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Decision of July 17, 2002

Decision relative to the application of Banknorth N.A., Portland, Maine to merge with Ipswich Savings Bank, Ipswich, Massachusetts

By the [Division of Banks](#)

[Banknorth N.A. \(the "Petitioner" or "Banknorth"\), of Portland, Maine, has applied to the Division of Banks \(the "Division"\) for permission to merge with Ipswich Savings Bank \("Ipswich"\), of Ipswich, Massachusetts. This proposed merger is pursuant to an Agreement and Plan of Merger \(the "Agreement"\) dated March 26, 2002 and authorized under the provisions of Massachusetts General Laws chapter 167, section 39B. The Agreement provides for the merger of Ipswich with and into Banknorth, after which Ipswich will cease to exist, and its branches will become branches of Banknorth. The proposed merger is part of a multi-step transaction, involving a petition before the Board of Bank Incorporation by Petitioner's holding company, Banknorth Group, Inc., Portland, Maine, to acquire Ipswich Bancshares of Ipswich, Massachusetts. Ipswich Bancshares is the holding company of Ipswich.](#)

[Notice of Petitioner's application was published and posted, and the time period for interested parties to comment on the transaction has expired. Accordingly, all documents and materials related to this transaction have been received and reviewed. This record has been considered with regard to all applicable statutory standards, which require consideration of, among other things, whether competition among banking institutions will be unreasonably affected by the proposed transaction and whether the public convenience and advantage will be promoted. The Commissioner's consideration of this matter must also take into account the involved banks' record of performance under the Community Reinvestment Act \("CRA"\).](#)

[Petitioner is a national bank headquartered in Portland Maine. As of December 31, 2001, it had \\$21 billion in total consolidated assets. Its main office is located in Portland, Maine, and it operates 306 branch offices in Maine, New Hampshire, Massachusetts, Connecticut, Vermont, and New York. Banknorth and its subsidiaries offer a range of commercial and consumer banking services and products, trust, investment advisory, and insurance brokerage services.](#)

[Ipswich is a Massachusetts chartered, stock savings bank. At December 31, 2001, it held approximately \\$321 million in total consolidated assets. In addition to its main office in Ipswich, it operates seven branch offices located in Rowley, North Andover, Salem, Essex, Marblehead, Reading, and Beverly. Ipswich also has three subsidiaries, Ipswich Securities Corporation, Ipswich Preferred Capital Corporation, and Northshore Financial Services, Inc.](#)

[As an interstate transaction and pursuant to the requirements of chapter 167, section 39B, the reciprocity laws of Petitioner's home state are subject to the review of the Commissioner of Banks. Specifically, the Commissioner must determine whether the transaction being proposed by the Petitioner is authorized under the laws of Maine for a Massachusetts-based company, under conditions no more restrictive than those imposed by Massachusetts. Accordingly, a review of these laws indicates that they are reciprocal and would authorize the proposed transaction under](#)

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conditions no more restrictive than those imposed by the above-referenced statute. Based on this review, and consistent with previous rulings regarding the Petitioner and Maine's reciprocity laws, the proposed transaction is permissible under the Commonwealth's Interstate Bank Act.

Materials have been submitted to address whether competition among banks will be unreasonably affected by the proposed transaction. These materials, the relatively small market share of Banknorth and Ipswich within Massachusetts, and the Division's assessment of community conditions indicate that the proposed transaction will not have a significant impact on banking competition. Rather, the areas served by Ipswich will continue to be served by a number of diverse banks and financial institutions, giving these communities access to a variety of competitive deposit and credit services.

The Commissioner must consider whether the proposed transaction promotes the public convenience and advantage, as well as whether there has been a showing of net new benefits in relation to the transaction. Net new benefits include, among other things, initial capital investments, job creation plans, consumer and business services, commitments to maintain and open branch offices within a bank's delineated local community, and such other matters as the Commissioner may deem necessary. Petitioner has submitted a variety of materials which detail the new financial products and services that will become available to retail, small business, and commercial customers of Ipswich as a result of this transaction. Petitioner further contends that the merger will make banking significantly more convenient for all Ipswich customers. Banknorth points out that, not only does it not intend to close any existing branches, the proposed transaction will expand Ipswich customers' access to traditional branches in Massachusetts and neighboring states, supermarket branches, telephone banking services, and free online banking. Ipswich customers will also retain their access to surcharge free ATMs by virtue of Banknorth's participation in the SUM Network. As the record demonstrates that the merger will expand access to financial products and services, and provide a greater number of traditional and non-traditional forums in which to conduct banking business, the proposed transaction will promote the public convenience and advantage. Further, the criteria for net new benefits has been established.

Prior to approving this transaction, and as required by Massachusetts General Laws chapter 167, section 14, the Commissioner must consider the involved banks' record of performance under the CRA. Such review for a Massachusetts-chartered bank includes examination by the Division, as well as an analysis of any legitimate concerns raised by the community and the bank's response to those concerns. For other institutions, the Division reviews the descriptive rating and evaluation by the applicable federal or state bank regulatory agency. In its most recent CRA examination, performed by the Federal Deposit Insurance Corporation ("FDIC"), Ipswich received a "Satisfactory" rating. The FDIC also performed the most recent examination of Banknorth, N.A., formerly known as People's Heritage Savings Bank, of Portland, Maine, and it received an "Outstanding" rating. These ratings, as well as other materials submitted on this issue, sufficiently demonstrate that the banks involved in this transaction are adequately meeting the credit needs of their respective communities.

As a state-chartered savings bank, the deposits in Ipswich in excess of the deposit insurance coverage provided by the Federal Deposit Insurance Corporation ("FDIC") are insured, in full, by the Depositors Insurance Fund ("DIF"), established by Chapter 43 of the Acts of 1934. Upon consummation of the merger of Ipswich with and into Banknorth, a national bank, the excess deposit insurance coverage of DIF will end. The Division is aware that disclosure materials sent separately to Ipswich's depositors both by Ipswich and Banknorth have informed those depositors that the DIF deposit insurance coverage will end if the merger is approved and finalized, while the FDIC coverage will continue. As in other transactions, these disclosure materials on the end of excess insurance coverage have been reviewed by DIF. In order to provide additional review and opportunity to comment on such disclosure of the end of excess deposit insurance coverage, the Division will require those documents to be submitted to it in advance. This requirement will apply to any transaction by the Petitioner or any other party, involving a state-chartered savings bank or cooperative bank. The Division reserves the right to address the content of the disclosure, as well as the form in which it is distributed.

Based on the entire record of this matter and considered in light of all relevant statutory and administrative requirements, the Division concludes that all such requirements have been met and that consummation of the proposed merger would be in public interest. On the basis of these conclusions, and subject to the conditions set forth below, approval is granted for Ipswich to merge with and into Banknorth in conformity with the Agreement and pursuant to Massachusetts General Laws chapter 167, section 39B.

The approval granted herein is subject to the following conditions:

1. that the merger of Ipswich and Banknorth shall not become effective until a Certificate, signed by the Presidents and Clerks or other duly authorized officers of the banks involved in the merger,

- indicating that each such institution has complied with the provisions of Massachusetts General Laws chapter 167, section 39B, or other applicable statute, have been returned:
2. that such Certificate shall be filed with the Secretary of State of the Commonwealth of Massachusetts:
 3. that, in accordance with said section 39B, the banking offices of Ipswich shall be operated as national bank branches, subject to the provisions of the Community Reinvestment Act, and all consumer protection statutes in the Commonwealth;
 4. that the proposed merger shall be consummated within one year of the date of this decision.

July 17, 2002

Thomas J. Curry

Date