

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne M. McElroy •

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Mergers and Acquisitions

Bridgewater Savings Bank of Raynham, MA, completed its merger with **East Bridgewater Savings Bank** on January 1, 2010. Under the deal, Bridgewater Savings Bank will assume East Bridgewater Savings Bank's operations in 2010. East Bridgewater Savings Bank accounts are to be converted to Bridgewater Savings Bank accounts in May 2010. The merged organization will be known as Bridgewater Savings Bank, with deposits of \$382 million. (*SNL Bank & Thrift Weekly, Northeast Edition, 1/11/10; Boston Globe, 1/04/10*)

Meridian Interstate Bancorp Inc. (MHC) announced that it had completed its acquisition of **Mt. Washington Co-operative Bank** of South Boston, MA. As noted in previous issues of *Bank Notes*, each Mt. Washington branch office will become a branch office of East Boston Savings Bank, and will operate under the name of "**Mt. Washington Bank, A Division of East Boston Savings Bank.**" Meridian is the parent company of **East Boston Savings Bank.** (*SNL Bank & Thrift Weekly, Northeastern Edition, 1/11/10; Meridian Interstate press release, 1/05/10*)

Rockville Bank (MHC) of Vernon-Rockville, CT, announced on January 12, 2009, that its subsidiary **Rockville Bank Mortgage Inc.** had acquired the assets of **Family Choice Mortgage Corp.** of West Springfield, MA. Terms of the deal were not disclosed. Family Choice Mortgage provides residential first mortgages for sale to investors in the secondary market. William McGurk, President and CEO of Rockville Bank, noted in the bank's press release that the "acquisition will have no impact on Rockville Bank's lending processes and our branches will continue to originate loans" for Rockville Bank. (*SNL Bank & Thrift Daily, 1/14/10 Rockville Bank press release, 1/11/10*)

Victory/Piaterer Mutual Benefit Association Credit Union of East Hartford, CT, acquired **American Mutual Credit Union, Inc.** of Bloomfield, CT, on December 28, 2009. On the same day, **Jordan Mutual Benefit Association Credit Union** of Bloomfield, CT, also merged into Victory/Piaterer Mutual Benefit Association Credit Union. (*Internal sources, 1/08/10*)

Branch Openings

Brattleboro Savings and Loan of Brattleboro, VT, opened a branch on Franklin Pierce Highway (Route 9) in West Chesterfield, NH, on December 1, 2009. (*Internal sources, December 31, 2009*)

Merchants Bank of South Burlington, VT, announced on January 4, 2010, that it would open a new branch in Rutland, VT, on January 15, 2010. The new facility, located at 92 Woodstock Avenue, will replace and double the capacity of the previous branch at the same location. Merchants Bank is a unit of **Merchants Bancshares Inc.** (*SNL Bank & Thrift Weekly Northeastern Edition, 1/11/10; Merchants Bank press release, 1/04/10*)

RBS Citizens, National Association of Providence, RI opened several branches in New York State in December 2009. On December 9, it opened a branch at 260 Pond Path in South Setauket, NY. On December 4, 2009, RBS Citizens opened a branch at 294 Middle County Road in Coram, NY. On December 11, 2009, RBS Citizens opened a branch at 32 South Middletown Road in Nanuet, NY, as well as a West Islip SS Branch on 400 Union Boulevard. (*Internal sources, 1/09/10*)

Salisbury Bank & Trust Co. of Lakeville, CT, opened a new full-service branch in Millerton, NY, on January 19, 2010. The Millerton branch is **Salisbury Bank's** eighth office and the bank's second in New York State. Salisbury Bank & Trust Co. is owned by **Salisbury Bancorp, Inc.**, also of Lakeville, CT. (*SNL Bank & Thrift Weekly, 1/11/10; Salisbury Bank & Trust Co. Press Release, 1/06/10*)

Branch Closings

Eastern Bank of Boston, MA, closed a branch at Shaw's Supermarket on South Main Street in Sharon, MA, on November 30, 2009. (*Internal sources, December 31, 2009*)

De Novo

Organizers of Great Waters Bank & Trust Co. of Wolfeboro, NH, have been unable to raise enough capital to open the de novo. On January 12, 2009, the New Hampshire Union Leader of Manchester, NH, reported

that the bank had extended its deadline to raise capital until December 31, 2009, but was still unable to raise enough funds. The newspaper reported that organizers had abandoned plans to start the bank. (*SNL Bank & Thrift Daily*, 1/13/10; *New Hampshire Union Leader*, 1/12/10)

Webster Bank, NA Anticipates Major Increase in Lending during 2010

Webster Bank NA, a unit of Webster Financial Corp. of Waterbury, CT, announced on January 4, 2010, that it expects to originate over \$850 million in new loans to small- and medium-sized New England businesses in 2010. According to the bank's press release, the move reflects Webster's intention to expand its business lending by \$400 million during the year for economic growth and job creation in the region. (*Webster Bank press release*, 1/04/10; *SNL Bank & Thrift Weekly Northeastern Edition*, 1/11/10)

FDIC Board Seeks Comment on Incorporating Employee Compensation Structures into the Risk Assessment System

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved an Advance Notice of Proposed Rulemaking (ANPR) seeking input on whether certain employee compensation structures pose risks that should be captured in the deposit insurance assessment program.

"A broad consensus of academic studies agrees that poorly designed compensation structures can misalign incentives and induce risk taking. I share those concerns. The recent crisis has shown that compensation practices that encourage excessive risk can create significant losses in the financial system and the deposit insurance fund," FDIC Chairman Sheila Bair said.

The ANPR includes a broad set of questions designed to solicit information on the types of structures that should be encouraged and on whether and how employee compensation should be factored into the risk-based pricing system. The ANPR will go out for public comment for 30 days after publication in the Federal Register. Details of the proposal are online at: www.fdic.gov/news/news/press/2010/pr10005.html. (*FDIC press release* 1/11/10)

Federal Reserve Board Proposes Amendments to Regulation D to Enable the Establishment of a Term Deposit Facility

The Federal Reserve Board on December 28, 2009, proposed amendments to Regulation D "Reserve Requirements of Depository Institutions" that would enable the establishment of a term deposit facility.

Under the proposal, the Federal Reserve Banks would offer interest-bearing term deposits to eligible institutions through an auction mechanism. Term deposits would be one of several tools that the Federal Reserve could employ to drain reserves to support the effective implementation of monetary policy.

This proposal is one component of a process of prudent planning on the part of the Federal Reserve and has no implications for monetary policy decisions in the near term. Public comments will be accepted until February 1, 2010. More information, including a link to the Federal Register announcement, is available at www.federalreserve.gov/newsevents/press/monetary/20091228a.htm. (*Federal Reserve Board press release*, 12/28/09)

Federal Reserve Approves Final Rules to Protect Credit Card Users from Several Costly Practices

On January 12, 2010, the Federal Reserve Board approved a final rule amending Regulation Z "Truth in Lending" to protect consumers who use credit cards from a number of costly practices. Credit card issuers must comply with most aspects of the rule beginning on February 22, 2010. The rule prohibits credit card issuers from a number of practices.

In December 2008, the Federal Reserve adopted final regulations prohibiting unfair credit card practices and improving the disclosures consumers receive in connection with credit card accounts. This rule amends aspects of those regulations to implement provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit Card Act), which was enacted in May 2009.

The final rule represents the second stage of the Federal Reserve's implementation of the Credit Card Act. On July 15, 2009, the Board issued an interim rule implementing the provisions of the Credit Card Act that went into effect on August 20, 2009. In addition to finalizing that interim rule, this rule implements the provisions of the Credit Card Act that take effect on February 22, 2010. The remaining provisions of the Credit Card Act take effect on August 22, 2010, and will be implemented by the Federal Reserve at a later date. More information is available online at www.federalreserve.gov/newsevents/press/bcreg/20100112a.htm. (*Reserve Board press release*, 1/12/10)

Financial Regulators Release Advisory on Sound Practices to Manage Interest Rate Risk

The Federal Reserve, in concert with other regulators, on January 7, 2010, released an advisory reminding depository institutions of supervisory expectations for sound practices in managing interest rate risk. This advisory reiterates the importance of effective corporate governance, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to the interest rate risk exposures of depository institutions. It also clarifies elements of existing guidance and describes interest rate risk-management techniques used by effective risk managers.

The financial regulators remind depository institutions that an effective interest rate risk-management system does not involve only the identification and measurement of interest rate risk, but also addresses appropriate actions to control this risk.

If an institution determines that its core earnings and capital are insufficient to support its level of risk, it should take steps to mitigate its exposure, increase its capital, or both. In an accompanying Supervision and Regulation letter to Reserve Bank heads of supervision, the Federal Reserve noted that although the advisory is targeted at depository institutions, the advice provided is also directly pertinent to bank holding companies. More details are available online at:

www.federalreserve.gov/newsevents/press/bcreg/20100107a.htm. (Reserve Board press release, 1/07/10)

Boston Fed Releases *The 2008 Survey of Consumer Payment Choice*

In December, the Boston Fed's Consumer Payments Research Center (CPRC) released *The 2008 Survey of Consumer Payment Choice (SCPC)*. This nationally representative survey was developed by the CPRC and implemented by the RAND Corporation. It fills a gap in knowledge about the role of consumers in the transformation of payments from paper to electronics by providing a broad-based assessment of U.S. consumers' adoption and use of nine payment instruments, including cash.

Of note, more consumers now have debit cards than credit cards, and consumers use debit cards more often than cash, credit cards, or checks individually. Cash, checks, and other paper instruments are still popular and account for 37 percent of consumer payments. Most consumers have used newer electronic payments, such as online banking bill payment, but these payments account for only 10 percent of consumer payments. Security and ease of use are the characteristics of payment instruments that consumers rate as the most important. The paper, which describes the survey and survey findings, is available online at www.bos.frb.org/economic/cprc/index.htm. (Internal sources, 12/09)



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