

# Federal Reserve Bank of Boston BANK NOTES

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## Bank Failure

Mass.-based **Butler Bank**, an affiliate of **Butler Bancorp MHC**, was closed on April 16, 2010, by the Massachusetts Division of Banks, which appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The FDIC entered into a purchase and assumption agreement with Bridgeport, Conn.-based **People's United Bank**, a unit of People's United Financial Inc. People's United Bank will assume all of the deposits of the closed bank without paying the federal agency a premium for those deposits. People's United Bank will also buy "essentially all" of the assets of the failed bank. The FDIC and People's United Bank entered into a loss-share transaction under which People's United Bank will share in the losses on the covered asset pools. The four branches of Butler Bank reopened April 17 as branches of People's United Bank. Butler Bank is the first Massachusetts FDIC-insured institution closed since 1994. (*SNL B&T Weekly Northeast* 4/19/10; *FDIC Release* 4/16/10)

## Mergers and Acquisitions

Maine-based **Skowhegan Savings Bank** announced on April 7, 2010, that it had entered into an agreement to acquire the Jackman, Maine, branch of Augusta-based **Border Trust Co.** Bank officials said in a news release that the sale is subject to regulatory approval, but is expected to be finalized by September 2010. (*SNL B&T Weekly Northeast* 4/12/10; *Press Release* 4/07/10)

Danbury, Conn.-based **Union Savings Bank** announced on April 7, 2010, that it completed its acquisition of **First Litchfield Financial Corp.** and its wholly owned subsidiary **First National Bank of Litchfield** ("FNBL"). Each FNBL branch office has become a branch office of Union Savings Bank. (*SNL B&T Weekly Northeast* 4/12/10; *Press Release* 4/07/10)

## Corporate Title Changes

**Chelsea Groton Savings Bank** of Norwich, CT, changed its corporate title to **Chelsea Groton Bank** on February 1, 2010. (*Internal sources*, 2/26/10)

## Branch Openings

Burlington, VT-based **Merchants Bank**, a wholly owned subsidiary of **Merchants Bancshares, Inc.**, a Delaware corp., opened a new full-service branch on January 15, 2010. It is located at 92 Woodstock Avenue in Rutland, VT. It replaces the previous branch at that same location. (*Internal sources*, 2/26/10; *Press Release* 1/15/10.)

Bangor, Maine-based Bangor **Savings Bank** opened a new full-service branch on January 25, 2010. It is located at 882 Lisbon Street in Lewiston, ME. The new branch replaces the branch at 218 Lisbon Road. The Business Office at 198 Main Street in Lewiston was also relocated to the new Lisbon Street location. (*Internal sources*, 2/26/10; *Bank Website*)

Holyoke, Mass.-based **PeoplesBank** opened a new full-service "green" branch on January 29, 2010. It is located at 1051 St James Avenue, Springfield, MA. (*Internal sources*, 2/26/10; *The Republican article of* 3/22/10)

Weymouth, Mass.-based **S-Bank (formerly South Shore Co-operative Bank)**, a wholly owned subsidiary of **South Shore Mutual Holding Company**, opened a new full-service branch on February 8, 2010. It is located at 1165 Washington Street, Hanover, MA. (*Internal sources*, 2/26/10; *Press Release of* 2/23/10)

Greenfield, Mass.-based **Greenfield Co-operative Bank** opened a new full-service branch on February 10, 2010. It is located at 35 Bridge Road, Shelburne Falls, MA. (*Internal sources*, 2/26/10; *Bank's Website*)

Auburn, Maine-based **Northeast Bank** opened a new full-service branch on February 12, 2010. It is located at 1399 Main Street, Poland, ME and is that community's first bank. (*Internal sources, 2/26/10; Press Release of 2/24/10*)

## Branch Closings

The only branch closings are those referenced in Branch Openings above.

## Branch Relocations

Rockland, Mass.-based **South Coastal Bank**, a wholly owned subsidiary of **MountainOne Financial Partners, MHC**, completed the move of its branch at 1259 Hancock Street in Quincy, MA on March 15, 2010, to a new location at 77 Granite Street in the same city. (*Internal sources, 4/9/10; Press Release of 4/9/10*)

## Liquidations

Hartford, Conn.-based **South End Mutual Benefit Association Credit Union** liquidated and terminated its corporate existence effective as of the close of business on April 7, 2010. The Connecticut Department of Banking assumed control of the state credit union and appointed the NCUA as receiver. (*Internal sources, 4/16/10*)

## Bank Reorganizations

On March 31, 2010, **1889 Bancorp MHC** and **1889 Financial Services Corporation** were formed through the reorganization of Norwood, Mass.-based **Norwood Co-operative Bank**. That same day, 1889 Financial Services Corporation acquired Norwood Co-operative Bank. (*Internal sources, 4/16/10*)

## Federal Reserve System Publishes Annual Financial Statements

The Federal Reserve System released the 2009 annual comparative financial statements on April 21, 2010, for the combined Federal Reserve Banks, the 12 individual Federal Reserve Banks, the limited liability companies (LLCs) that were created to respond to strains in financial markets, and the Board of Governors. The individual and combined Reserve Bank financial statements and those of the consolidated LLCs and the Board are audited annually by an independent auditing firm.

The annual financial statements include information about the assets held by each of the consolidated LLCs, including the composition of the LLCs' portfolios, measures of the assets' quality, and information about the assets' value and the consolidated LLCs' overall financial results. The statements also contain summaries of the associated credit and market risk for each significant holding.

The Federal Reserve System financial statements may be accessed via the Federal Reserve Board's website at: [http://www.federalreserve.gov/monetarypolicy/bst\\_fedfinancials.htm](http://www.federalreserve.gov/monetarypolicy/bst_fedfinancials.htm). (*Reserve Board press release, 4/21/10*)

## U.S. Government Unveils New Design for the \$100 Note

Officials from the U.S. Department of the Treasury, the Board of Governors of the Federal Reserve System, and the United States Secret Service unveiled the new design for the \$100 note on April 21, 2010. Complete with advanced technology to combat counterfeiting, the new design for the \$100 note retains the traditional look of U.S. currency. Although less than 1/100th of one percent of the value of all U.S. currency in circulation is reported counterfeit, the \$100 note is the most widely circulated and most often counterfeited denomination outside the U.S.

There are a number of security features in the redesigned \$100 note, including two new features, the 3-D Security Ribbon and the Bell in the Inkwell. These security features are easy for consumers and merchants to use to authenticate their currency. The new design for the \$100 note retains three effective security features from the previous design: the portrait watermark of Benjamin Franklin, the security thread, and the color-shifting numeral 100.

For a more detailed description of the redesigned \$100 note and its features, visit [www.newmoney.gov](http://www.newmoney.gov) where you can watch an animated video, click through an interactive note, or browse through the multimedia resources for images and B-roll. In addition, the site provides information on how to order free training materials for cash handlers, or you may download the materials directly from the web site. The training materials for the \$100 note are available in 25 languages. (*Reserve Board press release, 4/21/10*)

## **Federal Banking Agencies Issue Policy Statement on Funding and Liquidity Risk Management**

The federal banking agencies, in conjunction with the Conference of State Bank Supervisors (CSBS), released a policy statement on March 17, 2010, on their expectations for sound funding and liquidity risk management practices. This policy statement, adopted by each of the agencies, summarizes the principles of sound liquidity risk management issued previously and, when appropriate, supplements them with the "Principles for Sound Liquidity Risk Management and Supervision" issued in September 2008 by the Basel Committee on Banking Supervision.

Given the recent market turmoil, the agencies are reiterating the importance of effective liquidity risk management for the safety and soundness of financial institutions. This policy statement emphasizes the importance of cash flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. The agencies expect each financial institution to manage funding and liquidity risk using processes and systems that are commensurate with the institution's complexity, risk profile, and scope of operations. A copy of the policy statement can be found at

<http://www.federalreserve.gov/newsevents/press/bcreg/20100317a.htm>. (*Reserve Board press release, 3/17/10*)

## **Federal Reserve Announces Proposed Rules to Protect Credit Card Users from Certain Practices**

The Federal Reserve Board proposed a rule on March 3 amending Regulation Z (Truth in Lending) to

protect credit card users from unreasonable late payment and other penalty fees and to require credit card issuers to reconsider increases in interest rates. Among other things, the proposed rule would:

- Prohibit credit card issuers from charging penalty fees (including late payment fees and fees for exceeding the credit limit) that exceed the dollar amount associated with the consumer's violation of the account terms. For example, card issuers would no longer be permitted to charge a \$39 fee when a consumer is late making a \$20 minimum payment. Instead, the fee could not exceed \$20.
- Ban inactivity fees, such as fees based on the consumer's failure to use the account to make new purchases.
- Prevent issuers from charging multiple penalty fees based on a single late payment or other violation of the account terms.
- Require credit card issuers to inform consumers of the reasons for increases in rates.
- Require issuers that have increased rates since January 1, 2009, to evaluate whether the reasons for the increase have changed and, if appropriate, to reduce the rate.

The provisions of the Credit Card Act addressed in this proposal will go into effect on August 22, 2010. More information is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20100303a.htm>. (*Reserve Board press release, Release Date: March 3, 2010*)

NOTE: 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 subscribe, please use our [online subscription form](#).

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