Federal Reserve Bank of Boston
BANK NOTES
• Edited by Anne M. McElroy •
September 2009
Vol. XXXIX, No. 9

Mergers and Acquisitions

First Ipswich Bancorp of Ipswich, MA, announced on September 2, 2009, that its **unit First National Bank** had signed a purchase and assumption agreement with **Hampshire First Bank** of Manchester, NH, a unit of **Meridian Financial Services Inc.** of East Boston, MA. (Meridian Financial Services is also the parent company of East Boston Savings Bank of East Boston, MA.)

Under the agreement, Hampshire First Bank will acquire a **First National Bank of Ipswich** branch in Portsmouth, NH. Terms of the deal call for Hampshire First Bank to assume operations of the branch and administer the banking center for commercial and residential banking.

Financial terms of the transaction were not disclosed. The deal is expected to close in the fourth quarter of 2009, pending regulatory approval. *(SNL Bank M&A Weekly, 9/09/09; First Ipswich Bancorp press release, 9/02/09)*

The merger of Fidelity National Information Services Inc. (FIS) of Jacksonville, FL, and Metavante Technologies Inc. of Milwaukee, WI, was approved by the Justice Department on September 3, 2009. Completion of the merger is dependent on further approvals from both companies' shareholders and other customary closing conditions. The deal, expected to close in the fourth quarter of 2009, will result in a tax-free reorganization with Metavante merging with and into a newly formed subsidiary of FIS. *(SNL Bank & Thrift Weekly, Northeastern Edition, 9/08/09; FIS press release, 9/03/09; SNL Bank & Thrift Daily, 4/02/09)*

On August 19, 2009, NewStar **Financial Inc.** of Boston, MA, announced that it had terminated its agreement to acquire Southern Commerce Bank NA of Tampa, FL. Southern **Commerce Bank** is a unit of Dickinson Financial Corp. II of Kansas City, MO. NewStar stated that it had terminated the agreement because it was unlikely to obtain regulatory approval on terms acceptable to the company's objectives. *(SNL Bank M&A Weekly, 8/24/09; NewStar Financial press release, 8/19/09)*

Salisbury Bank & Trust Co., a unit of **Salisbury Bancorp Inc.**, both of Lakeville, CT, entered into a purchase and assumption agreement with **Webster Financial Bank, NA** of Waterbury, CT, to acquire a **Webster Bank** branch in Canaan, CT on August 24, 2009. Webster Bank is a unit of **Webster Financial Corp**.

Under the agreement, Salisbury Bank will assume certain deposits, loans and fixed assets of the branch. The transaction includes approximately $17 million in deposits and $4 million in loans. The deal is expected to close in the fourth quarter of 2009, pending regulatory approval. Salisbury Bank stated that the purchase is part of its strategic initiative to enhance market share in the tri-state area. ***(SNL Bank & Thrift Daily, 9/26/09; Salisbury Bancorp press release, 9/25/09)***

Financial Institution Relocation

Northern Bank & Trust Company relocated its main office from 214 Lexington Street, Woburn, MA, to 275 Mishawum Road, Woburn, MA, on July 20, 2009. On the same day, Northern Bancorp, the bank holding company for Northern Bank & Trust, also relocated to the Mishawum Road facility. *(Internal sources, 8/21/09)*

Agencies Seek Comment on Proposed Regulatory Capital Standards Related to Adoption of Statements of Financial Accounting Standards No. 166 and 167

The federal banking and thrift regulatory agencies are seeking comment on a proposed regulatory capital rule related to the Financial Accounting Standards Board's adoption of Statements of Financial Accounting Standards Nos. 166 and 167. Beginning in 2010, these accounting standards will make substantive changes to how banking organizations account for many items, including securitized assets, that are currently excluded from these organizations' balance sheets.

The agencies are issuing the proposal to better align regulatory capital requirements with the actual risks of certain exposures. Banking organizations affected by the new accounting standards generally will be subject to higher minimum regulatory capital requirements. The agencies' proposal seeks comment and supporting data on whether a phase-in of the increase in regulatory capital requirements is needed. It also seeks comment and supporting data on the features and characteristics of transactions that, although consolidated under the new accounting standards, might merit an alternative capital treatment, as well as on the potential impact of the new accounting standards on lending, provisioning, and other activities.

The agencies' statement was released on August 26, 2009. Comments are due within 30 days after its publication in the Federal Register, which is expected shortly. The agencies' press release and the draft Federal Register notice are online at www.federalreserve.gov/newsevents/press/bcreg/20090826a.htm. *(Interagency press release, 8/26/09)*

FDIC Extends Supervisory Period for de novos to Seven Years

The FDIC is extending the de novo supervisory period to seven years for newly insured (de novo) depository institutions. In an August 28, 2009, letter to financial institutions, the agency stated that under current policy, newly insured institutions are subject to higher capital requirements and more frequent examination activities during the first three years of operation.

Based on supervisory experience, the FDIC is extending the de novo period from the current three-year period to seven years for examinations, capital, and other requirements. In addition, material changes in business plans for newly insured institutions will require prior FDIC approval during the first seven years of operation. In announcing the change, the FDIC noted that recent experience demonstrates that newly insured institutions pose an elevated risk to the FDIC Deposit Insurance Fund. Depository institutions insured less than seven years are over represented on the list of institutions that failed during 2008 and 2009, with many of the failures occurring during the fourth through seventh years of operation.

The FDIC also noted that a number of newly insured institutions have pursued changes in business plans during the first few years of operation that have led to increased risk and financial problems with inadequate controls and risk management practices.

More details about the changes are cited in the FDIC's August 28 Financial Institution Letter at www.fdic.gov news/news/financial/2009/fil09050.html. *(FDIC FIL-50-2009, 8/28/09)*

FDIC Issues Notice of Proposed Rulemaking to Effectively End Debt Guarantee Program

The FDIC is seeking comment on a September 9, 2009, Notice of Proposed Rulemaking (NPR) that outlines two alternatives to phase out the Debt Guarantee Program (DGP), a component of the FDIC's Temporary Liquidity Guarantee Program (TLG Program).

Under Alternative A, the DGP would conclude as provided under current regulation. Specifically, all insured depository institutions and other qualifying entities currently participating in the DGP would be permitted to issue FDIC-guaranteed senior unsecured debt until October 31, 2009, with the FDIC's guarantee expiring no later than December 31, 2012.

Under Alternative B, the DGP would expire similarly; however, the FDIC would establish a limited emergency guarantee facility allowing entities that had issued FDIC-guaranteed senior unsecured debt by September 9, 2009, to apply to issue FDIC-guaranteed debt for an additional six months. The FDIC's guarantee would expire no later than December 31, 2012.

Comments are due 15 days following publication of the NPR in the Federal Register. For more information, please view the FDIC's September 9, 2009 Financial Institution Letter at www.fdic.gov/news/news/financial/2009/fil09051.html. *(FIL-51-2009, 9/09/09)*

Credit Union Trade Groups Call for Corporate Credit Union Limits

A report issued by a task force formed by the National Association of Federal Credit Unions (NAFCU) and the Credit Union National Association calls for limiting corporate credit unions' powers by setting a defined set of services. The task force was created after the failure of two large corporate credit unions in 2009. Services recommended by the task force include payments and settlements, liquidity and short-term investments. In addition, the report recommends that credit unions be required to contribute capital in order to become members and be able to use the services of corporate credit unions, and also said that the NCUA should improve the oversight of corporates. *(Credit Union Journal, September 9, 2009)*

FDIC Issues Final Rule to Eliminate Three Transfer Sublimit for Withdrawals from Savings Deposits

On September 9, 2009, the FDIC published a final rule that recognizes elimination of the monthly three transfer sublimit for certain types of withdrawals from the savings deposits of FDIC-supervised institutions. The overall six transfer limit on pre-authorized or automatic withdrawals will still exist. This rule parallels a recent amendment to Regulation D, "Reserve Requirements of Depository Institutions," by the Federal Reserve, which took effect on July 2, 2009. Under the FDIC Rules and Regulations, FDIC-supervised institutions become subject to exceptions to statutory prohibitions as soon as they are promulgated by the Federal Reserve Board.

The Federal Reserve recently amended Regulation D to increase from three to six the permissible monthly number of transfers or withdrawals from savings deposits by check, debit card or other drafts to third parties. The elimination of the three transfer sublimit was effective for FDIC-supervised institutions on July 2, 2009.

The FDIC has amended Part 329 of its regulations to reflect this change. More information is available in the FDIC's September 9, 2009, Financial Institution Letter at www.fdic.gov/news/news/financial/2009/fil09052.html. *(FIL-52-2009, 9/09/09)*

Boston Reserve Bank Issues Report on Mobile Banking

In August 2009, the Boston Reserve Bank issued a report entitled *Mobile Banking in New England: The Current State of the Market*. The report provides an overview of mobile banking in the United States and presents the results of a survey of mobile banking at New England depository financial institutions. The survey was conducted in July of 2008 by the Boston Reserve Bank and the New England ACH Association (NEACH) and drew responses from more than 300 banks and credit unions throughout the region.

Now more than ever, to compete successfully in today's complex and evolving financial services landscape, financial institutions need to understand the state of the mobile banking market, specifically here in New England and also nationally among the market-setting banks. The survey was designed to help regional banks and credit unions achieve this goal by providing data about mobile banking services.

The report comprises two major pieces: First is a section presenting an overview of the domestic landscape, providing background and context on the services, technology, barriers, and risks for financial institutions offering or considering mobile banking services, together with a summary outlook for the channel. The second, and primary, section of the report presents and discusses the results of the joint Bank-NEACH survey.
Mobile Banking in New England: The Current State of the Market is the first in a new series of briefings and reports entitled *Banking PayPers* that focus on evolving payment system issues of importance to bankers and other payments specialists. The current report is available through the Bank's Financial Institution Relations and Outreach (FIRO) webpage at www.bos.frb.org/bankinfo/firo/index.htm. *(Internal Sources, 9/09/09)*

FEDERAL RESERVE BANK OF BOSTON™

Items in this publication focus on developments affecting banking structure in New England. The items are condensations of articles from a selected group of daily newspapers and press releases of federal and state financial regulatory agencies. Their reproduction does not imply our endorsement of the accuracy, opinions or policies reflected in the subject matter. *Bank Notes* is available without charge.

To be added to the electronic mailing list or to the paper distribution list, send visit our online subscription form at www.bos.frb.org/economic/banknote/bnsubscribe.htm. If unable to do so, call Anne McElroy at (617) 973-3126. To access *Bank Notes* on the Web, visit the Boston Fed's web site at www.bos.frb.org/economic/banknote/index.htm.