used by federal authorities to review bank mergers. Essentially, these guidelines define relevant markets and measure concentration, which is considered an important indicator of competitiveness. The starting point in the federal analysis is the Herfindahl-Hirschman Index ("HHI"), an arithmetic measure of market concentration that synthesizes the distribution of market shares and the number of banks in an affected market into a single value. However, the Board's analysis of a transaction is not confined to the consideration of concentration ratios to evaluate competitive conditions; it also considers the competitive impact on a community by community basis, as well as on the overall banking structure of the Commonwealth. As the proposed transaction involves a reorganization of banking operations, and not the acquisition of any new banking assets by the Petitioner, the transaction will have no direct competitive impact on banking competition within the Commonwealth.

The Petitioner submitted information relating to the public convenience and advantage that will result from the proposed transaction. As a general matter, the Petitioner states that public convenience and advantage will be served because Putnam NH will continue to engage in trust and investment management activities following the merger with Putnam MA, and because Putnam NH will benefit from the longstanding and substantial financial services management expertise of Putnam MA. Furthermore, the Petitioner believes that Putnam MA would most effectively and efficiently be organized as a non-FDIC insured depository trust company. The Petitioner believes such resulting efficiencies which include less burdensome regulatory requirements to benefit customers of Putnam NH. Moreover, although Putnam NH is expected to remain "well-capitalized" at all times, its level of capital is expected to be lower than the level currently maintained by Putnam MA. Putnam NH will be able to use the difference to provide improved services to its customers and to enhance its systems and technology as required. Over time, these efficiencies are expected to enable Putnam NH to provide enhanced products and services to the customers it serves. The Petitioner notes that Putnam NH's employees, premises and operations will all remain in Massachusetts and will continue Putnam MA's commitment to Massachusetts communities.

Based on the foregoing, and on the entire record of this matter, the Board finds that public convenience and advantage will be promoted by the proposed transaction, and that the criteria for net new benefits has been established.

The Board's review of this transaction includes an assessment of the subsidiary banks' performance under the Community Reinvestment Act ("CRA"). Such assessment for a state-chartered bank

includes examination by Division of Bank personnel, as well as an analysis of the legitimate concerns raised by the community and the bank's response to those concerns. For other institutions, the Board reviews the descriptive rating and evaluation by the applicable federal or state bank regulatory agency. Because Putnam NH is a newly formed bank, it has not yet received a CRA evaluation. The Board, however, notes it will conduct business in the same manner as Putnam MA which has received an overall "Outstanding" rating from the Division of Banks in its most recent CRA Performance Evaluation.

#### Conclusion

Based on the record of this matter and considered in light of all relevant statutory and administrative requirements, the Board concludes that competition among banking institutions in the Commonwealth will not be unreasonably affected and that the transaction will promote the public convenience and advantage. The Board also finds that the operating bank involved in this transaction has a satisfactory record of performance under CRA and that the transaction meets all other requirements of Massachusetts law. In accordance with these findings and pursuant to the statutory authority cited herein, the Board approves the application and authorizes Power Corporation of Canada and Power Financial Corporation to acquire 100% of the stock of Putnam Fiduciary Trust Company.

The approval granted herein is subject to the condition that the transaction is completed within one year of the date of this Decision.

## **Board of Bank Incorporation**

Steven L. Antonakes

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Commissioner of Banks

Navjeet K. Bal

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Commissioner of Revenue

Timothy P. Cahill

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Treasurer and Receiver-General

April 24, 2009

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Date