

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne M. McElroy •

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Mergers and Acquisitions

Banco Santander SA of Boadilla del Monte, Spain, announced on January 30, 2009, that it had completed its acquisition of the 75.65% interest in Sovereign Bancorp Inc. of Philadelphia, PA. With the approval by both Sovereign and Banco Santander shareholders in late December 2008, Banco Santander now holds a 100% interest in Sovereign. *(SNL Bank and Thrift Daily 02/02/2009; Sovereign press release, 1/28/09)*

Chittenden Trust Company of Burlington, VT, merged into People's United Bank of Bridgeport, CT, on January 1, 2009. While People's acquired Chittenden in January 2008, it had operated as a separate unit. Chittenden now operates under the Chittenden name as a division of People's.

In related deals, several banks that had been part of the "Chittenden network" were merged into People's on January 1, 2009, including: Flagship Bank and Trust Company of Worcester, MA; Maine Bank and Trust Company of Portland, ME; Merrill Merchants Bank of Bangor, ME; and Ocean Bank of Portsmouth, ME. These banks will continue to operate under their individual names as divisions of People's United Bank. *(Internal sources, 1/09/09; individual banks' websites, 1/09)*

Commonwealth Cooperative Bank of Boston, MA, merged into Hyde Park Cooperative Bank of Hyde Park, MA, on January 1, 2009. Hyde Park Cooperative then changed its corporate title to Commonwealth Cooperative Bank, the name that the merged institution will use. *(Internal sources, 1/09/09 and 1/23/09; Commonwealth Cooperative Bank web site, 1/02/09)*

On December 30, 2008, New England Trust Company, NA of Providence, RI, merged into National City Bank of Cleveland, OH. *(Internal sources, 1/09/09)*

NEMCH Credit Union of Boston, MA, merged into Alpha Credit Union of Boston, on January 1, 2009. *(Internal sources, 1/09/09)*

New England Bancshares Inc. of Enfield, CT, announced on January 14, 2009, that it had entered into an agreement to acquire Apple Valley Bank and Trust Co. of Cheshire, CT, in a cash and stock transaction valued at

approximately \$7.3 million. After the acquisition, Apple Valley Bank will be merged into New England Bancshares unit Valley Bank of Bridgeport, CT. The deal, subject to shareholder and regulatory approval, is expected to close in the second quarter of 2009. *(SNL Bank & Thrift Daily, Northeastern Edition, 1/20/09; New England Bancshares press release, 1/14/09)*

Bank Recapitalizations

On January 28, 2009, Lowell Cooperative Bank announced that it was recapitalizing through a supervisory stock conversion. Lowell Cooperative is working closely with state and federal bank regulators. As it must raise \$8.0 million to conform to FDIC standards, Lowell Cooperative will also issue 300,000 shares of preferred stock to Cooperative Central Bank of Boston, MA, in exchange for an additional \$3.0 million. Lowell Cooperative will continue to operate independently under its current name. *(SNL Bank Mergers & Acquisitions Weekly 02/02/2009; Lowell Cooperative press release, 1/29/09)*

Corporate Title Changes

Medway Cooperative Bank of Medway, MA, changed its corporate title to Charles River Bank on January 1, 2009. *(Internal sources, 1/09/09)*

Branch Closings

Eastern Bank of Boston, MA, closed a branch at 30 Haven Street in Reading, MA, on December 5, 2008. On December 13, 2008, Eastern closed a branch at 88 Broadway in Malden, MA. *(Internal sources, 1/09/08)*

Branch Openings

River Bank of Andover, MA, a unit of LSB Corporation, also of Andover, MA, opened a branch at 51 Crystal Avenue in New Derry, NH. *(SNL Bank & Thrift Daily, 1/23/09; LSB Corp. press release, 1/21/09)*

Bank Relocations

North Brookfield Savings Bank of North Brookfield, MA, moved its corporate headquarters from 35 Summer Street in Brookfield, MA, to 9 Gilbert Street in Brookfield, MA, on December 30, 2008. *(Internal sources, 1/23/09)*

Federal Financial Institutions Examination Council (FFIEC) Issues Guidance on Risk Management for Remote Deposit Capture

On January 14, 2009, the FFIEC issued guidance on “Risk Management of Remote Deposit Capture” to help financial institutions identify risks in their remote deposit capture systems. The guidance includes recommendations on how to evaluate the adequacy of controls and applicable risk management practices. The announcement was made by the FDIC in a Financial Institution Letter that is available online at: www.fdic.gov/news/news/financial/2009/fil09004.html. *(FDIC FIL-4-2009, 1/14/09)*

Federal Agencies Announce New Interagency Questions and Answers (Q&A's) On Community Reinvestment

On January 6, 2009, the federal financial institutions regulatory agencies announced the publication of new and revised guidance for the Community Reinvestment Act. Among other things, the guidance encourages financial institutions to take steps to help prevent home mortgage foreclosures. The proposed Q&A's were originally released for public comment on July 11, 2007.

Based on the comments received at that time, the agencies are now finalizing nine additional Q&A's addressing financial institutions' investments in nationwide community development funds. The new documentation is available at the FFIEC website at www.ffiec.gov/cra. The interagency press release is available at www.federalreserve.gov/newsevents/press/bcreg/20090106a.htm. *(Interagency press release, 1/06/09)*

Federal Reserve Announces Changes to Money Market Investor Funding Facility (MMIFF)

The Federal Reserve Board, on January 7, 2009, announced two changes to the Money Market Investor Funding Facility (MMIFF).

First, the set of institutions eligible to participate in the MMIFF was expanded from U.S. money market mutual funds to include a number of other money market investors. The newly eligible participants include U.S.-based securities-lending cash-collateral reinvestment funds, portfolios, and accounts (securities lenders); and U.S.-based investment funds that operate in a manner similar to money market mutual funds, such as certain local government investment pools, common trust funds, and collective investment funds. The Board also announced that the set of eligible investors could be expanded beyond money market mutual funds to include other money market investors. The MMIFF was first announced on October 21, 2008.

Second, the Board authorized the adjustment of several of the economic parameters of the MMIFF, including the minimum yield on assets eligible to be sold to the MMIFF, to enable the program to remain a viable source of backup liquidity for money market investors even at very low levels of money market interest rates.

The Board authorized the MMIFF on October 21, 2008, under section 13(3) of the Federal Reserve Act. The MMIFF became operational on November 24, 2008. The MMIFF is designed to serve as a source of liquidity to money market mutual funds and other eligible money market investment vehicles, thereby increasing their ability to meet redemption requests and their willingness to invest in money market instruments, particularly term money market instruments.

Under the MMIFF, the Federal Reserve Bank of New York provides a credit facility to a series of special purpose vehicles (SPVs) established by the private sector. The SPVs will purchase certain U.S. dollar-denominated, highly rated, short-term certificates of deposit, bank notes, and commercial paper from eligible money market investors. The Board's press release, as well as “Terms and Conditions” and “FAQ's” are at www.federalreserve.gov/newsevents/press/monetary/20090107a.htm *(Reserve Board press release, 1/07/09)*

FDIC issues Guidance to Monitor the Use of Funding from Federal Financial Stability and Guaranty Programs

On January 12, 2009, the FDIC issued guidance on how state nonmember institutions should implement a process to monitor the use of capital injections, liquidity support and/or financing guarantees obtained through recent financial stability programs established by the Department of the Treasury, the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve. In particular, the monitoring processes should help to determine how participation in these federal programs has helped institutions support prudent lending and/or support efforts to work with existing borrowers to avoid unnecessary foreclosures. More information is available at www.fdic.gov/news/news/financial/2009/fil09001.html. *(FDIC FIL-1-2009, 1/12/09)*

Reserve Board Proposes Changes to Regulation D “Reserve Requirements for Depository Institutions”

The Federal Reserve Board, on January 29, 2009, requested public comment on proposed changes to Regulation D to authorize the establishment of limited purpose accounts, called “excess balance accounts” (EBAs), at Federal Reserve Banks. The authorization of EBAs for the excess balances of institutions eligible to receive earnings on their balances maintained at Federal Reserve Banks is intended to address pressures on correspondent-respondent business relationships in the current market environment.

Establishing EBAs would allow EBA participants to earn interest at the excess balance rate in a Reserve Bank account managed by a correspondent or other agent without EBA participants having to open a separate individual account at a Reserve Bank. More information is

available at www.federalreserve.gov/newsevents/press/monetary/20090129a.htm. (Reserve Board press release, 1/29/09)

Reserve Board Announces Two Final Rules on the Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF)

On January 28, 2009, the Federal Reserve Board announced two final rules pertaining to the Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF), which extends loans to banking organizations to finance purchases of high-quality asset-backed commercial paper from money market mutual funds. The first rule provides a temporary limited exception from the Board's leverage and risk-based capital rules for bank holding companies and state member banks. The second rule provides a temporary limited exception from sections 23A and 23B of the Federal Reserve Act, which establish certain restrictions on and requirements for transactions between a bank and its affiliates.

The two final rules will facilitate participation by depository institutions and bank holding companies as intermediaries between the AMLF and money market

mutual funds. These exceptions are subject to various conditions to promote safety and soundness.

The Board has also adopted a third final rule, originally approved as an interim final rule on September 14, 2008. It provides a temporary exception to the limitations in section 23A of the Federal Reserve Act, allowing all insured depository institutions to provide liquidity to their affiliates for assets typically funded in the tri-party repo market. This exception expires on October 30, 2009, unless extended by the Board, and is subject to various conditions to promote safety and soundness.

The rules modify the following regulations: Regulation H "Membership of State Banking Institutions in the Federal Reserve System," Regulation Y "Bank Holding Companies and Change in Bank Control," and Regulation W "Transactions between Member Banks and Their Affiliates." For more information, visit www.federalreserve.gov/newsevents/press/monetary/20090130a.htm. (Reserve Board press release, 1/30/09)



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