

Federal Reserve Bank of Boston

# BANK NOTES

• Edited by Anne McElroy •

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## Mergers and Acquisitions

Chittenden Corporation (\$6.42 billion) of Burlington, VT, and Merrill Merchants Bancshares, Inc. (\$445 million) of Bangor, ME, have signed a definitive merger agreement whereby Chittenden will acquire Merrill and its subsidiary, Merrill Merchants Bank for approximately \$111.4 million in cash and stock.

Following completion of the transaction, Merrill Merchants Bank, will operate as a separate unit of Chittenden Corp., maintaining its name and senior management team. The deal is expected to close in the second quarter of 2007, pending approval of Merrill's shareholders and regulatory agencies. (SNL Bank & Thrift Daily, 1/27/07; Chittenden Corp. Press Release 1/19/07)

Effective January 13, 2007, First Citizens Bank of Presque Isle, ME, merged into Gardiner Savings Institution FSB, of Gardiner, ME. Gardiner Savings now operates 26 branches in Central Maine. (Internal Notices, 1/19/07)

On January 1, 2007, Interchange Bank of Saddle Brook, NJ, merged into TD Banknorth, NA of Portland, ME. (Internal Notices, 1/05/07)

Mountain One Financial Partners MHC, (\$636.4 million) of North Adams, MA, and South Coastal Holdings MHC Inc., (\$226.7 million) of Boston, MA, have agreed to a merger of equals. Under the agreement, South Coastal will merge into MountainOne, while the parents and their respective subsidiaries will continue to operate separately under their existing names and independent boards.

The combined company will operate seven branches in Massachusetts. Regulatory approval for the merger is expected to occur in the late spring of 2007. (SNL Bank and Thrift Daily, 1/23/06)

On November 18, People's Bank, Bridgeport, CT, relocated its branch from 24 Washington Avenue, North Haven, CT, to 79 Washington Avenue, North Haven, CT. (CT DOB 11/18/05)

Needham Co-operative Bank of Needham, MA, (\$561.2 million) and Dedham Co-operative of Dedham, MA, (\$86.9 million) have entered into an agreement to merge the two entities under the new name of Needham

Bank. Upon completion of the deal, Needham Bank will have over \$650 million in assets and five branches. Terms of the deal were not disclosed. (SNL Bank & Thrift Daily, 1/11/07; Needham Co-operative Bank press release 1/10/07)

On January 2, 2007, Westbank of West Springfield, MA, merged into New Alliance Bank of New Haven, CT. NewAlliance Bank, the sixth largest bank headquartered in New England and the third largest bank based in Connecticut, has 88 branches in Connecticut and Massachusetts. (Internal Notices, 1/05/07; Westbank Press Release, 12/13/06)

## Holding Companies

On December 22, 2006, Gorham Bancorp, Inc. and Gorham Bancorp, MHC, opened for business in Gorham, ME, as bank holding companies and then acquired Gorham Savings Bank of Gorham, ME. (Internal Notices, 1/12/07)

Bangor Bancorp, MHC of Bangor, ME, has filed applications with regulatory agencies to become a bank holding company. The move is in connection with the reorganization of Bangor Savings Bank of Bangor, ME, into a mutual bank holding company structure. (Internal Notices, 1/12/07)

Spencer MHC and Spencer Mid-tier Holding Company, both of Spencer, MA, have filed applications to become a mutual holding company and stock bank holding company, respectively, by acquiring Spencer Savings Bank of Spencer, MA. (Internal Notices, 1/12/07)

On January 2, 2007, Westbank Corporation of West Springfield, MA, merged into NewAlliance Bancshares, Inc. of New Haven, CT. (Internal Notices, 1/12/07)

## New Bank Planned

The organizers of the Lawrence, Massachusetts-based Veritas Bank filed a charter application with the FDIC and the Massachusetts Board of Bank Incorporation on November 21 to open the bank. Veritas Bank's goal is to serve the Lawrence area's significant Hispanic and Asian-American populations.

Veritas' organizers believe the bank will fill a void in the market by serving as a community bank to the

emerging Hispanic and Asian markets. Veritas' primary market area will be the City of Lawrence and the surrounding Massachusetts cities and towns of Methuen, Haverhill, Boxford, Andover and North Andover. (SNL Bank & Thrift Daily, 1/2/07; 1/12/07)

## Branch Openings

Berkshire Hills Bancorp Inc. of Pittsfield, MA, announced that its unit Berkshire Bank opened a branch in Halfmoon, NY. The Halfmoon branch is the bank's sixth branch in the Albany area, the seventh in New York and the 28<sup>th</sup> in northeastern New York and western Massachusetts. (SNL Bank M&A Weekly, 1/16/2007)

First Valley Bancorp's Valley Bank opened a branch at 98 Main Street Southington, CT. (SNL Bank & Thrift Weekly Northeastern Edition, 1/22/07)

On December 18, 2006, Lake Sunapee Bank, FSB of Newport, NH, opened a branch on Elm Street Branch in Milford, NH. (Internal notices, 1/12/07)

Effective December 4, 2006, TD Banknorth, NA of Portland, ME, opened a branch on 212 Boston Post Road in Orange, CT. (Internal notices, 1/12/07)

## Branch Sale

First Ipswich Bancorp of Ipswich, MA, announced on January 12, 2007 that it has signed an agreement to sell a Cambridge, MA, branch of the First National Bank of Ipswich to East Cambridge Savings Bank, based in Cambridge, MA. The deal is expected to close in the first quarter of 2007. (SNL Bank & Thrift Daily, 1/15/07)

## Bank Relocation

As of December 11, 2006, Bankers Bank Northeast relocated its main offices from 655 Winding Brook Drive in Glastonbury, CT, to 300 Winding Brook Drive, also in Glastonbury, CT. (Internal notices, 1/12/07)

## Federal Reserve Board Approves Changes to Its *Policy on Payments System Risk*

On January 12, 2007, the Federal Reserve Board announced changes to its *Policy on Payments System Risk* that revised the Board's expectations for systemically important payments and settlement systems subject to its authority. The changes also updated and clarified the policy with regard to central counterparties (CCPs). CCPs occupy an important place in securities settlement systems (SSSs), interposing themselves between counterparties to financial transactions, becoming the buyer to the seller and the seller to the buyer.

The changes impact Part I of the Federal Reserve's Policy on Payments System Risk (PSR policy) addressing risk management in payments and settlement systems. Specifically, the Board:

- incorporated into the PSR policy the Recommendations for Central Counterparties (Recommendations for CCP) as the Board's minimum standards for central counterparties;
- clarified the purpose of Part I of the policy and revised its scope with regard to central counterparties; and
- established an expectation that systemically important systems subject to the Board's authority publicly disclose self-assessments against the Core Principles for Systemically Important Payment Systems (Core Principles), Recommendations for Securities Settlement Systems (Recommendations for SSS), or Recommendations for CCP, as appropriate, demonstrating the extent to which these systems meet the principles or minimum standards.

The Board expects each systemically important payments and settlement system subject to its authority to complete and publish its initial self-assessment by December 31, 2007. More information on the revisions is available online at: [www.federalreserve.gov/boarddocs/press/all/2007/](http://www.federalreserve.gov/boarddocs/press/all/2007/) (Federal Reserve Board Press Release, 1/12/07)

## Federal Reserve Banks Announce New Studies on Nation's Check and Electronic Payments Usage

The Federal Reserve Banks have announced plans to conduct another round of studies on the composition of the nation's retail payments market, including checks, credit and debit cards, and automated clearing house (ACH) transactions. The studies will build on information gained from similar studies published by the Reserve Banks in 2001 and 2004.

A goal of the studies is to provide information to help the financial services industry make better-informed decisions about future investments in payments technology as the nation moves from paper-based to electronic payments.

One study will quantify the number and value of checks being written in the United States. Another study will quantify the number and value of electronic payments. The results of the studies will be released in late 2007.

The 2001 and 2004 studies captured the dramatic shift in payments away from paper-based checks and toward electronic payments, such as debit cards, credit cards and ACH transactions.

In 2001, according to the Reserve Bank's research, the number of checks paid exceeded the number of electronic transactions, 41.9 billion to 30.6 billion. By 2004, the number of electronic transactions exceeded checks paid, 44.5 billion to 36.7 billion. These changes represent a 4.3 percent annual decline in checks paid and a 13.2 percent annual increase in electronic transactions over the period 2001-2004. (Federal Reserve System Press Release, 1/16/06)

## Reserve Banks to Conduct Survey on Trends in Cash Payments

The Federal Reserve Banks' Cash Product Office intends to conduct a large scale survey of businesses in the United States to understand trends in payments and business cash management practices. A smaller scale pilot study is currently being conducted to develop the research strategy for and assess the feasibility of the large scale Survey of Payment methods. The pilot study is scheduled to be completed by April 2007.

The purpose of the survey is to better understand the use of cash and other payment methods, particularly the number and value of payments received.

Results of the study will be shared with depository institutions, businesses, and the public later this year. For more information on the study, please visit: [www.frbervices.org/Cash/paymentssurvey.html](http://www.frbervices.org/Cash/paymentssurvey.html). (*Reserve Banks' announcement, 12/06*)



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.

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