

Federal Reserve Bank of Boston BANK NOTES

• Edited by Anne McElroy •

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Mergers and Acquisitions

General Electric Capital Services Inc. of Norwalk, CT, has entered into an agreement to purchase most North American commercial lending and leasing businesses currently owned by CitiGroup of New York, NY. Announced on April 17, 2008, GE's acquisition of CitiCapital will be an all cash transaction. Financial terms of the deal were not disclosed.

Pending regulatory approvals, the deal is expected to be completed by the third quarter of 2008, and will add approximately \$13.4 billion in assets to GE Capital's commercial finance business. In addition, GE Capital and CitiGroup are exploring strategic cross-sell relationships with commercial clients. (*SNL Bank & Thrift Daily*, 4/18/08; *GE Capital press release*, 4/17/08)

Savings Bank of Maine of Gardiner, ME, (\$939 million) has agreed to acquire Rivergreen Bank of Kennebunk, ME, (\$108.5 million) in an all cash transaction valued at approximately \$31.1 million. The transaction is expected to close in the fourth quarter of 2008 and will result in \$1 billion in assets for Savings Bank of Maine.

Savings Bank of Maine, known as Gardiner Savings Institution FSB until September 2007, is the second-oldest savings bank in Maine. Currently, the bank serves markets in central, mid-coast, northern, and down east Maine. By acquiring Rivergreen Bank, Savings Bank of Maine will extend its presence into the southern portion of the state. (*SNL Bank & Thrift Weekly*, 4/28/08, *Savings Bank of Maine press release*, 4/24/08)

Mycom Federal Credit Union of Pittsfield, MA, completed its acquisition of Spinc Federal Credit Union on April 1, 2008. (*Internal sources*, 4/04/08)

Newport Columbian Federal Credit Union of Middletown, RI, merged into Peoples Credit Union of Midtown, RI, on March 31, 2008. (*Internal sources*, 4/04/08)

Sharon Credit Union of Sharon, MA, has agreed to acquire North Attleboro Federal Credit Union of North Attleboro, MA. Subject to regulatory and members' approval, the deal is expected to close by August 2008.

The combined entity will have assets of over \$338 million and 34,728 members. (*SNL Bank & Thrift Weekly, Northeast Edition*, 4/14/08; *Attleboro Sun Chronicle*, 4/05/08)

De Novos

On April 28, 2008, Nuvo Bank and Trust Company opened for business in Springfield, MA. The opening marks the first new bank chartered in the greater Springfield area in over 20 years. Nuvo Bank and Trust's goal is to provide a wide range of customer-focused services to consumers and local small businesses. (*Internal sources*, 4/28/08, *Nuvo Bank and Trust web site*)

Organizers of de novo GreatWaters Bank & Trust Company are raising capital to open a community bank in Wolfeboro, NH. The bank is applying for a state charter and has raised \$3 million of a planned \$15 million to \$20 million in capital. GreatWaters hopes to open in early 2009, serving the greater Wolfeboro, NH, market. (*SNL De novo Watch*, 4/01/08)

Relocation of Financial Institution's Operations Center

First Trade Union Bank will move its corporate offices and operations center to 1 Harbor Street, Boston, MA, on May 27, 2008. Currently, these functions operate from 23 Drydock Avenue, Boston, MA. (*Internal sources*, 4/16/08)

New Branches

Hudson Valley Bank, NA of Yonkers, NY, announced on April 9, 2008, that it plans to open three branches in Fairfield County, Connecticut, in the second half of 2008. The branches will be in Greenwich, Fairfield, and Westport. With the new branches, the bank will have 30 branches throughout Fairfield County, CT, New York's Westchester and Rockland counties, and the New York boroughs of Manhattan, Bronx, and Queens. (*SNL Bank & Thrift Weekly*, 4/14/08; *Hudson Valley Bank press release*, 4/09/08)

People's United Bank of Bridgeport, CT, announced on April 22, 2008, that it had entered an agreement with the Stop & Shop supermarket chain in Quincy, MA, to

occupy bank branch locations in Maine Super Stop & Stop stores. The first People's United branch is slated to open in Kennebunk, ME, in June 2008.

People's United currently has 75 branches in Connecticut Super Stop and Shops – over 40 percent of their total branches. Having completed its acquisition of Chittenden Corporation of Burlington, VT, in January 2008, People's United hopes to replicate its “Connecticut model” to extend its presence in Maine.

Depending on the store locations, People's United may use its own name or may open the branches as Maine-based units acquired from Chittenden, specifically Maine Bank & Trust Co. of Portland, ME; Merrill Merchants Bank of Bangor, ME; and Ocean Bank of Portsmouth, NH. (*SNL Bank & Thrift Weekly, Northeastern Edition, 4/28/08, People's United Press Release, 4/24/08*)

Branch Closings

Chittenden Bank of Burlington, VT, a wholly owned subsidiary of People's United Financial Inc. of Bridgeport, CT, will close five branches in Vermont. In addition, People's United will close down one branch on Putney Road in Brattleboro, VT, by early May, while two other Brattleboro branches will remain open. Other branches to be closed include those in West Dover and Arlington, VT, although the dates have yet to be announced. (*SNL Bank & Thrift Daily, 4/09/08, The Associated Press, 4/04/08*)

TD Banknorth, NA, a unit of Toronto-Dominion Bank, which runs its U.S. operations from Portland, ME, will close a branch located in Southington High School, Southington, CT, in June 2008. TD Banknorth has had a partnership with the school that allowed students to take on the role of a banker. While jobs will no longer be available as a result of the closure, TD Banknorth will continue to work with students at their Main Street branch in Southington, CT. (*SNL Bank & Thrift Weekly-Northeast Edition, 4/14/08*)

Formation of Bank Holding Companies

In connection with the March 31, 2008, completion of the merger between TD Banknorth of Portland, ME, and Commerce Bancorp, Inc. of Cherry Hill, NJ, two new holding companies were formed. The first, Cardinal Top Co. of Wilmington, DE, will be a direct subsidiary of TD Banknorth, Inc. The second holding company, Cardinal Intermediate Co., also of Wilmington, DE, will be a direct subsidiary of Cardinal Top Co. and directly hold Commerce Bancorp. (*Internal sources, 4/04/08*)

New Federal Reserve System Member

Needham Bank of Needham, MA, became a member of the Federal Reserve System on March 25, 2008. Needham Bank has been in business since 1892 and has five branches in the greater Needham area. (*Internal sources, 3/28/08*)

FinCEN Proposes Changes to Bank Secrecy Act Regulations, Comments Requested

In the April 24, 2008, Federal Register, the Financial Crimes Enforcement Network (FinCEN) issued a notice of proposed rulemaking and request for comments to amend the Bank Secrecy Act (BSA). Specifically, FinCEN is proposing to allow depository institutions to exempt transactions of certain persons from the requirement to report currency transactions in excess of \$10,000.

Modification of the currency transaction report exemption procedures is part of the Department of the Treasury's continuing effort to increase the efficiency and effectiveness of its anti-money laundering and counter-terrorist financing policies. Written comments must be received on or before June 23, 2008.

The detailed announcement, including instructions for sending comments, is available online at www.fincen.gov/20080423.html. (*FinCEN press release, 4/23/08*)

FRB Boston Emerging Payments Research Group (EPRG) Studies New Payments Methods

The Boston Reserve Bank's EPRG is a multidisciplinary team of senior payments professionals and economists who work together to research, understand, and educate key stakeholders on consumer payment behaviors and their impacts on the payment system.

In April, a presentation entitled “*Emerging Payments – The Changing Landscape*” was delivered to the Maine Association of Community Banks and to the New Hampshire Community Bankers Association. Among the topics covered were growth in debit card usage, Internet bill pay, e-Commerce trends, contactless payments, and mobile banking. To view the presentation, visit the EPRG's website at www.bos.frb.org/economic/eprg/index.htm. (*Payments News, 4/21/08; internal sources*)

Federal Reserve Study Reveals Biggest Share of Checks Are Consumer to Business

In December 2007, the Fed released summary results of its 2007 *Federal Reserve Payments Study*, noting that during 2006 electronic payments comprised over two-thirds of all non-cash retail payments, and that check use continued to decline. On March 25, 2008, the Federal Reserve released detailed reports on the three components of the study: the *Check Sample Study*; the *Depository Institutions Payments Study*, and the *Electronic Payments Study*.

Along with providing more detailed analysis on the transition of non-cash retail payments to electronics, the study noted that nearly 50 percent of checks written are consumer to business checks.

The *Check Sample Study* reports on the composition of the check market based on responses from nine large financial institutions that together account for about one quarter of total U.S. paid check volume.

The highest percentage of check writers were consumers (58 percent), while the highest percentage of check receivers were businesses (72 percent). Checks for remittance payments (to businesses and government not at the point of sale) were written the most (49 percent).

The summary report of the *2007 Federal Reserve Payments Study* revealed that 2.6 billion consumer checks were converted and cleared as automated clearinghouse (ACH) payments rather than check payments in 2006, an eight-fold increase over 2003.

The *Check Sample Study* found that 42 percent of checks sampled were ineligible for ACH conversion under the current National Automated Clearinghouse Association (NACHA) rules. Ineligible checks include

checks without signatures, checks greater than \$25,000, and checks from businesses and the U.S. government.

“The findings of the Fed’s Check Sample Study are intended to help the Federal Reserve, the industry and the public better understand how checks are being used and inform future payments investment decisions,” said Richard Oliver, executive vice president of the Federal Reserve Bank of Atlanta and the Federal Reserve Banks’ product manager for retail payments.

The summary report of the *2007 Federal Reserve Payments Study* and detailed reports on the three individual studies are available at: www.FRBservices.org/communications/payment_system_research.html. (*Internal sources*)



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