

BANK NOTES

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Mergers and Acquisitions

The OTS on May 7, 2010, conditionally approved the application of **Gardiner, Maine-based Savings Bank of Maine** for a supervisory thrift conversion. The approval also applies to **SBM Financial Inc.**, an entity formed in March, which is seeking to acquire Savings Bank of Maine. The tentative approval is subject to various conditions, including the transaction's consummating within 30 calendar days of the order. Under the agreement, **Savings Bank of Maine MHC** will merge with **Savings Bank of Maine Bancorp**, with the latter as the survivor. Savings Bank of Maine Bancorp will in turn merge with SBM Financial, with SBM Financial being the surviving entity. (*SNL B&T Weekly Northeast* 5/24/10; *Press Release* 5/07/10)

Federal One Holdings, LLC announced May 4, 2010, that it completed the previously announced acquisition of **Cranston, R.I.-based Domestic Bank**, a unit of **Sargent Investors Inc.** Federal One Holding Chairman and CEO Nicholas Lazares, the former chairman and co-CEO of Capital Crossing Bank in Boston, will serve as chairman and CEO of Domestic Bank. (*SNL B&T Weekly Northeast* 5/17/10; *Press Release* 5/04/10)

Boston, MA-based State Street Corp. announced on May 17, 2010, that it had completed the acquisition of **Intesa Sanpaolo SpA's** securities services business. State Street bought Intesa Sanpaolo's custody, fund administration, depository bank, and correspondent bank operations. Through this deal, State Street becomes the largest service provider in Italy. (*SNL B&T Weekly Northeast* 5/24/10; *Press Release* 5/17/10)

Other Banking Related

Vermont Gov. Jim Douglas said on May 19, 2010, that Deputy Commissioner **Mike Bertrand** will start to serve as **Commissioner of the Department of Banking, Securities and Health Care Administration** in mid-June. (*SNL B&T Weekly Northeast* 5/24/10)

Agencies Release List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies

The federal bank and thrift regulatory agencies announced on June 1 the availability of the 2010 list of distressed or underserved nonmetropolitan middle-income geographies where revitalization or stabilization activities will receive Community Reinvestment Act consideration as "community development." "Distressed nonmetropolitan middle-income geographies" and "underserved nonmetropolitan middle-income geographies" are designated by the agencies in accordance with their CRA regulations. The criteria for designating these areas are available on the web site of the Federal Financial Institutions Examination Council (FFIEC), <http://www.ffiec.gov/cra/>. The designations reflect local economic conditions, including triggers such as unemployment, poverty, and population changes.

As with past releases, the 2010 list will incorporate a one-year lag period for geographies designated as distressed or underserved in 2009, but not designated as such in the 2010 release. Geographies subject to this one-year lag period are eligible to receive consideration for community development activities for 12 months after

publication of the 2010 list. The 2010 list and lists from previous years can be found on the FFIEC web site noted above, along with information about the data sources used to generate the list of distressed or underserved geographies. (*FFIEC Press Release, 6/1/10*)

Federal Reserve Announces Clarifications to Regulation E and Regulation DD Final Rules Pertaining to Overdraft Services

The Federal Reserve Board announced on May 28, 2010, final clarifications to aspects of its November 2009 final rule under Regulation E (Electronic Fund Transfers) and its December 2008 final rule under Regulation DD (Truth in Savings) pertaining to overdraft services. The final clarifications address questions that have arisen and provide further guidance regarding compliance with certain aspects of the final overdraft rules. In particular, the final clarifications explain that the prohibition in Regulation E on assessing overdraft fees without the consumer's affirmative consent applies to all institutions, including those with a policy and practice of declining automated teller machine (ATM) and one-time debit card transactions when an account has insufficient funds. The final rules also make certain technical corrections and conforming amendments. More information is available at <http://www.federalreserve.gov/newsevents/press/bcreg/20100528a.htm>. (*Reserve Board press release, 5/28/10*)

Federal Reserve Announces Schedule for Small-Value Auctions of Term Deposits through the Term Deposit Facility

The Federal Reserve on May 28, 2010, scheduled three small-value auctions of term deposits through its Term Deposit Facility (TDF) over the next two months. These auctions are a matter of prudent planning and have no implications for the near-term conduct. All term deposit auctions will use a single-price format in which all winning bids will be awarded at the highest rate accepted at the

auction. The first auction will offer \$1 billion of 14-day term deposits; the auction will be conducted on June 14 with settlement on June 17, and the deposits offered will mature on July 1. Each participating institution may submit up to three competitive bids; the maximum award to any individual bidder will be set at \$250 million, and the maximum rate at the auction will be set at the primary credit rate. Depository institutions may submit noncompetitive bids; each individual noncompetitive bid will be filled up to a limit of \$5 million at the highest rate accepted in the competitive auction. The amounts awarded to noncompetitive bidders will be added on to the \$1 billion offered at the competitive auction. Additional details of the first auction will be made available on June 11 on the TDF Resource Center at http://www.frb services.org/centralbank/term_deposit_facility.html.

The second auction will offer 28-day term deposits; the auction will be conducted on June 28 with settlement on July 1, and the deposits offered will mature on July 29. The third auction will offer 84-day term deposits; the auction will be conducted on July 12 with settlement on July 15, and the deposits offered will mature on October 7. The amount of term deposits offered along with other parameters for the second and third auctions will be announced at a later date. The Federal Reserve may schedule up to two additional small-value TDF auctions later in the summer.

Please refer to the next item in this *Bank Notes* for a Federal Reserve Board press release that provides additional information pertaining to term deposits offered through the TDF. (*Reserve Board press release, 5/28/10*)

Federal Reserve Board Approves Amendments to Reg D Authorizing Reserve Banks to Offer Term Deposits

The Federal Reserve Board on April 30, 2010, approved amendments to Regulation D (Reserve Requirements of Depository Institutions) authorizing the Reserve Banks to offer term deposits to institutions that are eligible to receive earnings on their balances at Reserve Banks. These

amendments incorporate public comments on the proposed amendments to Regulation D that were announced on December 28, 2009.

Term deposits, which are deposits with specified maturity dates that are held by eligible institutions at Reserve Banks, will be offered through a Term Deposit Facility (TDF). Term deposits will be one of several tools that the Federal Reserve could employ to drain reserves when policymakers judge that it is appropriate to begin moving to a less accommodative stance of monetary policy. The development of the TDF is a matter of prudent planning and has no implication for the near-term conduct of monetary policy.

The amendments approved by the Board are a necessary step in the implementation of the TDF. The Federal Reserve anticipates that it will conduct small-value offerings of term deposits under the TDF in coming months to ensure the effective operation of the TDF and to help eligible institutions to become familiar with the term-deposit program. More detailed information about the structure and operation of the TDF, including information on the steps necessary for eligible institutions to participate in the program, will be provided later. More information relating to these term deposits is available in a Federal Register notice that can be found at <http://www.federalreserve.gov/newsevents/press/monetary/20100430a.htm>. (*Reserve Board press release, 4/30/10*)

Federal Reserve Announces Online Database for Consumer Credit Card Agreements

Consumer credit card agreements from more than 300 credit card issuers are now online in a searchable database created by the Federal Reserve Board. The agreements contain general credit terms and conditions along with pricing and fee information. The database will help consumers compare credit card agreements and find a card that best suits their personal finance needs. It is planned that the database (www.federalreserve.gov/creditcardagreements) will be updated quarterly; the next submission deadline is August 2, 2010.

Additionally, the Credit Card Accountability, Responsibility, and Disclosure Act of 2009 requires credit card issuers to post account agreements on their websites as well as to make consumer's individual credit card agreement(s) available to them upon request. More information on the Board's credit card rules can be found in the online publication What You Need To Know: New Credit Card Rules. The publication can be accessed at: http://www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm. (*Reserve Board press release, 5/24/10*)

Federal Financial Regulatory Agencies Issue Final Guidance on Correspondent Concentration Risks

The federal financial regulatory agencies issued final guidance on April 30, 2010, to address the risks associated with funding and credit concentrations arising from correspondent relationships.

A correspondent relationship occurs when a financial organization provides another financial organization with services related to deposits, lending, or other activities.

The guidance highlights the need for institutions to identify, monitor, and manage correspondent concentration risk on a stand-alone and organization-wide basis. The guidance also reinforces the supervisory view that financial institutions should perform appropriate due diligence on all credit exposures to, and funding transactions with, other financial institutions as part of their risk management policies and procedures. The guidance does not supplant or amend applicable regulations such as *Limitations on Interbank Liabilities* (Regulation F). More information regarding this guidance is available in the Federal Register notice at <http://www.federalreserve.gov/newsevents/press/bcreg/20100430a.htm>. (*Reserve Board press release, 4/30/10*)

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](#).

If unable to do so, please call Dave McDonnell at (617) 973-3302.