Federal Reserve Bank of Boston

BANK NOTES

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Mergers and Acquisitions

Houlton, ME-based **Houlton Federal Credit Union** merged into Caribou, ME-based **The County Federal Credit Union** effective October 1, 2010. *(Internal Sources, 10/1/10)*

Conservatorship

Wallingford, CT-based **Constitution Corporate Federal Credit Union** was placed into conservatorship by the **National Credit Union Administration (NCUA)** effective September 25, 2010. *(Internal Sources, 10/1/10)*

Branch Openings

On September 14, 2010, Danvers, MA-based **Danvers Bancorp, Inc.** subsidiary **Danversbank** announced that it had opened its first full-service branch in Needham, MA, at 827 Highland Avenue. *(SNL B&T Weekly 9/20/10, Press Release 9/14/10)*

Norway, ME-based **Norway Bancorp MHC** unit **Norway Savings Bank** announced on September 15, 2010, that it had established a business banking center at 120 Exchange Street in downtown Portland, ME. *(SNL B&T Weekly 9/20/10, Press Release 9/15/10)*

On September 17, 2010, Morrisville, VT-based **Union Bank** announced that it had opened a new loan center at 30 Kimball Avenue in South Burlington, VT. *(SNL B&T Weekly 9/20/10, Press Release 9/17/10)*

Pittsfield, MA-based **Berkshire Hills Bancorp (BHLB)** unit **Berkshire Bank** opened a new full-service branch and financial service center loan center at 979 Central Avenue in Albany, NY, on September 29, 2010. *(Press Release 9/24/10)*

Federal Reserve Announces Delay in the Issue Date of Redesigned $100 Note

The Federal Reserve Board on October 1, 2010, announced a delay in the issue date of the redesigned $100 note. This new design incorporates cutting-edge, anti-counterfeiting technologies, and the Federal Reserve imposes strict quality controls to ensure that users of U.S. currency around the world receive the highest quality notes.

The Bureau of Engraving and Printing manufactures Federal Reserve notes and has identified a problem with sporadic creasing of the paper during printing of the new $100 note, which was not apparent during extensive pre-production testing. As a consequence, the Federal Reserve will not have sufficient inventories to begin distributing the new $100 notes as planned.

The Bureau of Engraving and Printing is working to resolve this problem, and the Federal Reserve Board will announce a new issue date for the redesigned $100 note as soon as possible. The originally scheduled issue date was February 10, 2011. *(Reserve Board Press Release, 10/1/10)*

Federal Reserve Announces Formation of Community Depository Institutions Advisory Council

The Federal Reserve Board announced on October 1, 2010, that it is forming an advisory council representing a broad group of insured community depository institutions. The Community Depository Institutions Advisory Council (CDIAC) will provide input to the Board on the economy, lending conditions, and other issues. Members will be selected from representatives of banks, thrift institutions, and credit unions serving on newly created local advisory councils at the twelve Federal Reserve Banks. One member of each of the Reserve Bank councils will be selected by the Board to serve on the CDIAC, which will meet twice a year with the Federal Reserve Board in Washington, D.C.

The CDIAC will replace the Thrift Institutions Advisory Council, which has provided the Board with useful information from the perspective of thrift institutions (including savings and loan associations and savings banks) and credit unions since 1981. In addition to representatives from thrift institutions and credit unions, the CDIAC will include representatives from other types of community banks including state-chartered banks that are members of the Federal Reserve System, state-chartered non-member banks, and nationally chartered banks; the Board will gain access to views from the broad array of community depository institutions that operate in local markets across the country.

The Reserve Bank advisory councils are expected to begin meeting in early 2011, with meetings of the CDIAC to follow later in the year. *(Reserve Board Press Release, 10/1/10)*

Federal Reserve Announces Implementation Date for Changes to the Payment System Risk Policy

The Federal Reserve Board announced on September 30, 2010, that it will implement changes to its Payment System Risk (PSR) policy on March 24, 2011. The Board approved these revisions in late 2008, for implementation approximately two years later, following substantial changes to the Reserve Banks' credit risk management infrastructure.

The revised PSR policy explicitly recognizes the Reserve Banks' role in providing intra-day credit to healthy depository institutions; the policy establishes a zero fee for collateralized daylight overdrafts, a 50 basis point (annual rate) charge for uncollateralized daylight overdrafts, and a bi-weekly daylight overdraft fee waiver of $150. In addition, the Board changed other elements of the PSR policy dealing with daylight overdrafts, including adjusting net debit caps, streamlining max cap procedures for certain foreign banking organizations (implemented in March 2009), eliminating the deductible for daylight overdraft fees, and increasing the penalty daylight overdraft fee for institutions ineligible for intra-day credit to 150 basis points (annual rate).

The Board encourages depository institutions to review documents explaining the implementation of the revised PSR policy. Versions of these documents that have been updated with information related to the revised policy will be available later this year on the Board's website at http://www.federalreserve.gov/paymentsystems/psr_relpolicies.htm, and on the discount window and PSR website at http://www.frbdiscountwindow.org. The Board's notice is available at http://www.federalreserve.gov/newsevents/press/other/20100930a.htm. *(Reserve Board Press Release, 9/30/10)*

Agencies Issue Final Community Reinvestment Act Rule to Implement Provision of Higher Education Opportunity Act

The federal banking and thrift regulatory agencies announced on September 29, 2010, a final Community Reinvestment Act (CRA) rule to implement a provision of the Higher Education Opportunity Act.

The provision requires the agencies to consider low-cost higher education loans to low-income borrowers as a positive factor when assessing a financial institution's record of meeting community credit needs under the CRA.

The rule also incorporates a CRA statutory provision that allows the agencies to consider a financial institution's capital investment, loan participation, and other ventures with minority-owned financial institutions, women-owned institutions, and low-income credit unions as factors in assessing the institution's CRA record. This provision was published on March 11, 2010, in the *Interagency Questions and Answers Regarding Community Reinvestment*.

The rule was issued jointly by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, and can be found at http://www.federalreserve.gov/newsevents/press/bcreg/20100929a.htm. More information on CRA regulations and examination procedures is available on the Federal Financial Institutions Examination

Council (FFIEC) website at http://www.ffiec.gov/cra. *(Reserve Board Press Release, 9/29/10)*

U.S. Banking Agencies Express Support for Work of Basel Committee and GHOS

The U.S. federal banking agencies support the agreement reached at the September 12, 2010, meeting of the G-10 Governors and Heads of Supervision (GHOS). This action, in combination with the agreement reached at the July 26, 2010, meeting of GHOS, sets the stage for key regulatory changes to strengthen the capital and liquidity of internationally active banking organizations in the United States and around the world.

The U.S. federal banking agencies actively supported the efforts of the GHOS and the Basel Committee on Banking Supervision (Basel Committee) to increase the quality, quantity, and international consistency of capital, to strengthen liquidity standards, to discourage excessive leverage and risk taking, and to reduce pro-cyclicality in regulatory requirements. The agreement represents a significant step forward in reducing the incidence and severity of future financial crises and in providing for a more stable banking system that is less prone to excessive risk-taking and better able to absorb losses while continuing to perform its essential function of providing credit to creditworthy households and businesses.

The GHOS agreement calls for national jurisdictions to implement the new requirements beginning January 1, 2013. The GHOS announced that the new numerical minimum requirements would be phased in over two years beginning on January 1, 2013, and that certain capital deductions and the phase-in of capital buffers would occur over time from January 1, 2014, to no later than January 1, 2019. This transition period is designed to give institutions the opportunity to implement the new prudential standards gradually over time, thus alleviating the potential for associated short-term pressures on the cost and availability of credit to households and businesses. Consistent with this objective, supervisors will be evaluating an institution's capital adequacy on the basis of the then-applicable standards, as well as the strength of the institution's plans to meet future standards as they come into effect.

The Basel Committee continues work on the development of measures to improve the loss-absorbing capacity for systemically important financial institutions. This work would augment the standards announced on September 29, 2010, by the GHOS. *(Reserve Board Press Release, 9/12/10)*