BANKING CODE OF 1965
Act of November 30, 1965 (P.L. 847, No. 356), as amended

AN ACT

Amending the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, further providing for definitions, for persons authorized to engage in business of receiving deposits and money for transmission, for corporations authorized to act as fiduciary, for retention of records and admissibility of copies in evidence, for emergency powers and for acquisitions, and offers to acquire, shares of banks, bank and trust companies, trust companies and national banks; repealing provisions relating to prohibition against certain acquisitions, to legal holidays and to limitation on deposit of Commonwealth funds; further providing for additional powers of incorporated institutions related to conduct of business, for persons bound by bylaws and execution of instruments, for general lending powers, for direct leasing of personal property and for limits on indebtedness of one customer including purchased paper; repealing provisions relating to installment loans including revolving credit plans, to real estate loans, to authorizing certain loans for commercial, business, professional, agricultural or nonprofit purposes including revolving credit plans, to authorizing monthly interest loans for individuals, partnerships and other unincorporated entities, to alternate basis for interest charges by institutions, to charging interest at rates permitted competing lenders, to notice of annual fees and refunds on credit cards of affiliate banks, to authorization of fees for revolving credit plans and to extensions of credit to individuals, partnerships and unincorporated associations; further providing for application of chapter, for actions required, permitted or prohibited in fiduciary capacity, for transfer of fiduciary accounts and for investments; repealing provisions relating to real estate loans; further providing for lending powers and direct leasing of personal property; repealing provisions relating to conditional powers of savings banks; providing for pledges for deposits, limits on indebtedness of one customer including purchased paper; further providing for tentative trusts, for authorized offices, for authorization of new branches, for approval of branch by department and for branches outside Pennsylvania; repealing provisions relating to branches acquired from the receiver of a closed institution or from an institution in danger of closing; further providing for articles of incorporation and for certificate of authorization to do business; providing for organization as a limited liability company; further providing for minimum capital, for classes of shares, for share certificates, for cash dividends, for redemption and acquisition of redeemable shares and statement of reduction of authorized shares, for number, qualifications and eligibility of directors or trustees, for audits and reports by directors or trustees, accountants and internal auditors and for prohibitions applicable to directors, trustees, officers, employees and attorneys; repealing provisions relating to indemnity and immunity of certain directors; providing for standard of care and justifiable reliance; further providing for articles of amendment, for authority to merge or consolidate, for requirements for a merger or consolidation, for mergers, consolidations and conversions of savings banks, for right of shareholders to receive payment for shares following a control transaction, for articles of conversion, for voluntary dissolution prior to commencement of business, for certificate of election for voluntary dissolution and for articles of dissolution; repealing provisions relating to application of chapter, to examinations and reports and to examination of affiliates and persons performing bank services; further providing for relationship of institutions and their personnel with officials and employees of department; repealing provisions relating to additional powers of the Department of Banking; and further
providing for penalties and criminal provisions applicable to directors, trustees, officers, employees and attorneys of institutions and for penalties applicable to persons subject to this act.

CHAPTER 1
GENERAL PROVISIONS

Section 101. Short Title

This act shall be known and may be cited as the "Banking Code of 1965."

Section 102. Definitions

Subject to additional definitions contained in subsequent chapters of this act which are applicable to specific chapters or sections thereof, the following words and phrases when used in this act shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

(a) "Affiliate"- a person which controls, is controlled by, or is under common control with, an institution subject to the provisions of this act.

(b) "Agreement for the payment of money"- a monetary obligation, other than an obligation in the form of an evidence of indebtedness or an investment security; for example, amounts payable on open book accounts receivable and executory contracts and rentals payable under leases of personal property.

(c) "Articles"- original articles of incorporation, all amendments thereto, articles of merger, consolidation or conversion and statements relating to shares filed pursuant to section 1306 of this act (including what have in the past been designated by law as certificates of incorporation or charters and including the charters of savings banks created under special acts of the General Assembly and all amendments and supplements thereto). After an amendment made pursuant to this act which restates articles in their entirety, the "articles" shall not include any prior documents and the certificate of amendment issued by the Department of State shall so state.

(d) "Assets"- all the property and rights of every kind of an institution.

(e) "Attorney"- an attorney-at-law who is, or is a member of a firm which is, regularly retained as counsel for an institution.

(f) "Bank"- a corporation which exists under the laws of this Commonwealth and, as a bank under the Banking Code of 1933, was authorized to engage in the business of receiving demand deposits on the effective date of this act, or which receives authority to engage in such business as a bank pursuant to this act, but which is not authorized to act as fiduciary.

(g) "Bank and trust company"- a corporation which exists under the laws of this Commonwealth and, as a bank and trust company under the Banking Code of 1933, was authorized to engage in
the business of receiving demand deposits and to act as fiduciary on the effective date of this act, or which receives authority both to engage in such business and to act as fiduciary as a bank and trust company pursuant to this act.

(h) "Branch"- an office or other place of business, other than the principal place of business, of an institution for the transaction of any business of the institution, except any of the following conducted or maintained with the approval of the department:
   (i) a temporary agency,
   (ii) a school at which deposits are accepted by an officer, employee or agent of the institution,
   (iii) an office used solely for internal operations of the institution to which the public is not admitted for the conduct of banking business,
   (iv) an automated teller machine,
   (v) a limited purpose banking office, or
   (vi) any other office which the department may determine by rule or regulation.

(i) "Capital"- the sum of the par value of the issued and outstanding shares of an institution having a par value and the consideration received by an institution for the issued and outstanding shares of the institution without par value except such part thereof as may have been allocated other than to capital, but not in an amount greater than the amount, if any, by which:
   (i) the total assets of the institution which would properly be shown on its balance sheet, exclusive of amounts due on unpaid subscriptions for shares, exceed
   (ii) the total of the items which would properly be shown on the liability side of its balance sheet other than such sum of the par value of its shares.

(j) "Capital securities"- the sum of the face amount of issued and outstanding securities of a bank, a bank and trust company, a trust company or a stock savings bank issued pursuant to section 1105 of this act.

(k) "Certificate of reliance"- a statement in writing, which:
   (i) is signed by an officer or authorized employee of an institution,
   (ii) states that the institution is relying on the obligation of a person or on security in a transaction as to which such reliance has an effect on the application of a provision of this act,
   (iii) states the facts which are the basis for such reliance, and
   (iv) is retained in the institution's files related to the transaction in connection with which such statement is made.

(l) "Collateral"- personal property which secures payment or performance of an obligation.

(m) "Department"- the Department of Banking of this Commonwealth.

(o) "Evidence of indebtedness"- a note, draft or similar negotiable or non-negotiable instrument.

(p) "Fiduciary"- an executor, administrator, guardian, receiver, trustee, assignee for the benefit of creditors or one acting in a similar capacity.
(q) "Incorporated institution" - a bank, a bank and trust company, a trust company or a savings bank. The term includes a bank, a bank and trust company, a trust company or a savings bank that is organized as a limited liability company.

(r) "Institution" - an incorporated institution or a private bank, except where the definition of the word stated at the beginning of the chapter in which it is used either gives a less-inclusive meaning to the word or specifically includes a national bank.

(s) "Person" - an individual, partnership, association or corporation.

(t) "Private bank" - an individual, partnership or unincorporated association authorized as a private bank under the Banking Code of 1933 to engage in the business of banking in this Commonwealth on the effective date of this act and an individual, partnership or unincorporated association which receives authority, pursuant to this act, to continue in the business of banking as a private bank.

(u) "Public body" - an agency, authority, board, commission or instrumentality of the United States, or of any state or of any political subdivision of any state, or any similar authority or entity.

(v) "Resulting institution" - an institution which continues after a merger or after the conversion of a national bank or which is formed in a consolidation.

(w) "Resulting national bank" - a national bank which continues after a merger or after the conversion of an institution or which is formed in a consolidation.

(x) "Savings bank" - a corporation with or without capital stock which exists under the laws of this Commonwealth and as a savings bank under the Banking Code of 1933 was authorized to engage in the business of receiving savings deposits on the effective date of this act or which receives authority to engage in such business as a savings bank pursuant to this act.

(y) "Shareholder" - a registered owner of shares in an incorporated institution.

(z) "Shares" - the units into which the shareholders' rights to participate in the control of an incorporated institution, in its profits or in the distribution of its assets, are divided.

(z.1) (Deleted).

(aa) "Subordinated securities" - the sum of the face amount of issued and outstanding securities of a savings bank issued pursuant to section 511 of this act.

(bb) "Surplus" - the amount designated on the books of an institution as "surplus" which is all or part of the amount, if any, by which:
(i) the total assets of the institution which would properly be shown on its balance sheet, exclusive of amounts due on unpaid subscriptions for shares, exceed
(ii) the total of the items which would properly be shown on the liability side of its balance sheet,
other than such amount designated as surplus.

(bb.1) (Deleted).

(cc) "Treasury shares"- shares of an incorporated institution which have been issued, have been subsequently acquired by and belong to the institution otherwise than in a fiduciary capacity and have not been cancelled. Such shares shall be deemed to be "issued" but not "outstanding" shares.

(dd) "Trust company"- a corporation which exists under the laws of this Commonwealth and was authorized to act as fiduciary on the effective date of this act as a trust company under the Banking Code of 1933, or which receives authority to act as fiduciary pursuant to this act, but which is not authorized to engage in the business of receiving deposits.

(ee) "Trustee"- with respect to a savings bank, an individual who is a member of the board of managers or board of trustees of the savings bank: Provided, however, That the term "director" as used in this act shall also include a trustee of a stock savings bank.

(ff) "Undivided profits"- accumulated and undistributed net profits as recorded on the books of an institution for the last complete calendar or fiscal year, carried in an account captioned "undivided profits."

(gg) "Principal place of business"- the principal place of business designated in the articles of an institution, notwithstanding the fact that meetings of directors, the office of the chief executive officer and major business of the institution may be regularly held, situated or transacted at one or more other locations within or without the county in which the principal place of business is located.

(hh) "Interstate bank"- a banking institution existing under the laws of another state, the District of Columbia or a territory or possession of the United States and authorized to engage in the business of receiving demand deposits or a national bank having a head office in another state, the District of Columbia or a territory or possession of the United States and authorized to engage in the business of receiving demand deposits, which lawfully maintains one or more branch offices in this Commonwealth.

(ii) "Subsidiary"- a corporation or other entity defined as a subsidiary by section 2 of the Bank Holding Company Act of 1956 (70 Stat. 133, 12 U.S.C. § 1841 et seq.), regardless of whether the corporation or other entity is a subsidiary of a bank holding company.

Section 103. Declaration of Purposes; Standards for Exercise of Power and Discretion by Department

(a) Purposes of the act- The General Assembly declares as its purposes in adopting this act to provide for:

(i) the safe and sound conduct of the business of institutions subject to this act,
(ii) the conservation of their assets,

(iii) the maintenance of public confidence in them,

(iv) the protection of the interests of their depositors, creditors and shareholders and of the interest of the public in the soundness and preservation of the banking system,

(v) the opportunity for institutions subject to this act to remain competitive with each other, with financial organizations existing under other laws of this Commonwealth, and with banking and financial organizations existing under the laws of other states, the United States and foreign countries,

(vi) the opportunity for institutions subject to this act to serve effectively the convenience and needs of their depositors, borrowers and other customers, to participate in and promote the economic progress of Pennsylvania and the United States and to improve and expand their services and facilities for those purposes,

(vii) the opportunity for the management of institutions to exercise their business judgment, subject to the provisions of this act, in conducting the affairs of their institutions, to the extent compatible with, and subject to, the purposes recited in the preceding clauses of this subsection (a),

(viii) a delegation to the department of adequate rule-making power and administrative discretion, subject to the provisions of this act and to the purposes stated in this subsection (a), in order that the supervision and regulation of institutions subject to this act may be flexible and readily responsive to changes in economic conditions and to changes in banking and fiduciary practices,

(ix) simplification and modernization of the law governing banking and governing the exercise of fiduciary and other representative powers by corporations, and

(x) authorization of institutions to participate fully in interstate banking and branching and to be competitive with interstate banking organizations based in other states.

(b) Standards to be observed by department— The purposes of this act stated in subsection (a) of this section shall constitute standards to be observed by the department in the exercise of its discretionary powers under this act, in the promulgation of rules and regulations, in the examination and supervision of institutions subject to this act and in all matters of construction and application of this act required for any determination or action of the department.

Section 104. Rules of Construction

In the interpretation and construction of this act:
(a) Use of comments- The comments of the Commission which drafted this act may be consulted in the construction and application of its original provisions but the text of the act will control in the event of a conflict between text and comments.

(b) References to statutes and regulations- A reference in this act to a statute or to a regulation issued by a governmental agency includes the statute or regulation with all amendments and supplements thereto and any new statute or regulation substituted for such statute or regulation, as in force at the time of application of the provision of this act in which such reference is made, unless the specific language or the context of the reference in this act clearly includes only the statute or regulation as in force on the effective date of this act.

(c) References to public agencies and public officers- A reference in this act to a governmental agency, department, board, commission or other public body or to a public officer includes an entity or officer which succeeds to substantially the same functions as those performed by such public body or officer on the effective date of this act, unless the specific language or the context of the reference in this act clearly includes only the public body or officer on the effective date of this act.

(d) Construction of statements of powers of institutions- A power of an institution stated in this act to be subject to regulation of the department may be exercised, subject to the provisions of this act, in the absence of such regulation but a power which is stated to be subject to approval or permission of the department may not be exercised in the absence of such written approval or permission.

(e) Severability- The provisions of this act are severable so that if any provision or the application of this act in particular circumstances should be held to be invalid, such invalidity will not affect any other provision or application of this act which can be given effect without the invalid provision or application.

(f) References to penalty provisions- Provisions of this act for the violation of which specific penalties are imposed under chapter 21 of this act are indicated by inclusion in the provisions of the phrase "subject to the penalty provisions of this act" or its equivalent.

**Section 105. Persons Authorized to Engage in Business of Receiving Deposits and Money for Transmission**

(a) Restriction of authorized persons- No person may lawfully engage in this Commonwealth in the business of receiving money for deposit or transmission, or lawfully establish in this Commonwealth a place of business for such purpose, except a bank, a bank and trust company, an interstate bank, a savings bank, a private bank, a savings association to the extent provided in the Savings Association Code of 1967, a regional thrift institution to the extent provided in section 117 of this act or section 114 of the Savings Association Code of 1967 and a person duly authorized by Federal law to engage in the business of receiving money for deposit or transmission. A bank, a bank and trust company, an interstate bank and a savings bank that receives money for deposit shall insure such deposits with the Federal Deposit Insurance Corporation or any other Federal agency authorized by law to insure deposits.
(b) Exceptions- None of the following shall be deemed to be engaged in the business of receiving money for deposit or transmission within the meaning of subsection (a) of this section:

(i) a club or hotel to the extent it receives money from members or guests for temporary safekeeping,

(ii) an express, steamship or telegraph company to the extent it receives money for transmission,

(iii) an attorney-at-law, real estate agent, fiscal agent or attorney-in-fact to the extent he receives and transmits money solely as an incident of his general business or profession,

(iv) a broker who is licensed under the laws of this Commonwealth to the extent he engages in such activities solely as an incident of the conduct of the brokerage business, or

(v) a person licensed under the act of September 2, 1965 (P.L. 490, No. 249), referred to as the Money Transmission Business Licensing Law, to the extent such person engages in the transmission of money by means of a transmittal instrument for a fee or other consideration.

(b.1) Offices of foreign organizations- An organization engaged in the banking business under the laws of a foreign nation where it is domiciled may be authorized to engage in the business of receiving money for deposit or transmission and to establish an office for that purpose in this Commonwealth by written permission of the department, subject to the provisions of this subsection. In determining whether to grant such permission, the department shall consider the extent of reciprocity for banks from the United States to own interests in or operate banking businesses in the foreign nation which is the domicile of such organization and may deny such permission in the absence of substantial reciprocity. Any permission shall be subject to an agreement by the foreign banking organization which may include provisions as to the amount of its capital and surplus allocated to its business in this Commonwealth, a deposit of assets or other provisions to assure the safe and sound conduct of the business of the organization in this Commonwealth and the protection of its depositors and creditors, maintenance of books and records, examinations by and reports to the department, acceptance by the organization of the rules and regulations promulgated by the department governing the operations of such organizations in Pennsylvania, including appointment of a registered agent for service of process, requirements for periodic renewal of the permission to operate and such other terms and conditions as the department may in its discretion deem necessary for the proper conduct of business in Pennsylvania.

(c) Penalties- A violation of subsection (a) of this section shall be subject to the penalty provisions of this act.

Section 106. Corporations Authorized to Act as Fiduciary

(a) Restriction of domestic corporations- No corporation existing under the laws of this Commonwealth may lawfully act as fiduciary except:
(i) a bank and trust company, a trust company and, to the extent provided in this act, a savings bank,

(ii) a non-profit corporation,

(iii) an incorporated institution or other corporation, to the extent that it executes a trust for its own use, or for the benefit of its own employes or for a purpose in connection with its business,

(iv) a corporation to the extent it engages in liquidating and winding-up the business and affairs of another corporation, other than an incorporated institution, for the benefit of the creditors and shareholders of such other corporation, and

(v) an association to the extent it acts as a trustee, as authorized by the act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," under a trust plan or instrument which satisfies the requirements of the Self-employed Individuals Tax Retirement Act.

(b) Foreign fiduciaries- No corporation or other legal entity existing under the laws of a state other than this Commonwealth may act in this Commonwealth as fiduciary, except that an incorporated institution possessing fiduciary powers pursuant to the laws of another state shall have the same power to engage in fiduciary activities within this Commonwealth as a national banking association acting pursuant to 12 U.S.C. § 92a or a Federal savings association 12 U.S.C. § 1464(n), provided that:

(i) the state laws pursuant to which the incorporated institution is operating provide equivalent privileges to an incorporated institution chartered by the Commonwealth,

(ii) the incorporated institution complies with the minimum capital requirements of section 1102, and

(iii) the incorporated institution provides written notice to the department at least thirty days prior to the commencement of fiduciary activities, which notice shall be accompanied by documentation of its authorization to conduct fiduciary activities issued by the appropriate regulatory authority of the jurisdiction in which the institution is chartered or organized, acknowledgment by the appropriate regulatory authority of the jurisdiction in which the institution is chartered or organized that equivalent privileges are provided to incorporated institutions chartered within this Commonwealth, proof the institution complies with the minimum capital requirements of section 1102 and a certificate of authority to do business in this Commonwealth issued by the Department of State pursuant to 15 Pa.C.S. Ch. 41 (relating to foreign business corporations).

(c) National banks and Federal savings banks- A national bank or Federal savings bank located in this Commonwealth which has authority under the laws of the United States to act as fiduciary may act as fiduciary in this Commonwealth.
(d) Penalties- A violation of subsection (a) or subsection (b) of this section shall be subject to the penalty provisions of this act.

Section 107. Accounting Rules; Accounting and Bookkeeping Services

(a) Accounting basis- An institution may maintain its books of account on a cash or accrual basis, as determined by its board of directors or trustees in the case of an incorporated institution and a private bank which has such a board and by the owner or partners in the case of any other private bank.

(b) Entries as to assets- An institution shall enter on its books a complete and accurate account of all its assets, whether the assets are in its name or the names of others, at values which shall not without the prior approval of the department:

(i) exceed the actual cost of the assets to the institution, or

(ii) in the case of shares of stock of a corporation organized for the purpose of conducting a title insurance business which are held pursuant to section 311(d)(iv), exceed the amount at which the assets of such title insurance business were theretofore carried by the institution on its books plus any additional amount paid for shares of such corporation.

(c) Entries as to liabilities- An institution shall enter on its books a complete and accurate account of its liabilities to its depositors, its borrowings (and any assets pledged therefor) and all other liabilities and shall maintain additional accounts for losses, overdrafts and expense charges.

(d) Accounting and bookkeeping service agreements- Whenever an institution may cause to be performed, by contract or otherwise accounting or bookkeeping services for itself, whether on or off its premises, the performance thereof will be subject to regulation and examination by the department to the same extent as if such services were being performed by the institution itself on its own premises. The institution shall notify the department of the existence of a service relationship within thirty days after the making of such service contract or the performance of the service, whichever occurs first. For the purpose of this subsection (d), "services" shall mean clerical, bookkeeping, accounting, statistical and other functions of the type covered by the Bank Service Corporation Act.

(e) Penalties- A violation of the provisions of subsections (b) or (c) of this section shall be subject to the penalty provisions of this act.

Section 108. Retention of Records and Admissibility of Copies in Evidence

(a) Requirement of retention- Every institution shall retain in such form and manner that they may be readily produced upon proper demand each record of original or final entry, and each deposit or withdrawal slip or ticket, for a period of seven years from the date of the making of the last entry thereon, except that coupons accompanying deposits in a club account, such as a Christmas club or a vacation club, need not be so retained for more than two years from the date of closing of such account.
(b) Originals required and copies permitted- All records required to be retained under subsection (a) of this section shall be retained in their original form except that, in lieu of the originals, film, photographic, photostatic or other copies which accurately reproduce all lines and markings on the originals may be kept of:

(i) any ledger or other record of final entry with respect to deposit accounts, any deposit slip or ticket or any record with respect to accounts held in a fiduciary or other representative capacity, and

(ii) any withdrawal slip or ticket or other record not covered by clause (i) of this subsection (b) at any time after two years from the date of the making of the last entry thereon.

(c) Admissibility of copies in evidence- Any copy of a record permitted to be kept in lieu of the original under subsection (b) of this section shall be admissible in evidence in any proceeding with the same effect as though it were the original.

Section 109. Advertisements

(a) Number of publications- Every advertisement required by this act shall be published, except as otherwise provided in this act, once in a newspaper of general circulation and once in a legal newspaper.

(b) Newspapers of general circulation- The newspaper of general circulation for publication of advertisements shall be one published in the English language, shall satisfy the requirements of the Newspaper Advertising Act and shall be:

(i) a newspaper which is one of general circulation in the county and is published in the city, borough or township in which the principal office of each institution required to publish the advertisement is, or the principal office of such a proposed institution will be, located, or if there is none,

(ii) a newspaper of general circulation in such county, published at the county seat, or if there is none,

(iii) the newspaper of general circulation published in the county at the place nearest such city, borough or township, or if there is none,

(iv) the newspaper of general circulation published at the place nearest such city, borough or township in an adjoining county.

(c) Legal newspapers- The legal newspaper for publication of advertisements shall satisfy the requirements of the Newspaper Advertising Act and shall be one published in the county in which the principal office of each institution required to publish the advertisement is, or the principal office of such a proposed institution will be, located. If there is no legal newspaper published in such county, the advertisement shall be published in an additional newspaper of
general circulation in the county but if there are not two such newspapers, then only the advertisement provided for under subsection (b) of this section shall be required.

Section 110. Notices

(a) Method- Written notice required to be given to any person under the provisions of this act or by the articles or by-laws of an incorporated institution may be given to such person, either personally or by sending a copy thereof through the mail, or by telegram, charges prepaid, to his address appearing on the books of the institution, or supplied by him to the institution for the purpose of notice. If the notice is sent by mail or by telegraph, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office for transmission to such person. If such notice is of a meeting, it shall specify the place, day and hour of the meeting and, in the case of a special meeting of shareholders or trustees, the general nature of the business to be transacted.

(b) Waiver- Any written notice required to be given under the provisions of this act or the articles or by-laws of an incorporated institution need not be given if there is a waiver thereof in writing, signed by the person entitled to such notice, whether before or after the time when the notice would otherwise be required to be given. If the notice is of a meeting other than a special meeting of shareholders or trustees, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice.

(c) Effect of attendance at meeting- Attendance of a person, either in person or by proxy, at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

(d) Amendment of resolution or plan included in notice- If the language of a proposed resolution or a proposed plan requiring approval by shareholders or trustees is included in a written notice of a meeting of shareholders or trustees, the shareholders' or trustees' meeting considering the resolution or plan may adopt it with such clarifying or other amendments as do not enlarge its original purpose without further notice to shareholders or trustees not present in person or by proxy.

Section 111. Emergency Powers

(a) In the event of an emergency resulting from a nuclear attack or similar disaster, an institution may during the continuance of such emergency, without regard to any restriction or limitation of this act, take any action to preserve the assets of the institution and to continue or resume its business, including any action to obtain the benefit of, or participate in, emergency action authorized by the Federal Government.

(b) Whenever the Secretary of Banking is of the opinion that circumstances or an emergency exists affecting all institutions in the Commonwealth or in any parts thereof, he may authorize by public announcement in such manner as he shall determine institutions located in the area or areas affected to close any or all of their offices. In addition, if the secretary is of the opinion
that only a particular institution is affected but not those located in the area generally, he may authorize the particular institution to close its office or offices so affected. As used in this subsection, the phrase "circumstances or an emergency" shall include but not be limited to any condition which may interfere with the conduct of the normal operations of an institution, poses a threat to the safety and security of the personnel or property of the institution, interrupts transportation or power facilities, involves war, riots, civil commotion or other acts of lawlessness or violence, or is a national or State occurrence of such magnitude as to justify authorization of a bank closing. Any closing made pursuant to this subsection shall be effective until the next business day or for such longer period as may be authorized by the secretary in his public announcement.

Section 112. Acquisitions, and Offers to Acquire, Shares of Banks, Bank and Trust Companies and Trust Companies

(a) Definitions for purpose of section- The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:

(i) "Acquire"- obtaining legal or beneficial ownership of shares, or voting rights of shares, whether obtained directly or indirectly, through an intermediary or otherwise; beneficial ownership by a person shall be deemed to include ownership by another person which controls, is controlled by or is under common control with such person and to include ownership by a spouse or member of the family of such person; the acquisition of options, warrants and rights to subscribe for, or to purchase, shares and the acquisition of rights to obtain shares through conversion or exchange shall be deemed an acquisition of such shares.

(ii) "Control"- the power to elect a majority of the board of directors of an institution or corporation.

(iii) "Institution"- a bank, bank and trust company, trust company or stock savings bank.

(iv) "Ownership change"- the same meaning as in section 382 of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1 et seq.), as amended.

(v) "Proposal to acquire"- any offer or attempt to buy or solicitation of an offer to sell or other attempt or offer to acquire by any means, directly or indirectly, through an intermediary or otherwise.

(b) Requirement of prior approval- Except as provided in subsection (i), it shall be unlawful, without the prior written approval of the department pursuant to this section, for any person to acquire, or to make a proposal to acquire, shares of an institution or shares of a corporation which controls an institution if the aggregate number of shares held after such acquisition would total more than:

(i) ten percent of any class of the outstanding shares of such institution or corporation; or
(ii) five percent of any such class, if such institution or corporation had net operating loss carryforwards (as defined in the Internal Revenue Code of 1986, as amended) in excess of twenty percent of its total stockholders' equity, as reported in its most recent publicly available annual financial statements, whether or not any prior acquisition had been approved by the department pursuant to this section.

(c) Application for approval- If the approval of the department is required under subsection (b), a person who intends to acquire, or to make a proposal to acquire, shares of an institution or of a corporation which controls an institution shall:

(i) file an application for approval in such form as the department may prescribe;

(ii) deliver to the department from time to time such other information as the department may require with such certification of financial information and such verification by oath or affirmation of other data as the department may specify;

(iii) pay such investigation fee as the department may specify; and

(iv) except in the case of an applicant which is a domestic corporation or a foreign corporation qualified to do business in Pennsylvania, deliver to the department a written consent to service of process in any action or suit arising out of or in connection with the proposed acquisition through service of process on the Secretary of Banking.

(d) Investigation by department- Upon receipt of an application for approval and other items required under subsection (c) the department shall conduct an investigation to determine whether the acquisition, its purposes and probable effects would be consistent with the purposes of this act set forth in section 103(a), whether the applicant, or its directors and officers in the case of a corporation, and any proposed new officers or directors of the institution involved would satisfy the test for incorporators, directors and officers of a new institution under section 1007(a), and whether the proposed acquisition would be prejudicial to the interests of the depositors, creditors, beneficiaries of fiduciary accounts or shareholders of the institution or corporation involved. As part of its investigation, the department shall transmit to the institution or the corporation whose shares are proposed to be acquired a copy of the application and all other information received from the applicant, except such information which the department determines should be kept confidential, for the purpose of receiving such comments thereon as such institution or corporation shall transmit to the department upon its request.

(e) Action by department- Within sixty days after receipt of an application under subsection (c) or within a longer period not in excess of thirty days after receipt from the applicant of additional information required by the department, the department shall approve or disapprove the proposed acquisition and give written notice of its decision to the applicant and the institution or corporation whose shares are proposed to be acquired. If the department approves a proposed acquisition which may result in a change of control or ownership change of such institution or corporation it may impose conditions to be observed after such acquisition with respect to transactions between the institution involved and the applicant or affiliate of the applicant, with respect to dividends or distributions by such institutions, with respect to employee relations, with
respect to reimbursement for any loss occasioned by such ownership change or with respect to such other matters as the department may deem advisable on the basis of the purposes of this act set forth in section 103(a). The decision of the department shall be subject to review by the Commonwealth Court in the manner provided by law.

(f) Requirements as to proposals- A proposal to acquire shares which is made to all or substantially all of the shareholders of an institution or a corporation which controls an institution shall, to the extent required by the department in approving the proposal, provide that the proposal will remain open for a specified minimum period of time, that shares may be withdrawn from deposit prior to the time the person making the proposal becomes bound to acquire them and that there will be pro rata acceptance of shares offered or deposited if they exceed the number proposed to be acquired.

(g) Prohibition of misleading statements- It shall be unlawful for any person directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances in which they were made, not misleading in connection with any acquisition of, or proposal to acquire, shares within the scope of this section or in any application or submission of information to the department under subsection (c).

(h) Regulations by department- The enforcement and implementation of this section shall be subject to regulation by the department.

(i) Exemptions- No approval under this section shall be required for an acquisition or proposal to acquire shares in the case of either:

(i) an acquisition or proposal to acquire shares by the issuer thereof or by a person who at the time controls the institution or corporation whose shares are proposed to be acquired;

(ii) a merger or consolidation which requires the approval of the department;

(iii) a transaction by a broker-dealer who does no more than perform the customary broker's function in transactions on a stock exchange or in the over-the-counter market, who receives no more than the customary broker's commission and who does not solicit, or arrange for the solicitation of, orders; or

(iv) a transaction of a type exempted by regulation of the department in the light of the purposes of this act set forth in section 103(a).

(j) Penalties- A violation of the provisions of this section shall be subject to the civil and criminal penalty provisions of this act.

Section 112.1. (Deleted)
Section 113. Legal Holidays

(a) Fixed holidays- An institution shall observe as a legal holiday:

(i) New Year's Day (January 1);

(i.1) Dr. Martin Luther King, Jr. Day (the third Monday in January);

(ii) Memorial Day (the last Monday in May);

(iii) Independence Day (July 4);

(iv) Labor Day (the first Monday in September);

(v) Thanksgiving Day (the fourth Thursday in November);

(vi) Christmas Day (December 25);

(vii) each Sunday, except for such activities or conduct of business at such locations as the bank may elect;

(viii) each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Sunday; and

(ix) each day specifically appointed by the President of the United States or the Governor of the Commonwealth as a legal holiday or as a bank holiday.

(b) Optional holidays- An institution may at its option observe as a legal holiday:

(i) Lincoln's Birthday (February 12);

(ii) Washington's Birthday (the third Monday in February);

(iii) Good Friday;

(iv) Flag Day (June 14);

(v) Columbus Day (the second Monday in October);

(vi) Election Day (the first Tuesday after the first Monday in November);

(vii) Veterans' Day (November 11);

(viii) each Saturday either as a half-holiday after 12 o'clock noon or as a full holiday;
(ix) each Monday following an Independence Day, a Christmas Day or New Year's Day which occurs on a Saturday; and

(x) each day which the department permits all institutions by public announcement, or an individual institution by written permission, to observe as a legal holiday.

(c) Geographic variations- In designating a permissive optional holiday under subsection (b), the department may limit the designation to particular geographic areas based on political subdivisions, banking classifications such as Federal Reserve districts or otherwise. An institution may observe any optional holiday at one or more, but fewer than all, of its offices.

(d) Effect of section- This effect of a legal holiday under this section shall be that provided by law but this section shall supersede other law as to the determination of days that are legal holidays for banking institutions.

(e) (Deleted).

Section 114. (Deleted)

Section 115. Bank and Savings and Loan Holding Companies

To the fullest extent as permissible under Federal law and regulations, a bank holding company, as defined by the Federal Bank Holding Company Act (70 Stat. 133, 12 U.S.C. § 1841 et seq.), and a savings and loan holding company, as defined by section 10 of the Home Owners' Loan Act of 1933 (48 Stat. 128, 12 U.S.C. § 1467a), located in this Commonwealth, another state, the District of Columbia or a territory or possession of the United States may control one or more banks, bank and trust companies, national banks, interstate banks, savings banks, savings associations, building and loan associations or Federal savings associations and, with the prior written approval of the department, may acquire control of a bank, bank and trust company, national bank, savings bank, savings association, building and loan association or Federal savings association located in this Commonwealth.

Section 115.1. Mutual Holding Companies

(a) In general- Notwithstanding any other provision of this act, a savings bank organized under this act in mutual form may reorganize so as to become a holding company by:

(i) chartering a subsidiary stock savings bank, the stock of which is wholly owned by the mutual savings bank at the time of the reorganization; and

(ii) transferring the substantial part of its assets and liabilities, including all of its liabilities which are insured by any deposit insurance corporation, to the subsidiary stock savings bank.

(b) Trustees' approval of plan required- A reorganization is not authorized under this section unless a plan providing for such reorganization has been approved by the affirmative vote of two-thirds of the board of trustees of the mutual savings bank.
(c) Notice to, and approval by, the department-

(i) At least sixty days prior to taking any action described in subsection (a), a mutual savings bank seeking to establish a mutual holding company shall provide written notice to the department. The notice shall contain such relevant information as the department shall require by regulation or by specific request in connection with any particular notice.

(ii) Upon receipt of an application for approval of a plan of reorganization authorized by this section, the department shall conduct such investigation as it may deem necessary to determine whether:
(A) the plan satisfies the requirements of this act; and
(B) the plan adequately protects the interests of depositors, borrowers and creditors.

(iii) Within sixty days after receipt of the application, the department shall approve or disapprove the application on the basis of its investigation and shall immediately give to the savings bank written notice of its decision, and in the event of disapproval, a statement in detail of such grounds therefor as are permitted by paragraph (iv).

(iv) The department may disapprove any proposed holding company formation only if:
(A) the plan providing for such reorganization fails to comply, or as implemented would fail to comply, with such regulations as the department may promulgate from time to time;
(B) such disapproval is necessary to prevent unsafe or unsound practices;
(C) the financial or management resources of the resulting mutual holding company or the resulting savings bank warrant disapproval; or
(D) the savings bank fails to furnish the information required under paragraph (i).

(v) At the time of the transaction described in subsection (a), a savings bank may, with the approval of the department, retain capital assets at the holding company level to the extent that such capital assets are not needed by the subsidiary stock savings bank in order for the subsidiary to satisfy applicable regulatory requirements.

(d) Permitted activities- A mutual holding company may engage only in the following activities:

(i) investing in the stock of one or more financial institution subsidiaries;

(ii) acquiring one or more additional financial institution subsidiaries through the merger of such financial institution subsidiaries into a subsidiary of the holding company;

(iii) subject to subsection (e), merging with or acquiring another holding company, one of whose subsidiaries is a financial institution subsidiary;

(iv) investing in a corporation the capital stock of which is available for purchase by a savings bank under Federal law or under this act;
(v) engaging in such activities as are permitted, by statute or regulation, to a holding company of a federally chartered insured mutual institution under Federal law; and

(vi) engaging in such other activities as may be permitted by the department.

(e) Limitations on certain activities of acquired holding companies-

(i) If a mutual holding company acquires or merges with another holding company pursuant to subsection (d)(iii), the holding company acquired or the holding company resulting from such merger or acquisition may invest in only those assets and engage in only those activities which are authorized under subsection (d).

(ii) Not later than two years following a merger or acquisition described in subsection (d)(iii), the acquired holding company or the holding company resulting from such merger or acquisition shall:
(A) dispose of any asset which is an asset in which a mutual holding company may not invest under subsection (d); and
(B) cease any activity which is an activity in which a mutual holding company may not engage under subsection (d).

(f) Regulation- The department shall have the authority to issue rules, regulations and orders as may be necessary to properly administer this section. Until the department has adopted regulations pursuant to this section, the department shall not approve any application by a savings bank for approval of a plan of reorganization into a mutual holding company, except that the department may approve, prior to the adoption of such regulations but subject to such terms and conditions as it deems necessary to carry out the purposes of this act, a plan of reorganization by a savings bank that has a CAMEL composite rating of one or two under the Uniform Financial Institutions Rating System (or an equivalent rating by the department under a comparable rating system). The regulations adopted under this section shall be no less restrictive than those promulgated by the Office of Thrift Supervision for federally chartered savings banks.

(g) Definitions- The following words and phrases when used in this section shall have, unless the context clearly indicates otherwise, the following meanings:

(i) "Mutual holding company"-a corporation organized as a holding company under this section.

(ii) "Financial institution subsidiary"-a savings association, a Federal savings and loan association or savings bank which is located in Pennsylvania, a bank, a bank and trust company, a trust company, a savings bank, a regional thrift institution or, after March 4, 1990, a foreign thrift institution.

CHAPTER 2
GENERAL STATEMENT OF POWERS OF INCORPORATED INSTITUTIONS; BY-LAWS
Section 201. General Corporate Powers of Incorporated Institutions

(a) Subject to the limitations and restrictions contained in this act or in its articles, an incorporated institution shall have in addition to the powers granted in its articles the power:

(i) to continue as a corporation for the time specified in its articles, subject to the power of the General Assembly under the Constitution of this Commonwealth to alter, revoke or annul its articles,

(ii) to sue and be sued, complain and defend in its corporate name,

(iii) to have a corporate seal which may be altered at pleasure and to use the same by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced,

(iv) to make, alter, amend and repeal by-laws, not inconsistent with its articles or with law, for the administration and regulation of the affairs of the institution,

(v) to elect or appoint and remove officers and agents of the institution, and to define their duties and fix their compensation,

(vi) to have and exercise all of the powers and means appropriate to effect the purpose or purposes for which the institution is incorporated,

(vii) to make contributions and donations for the public welfare or for religious, charitable, scientific or educational purposes,

(viii) to use abbreviations, words or symbols in connection with the registration of, and inscription of ownership or entitlement on, certificates evidencing its stock or securities on the records of the institution, on stock certificates, bonds, debentures, warrants and certificates evidencing its securities and on checks, proxies, notices and other instruments and documents relating to the foregoing, which abbreviations, words and symbols, shall have the same force and legal effect as though the respective words and phrases for which they stand were set forth in full for the purposes of all statutes of the Commonwealth and all other purposes, and

(ix) to purchase, take, lease as lessee or otherwise acquire, to own, hold and use and to sell, lease as lessor, mortgage, pledge, grant a security interest in, convey or otherwise dispose of, any real or personal property in connection with the exercise of any power granted in this act or in its articles.

(b) The powers granted in subsection (a) of this section shall not be construed as limiting or enlarging any grant of authority made elsewhere by this act, or as a limitation on the purposes for which an institution may be incorporated. It shall not be permissible or necessary to set forth any of such powers in the articles of the institution. Except as otherwise provided in this act or in the articles or in the by-laws, such powers shall be exercised by the board of directors or board of trustees of the institution.
(c) Notwithstanding any conditions, limitations, restrictions or other provisions of this act or any other law, in addition to any other power as authorized by this act or other law, an incorporated institution shall have the power:

(i) to engage in any activity permissible for a national banking association, including those activities as authorized by 12 U.S.C. § 24, subject to conditions, limitations and restrictions as may be imposed by the department which shall not be more restrictive than conditions, limitations and restrictions otherwise imposed upon a national banking association,

(ii) to engage in any activity permissible for a Federal savings association, including those activities as authorized by 12 U.S.C. § 1464, subject to conditions, limitations and restrictions as may be imposed by the department which shall not be more restrictive than conditions, limitations and restrictions otherwise imposed upon a Federal savings association,

(iii) to control or hold an interest in a subsidiary that engages in any activity permissible for a national bank to conduct through an operating or financial subsidiary, provided that:
(A) any activity permissible for an operating subsidiary shall be subject to conditions, limitations and restrictions as may be imposed by the department which shall not be more restrictive than conditions, limitations and restrictions otherwise imposed upon an operating subsidiary of a national banking association, and
(B) any activity only permissible for a financial subsidiary, and not permissible for an operating subsidiary, shall comply with the requirements of section 121(d) of the Gramm-Leach-Bliley Act (Public Law 106-102, 113 Stat. 1338),

(iv) to control or hold an interest in a subsidiary that engages in any activity permissible for a subsidiary of a Federal savings association pursuant to 12 U.S.C. § 1464, subject to conditions, limitations and restrictions as may be imposed by the department which shall not be more restrictive than conditions, limitations and restrictions otherwise imposed upon a subsidiary of a Federal savings association, or

(v) to engage in any activity or to control or hold an interest in a subsidiary that engages in any activity determined to be permissible for an insured state bank or the subsidiary of an insured state bank by the Federal Deposit Insurance Corporation pursuant to 12 U.S.C. § 1831a, subject to conditions, limitations and restrictions as may be imposed by the department with respect to the safety and soundness of the incorporated institution.

(d) If an incorporated institution engages in an activity or holds an interest permissible under more than one clause of subsection (c), the incorporated institution may elect under which clause notice as required by subsection (e) is given and the activity is conducted or the interest is held.

(e) Unless earlier approval is granted by the department, an incorporated institution shall provide at least thirty days' prior written notice to the department before it engages in an activity or acquires an interest only permissible under subsection (c) or engages in an activity or acquires an interest as otherwise authorized by this act, subject only to conditions, limitations or restrictions as provided by subsection (c). During the review period provided by this subsection, the department may:
(i) request further information concerning any proposed activity or interest,

(ii) impose any conditions, limitations or restrictions upon such interests or activities to the extent authorized by subsection (c), or

(iii) prohibit an incorporated institution from engaging in an activity or acquiring an interest if to do so would have a significant adverse impact upon the safety and soundness of the incorporated institution.

Except as otherwise agreed to by an incorporated institution, the department shall be deemed to have granted approval for an incorporated institution to engage in an activity or acquire an interest if within thirty days of receipt of written notice from an incorporated institution the department does not impose conditions, limitations or restrictions upon interests or activities as authorized by subsection (c) or prohibit the incorporated institution from engaging in an activity or acquiring an interest authorized by subsection (c).

(f) Notwithstanding any other provisions of this act or any other law, an incorporated institution shall have the same power to engage in fiduciary activities, both within and outside of this Commonwealth, as a national banking association pursuant to 12 U.S.C. § 92a. The department shall interpret the provisions of 12 U.S.C. § 92a in a manner consistent with regulations and interpretations as provided by the Comptroller of the Currency.

Section 202. Additional Powers of Incorporated Institutions Related to Conduct of Business

An incorporated institution shall have in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

(a) Agency for United States- the power to act as agent of the United States or of any instrumentality or agency thereof for the sale, issue or redemption of bonds, notes or other obligations of the United States, or those for the payment of which the full faith and credit of the United States is pledged, and to pledge its assets for the faithful performance of its duties as such agent;

(b) Safekeeping and safe-deposit business- the power to receive for safekeeping, or to rent out receptacles or safe-deposit boxes for the deposit of papers and other personal property;

(c) Stock of safe-deposit company- the power to acquire and hold shares of stock of a corporation organized and existing under the laws of the Commonwealth solely for the purpose of conducting a safe-deposit business;

(d) Stock in corporation holding realty and facilities- the power to acquire and hold in an amount approved by the Department, shares of stock of a corporation which owns real property which the institution could acquire and hold in its own name under clauses (i), (ii) and (iii) of
subsection (e) of this section and shares of stock of a corporation solely for the purpose of providing data processing facilities for the institution or for the institution and others;

(e) Ownership of real property- the power to acquire and hold such real property as it:

(i) occupies or intends to occupy for the transaction of its business or partly so occupies and partly leases,

(ii) acquires for the purpose of providing parking facilities for the use of its customers, officers and employes, or

(iii) acquires solely or jointly with others for the purpose of providing data processing facilities for the institution or for the institution and others subject to the limitation that the book value of all such real property, of all furniture, fixtures and equipment acquired in connection with any real property owned or leased by the institution, of all alterations of buildings on real property owned or leased by the institution, of all shares of stock or corporations acquired under subsection (d) of this section, and investments in obligations of or for the benefit of corporations described in subsection (d) of this section or loans upon the security of the stock of such corporations shall not exceed one hundred percent of the aggregate of surplus, unallocated reserves, undivided profits and subordinated securities in the case of a mutual savings bank, or one hundred percent of the aggregate of capital, surplus, undivided profits and capital securities in the case of any other institution, or such larger amount as may be approved by the department, and subject to the requirement that estimates of costs of any building on real property owned or leased by the institution shall be submitted to the department for its approval prior to the erection thereof;

(f) Pledges for borrowings- the power to pledge assets as security for borrowings authorized by this act;

(g) Bonds in legal proceedings- the power to give its bond in any proceeding in any court in which it is a party or upon any writ of error or appeal in any such proceeding and to pledge assets as security for such bond;

(h) Property acquired for prior debt- the power to acquire and hold, irrespective of any restriction or limitation of this act, any property or a security interest in any property as protection against loss on an evidence of indebtedness, on an agreement for the payment of money or on an investment security, previously acquired lawfully and in good faith, subject to:

(i) a determination by a majority vote of its directors or trustees at least once each year as to the advisability of retaining any such property or security interest so acquired, and

(ii) disposition within a period of twenty-four months after the date of acquisition or such longer period as the department may approve of shares of its own stock so acquired and of shares of stock of a bank, bank and trust company, trust company or national bank held after such acquisition in excess of the limitation of section 311(d) of this act;
(i) Property held prior to act - the power to hold property lawfully held on the effective date of this act, subject to the inclusion of any such property in any computation of a limitation on the acquisition or holding of property of a like character under this act; and

(j) Servicing of loans - the power to service for others, subject to regulation by the department, real estate loans and other loans originated or formerly owned by the institution.

(k) Delivery service - the power to pick up from and deliver to customers cash or other valuables relating to financial services provided by the incorporated institution using a contract carrier or employes or affiliates of the incorporated institution. No separate authorization or approval by the department shall be required for an incorporated institution to provide delivery service, provided that the incorporated institution complies with other laws and regulations applicable to the provision of delivery service.

**Section 203. Additional Powers Related to Conduct of Business of Incorporated Institutions Other Than Trust Companies**

A bank, a bank and trust company and a savings bank shall have in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

(a) Membership in Federal Reserve System - the power to become a member of the Federal Reserve System, to hold shares of stock in a Federal Reserve Bank, to take all actions incident to maintenance of such membership and to exercise all powers, not inconsistent with provisions of this act, conferred on member banks by the Federal Reserve Act;

(b) Insurance by F.D.I.C. - the power to become an insured bank pursuant to the Federal Deposit Insurance Corporation Act and to take all actions incident to maintenance of an insured status thereunder; and

(c) Insured loans - the power to make application for and to obtain insurance of loans pursuant to national housing legislation.

(d) Subsidiaries - in addition to the power to acquire and hold interests in a subsidiary permissible under section 201(c)(iii), (iv) and (v), the power to acquire and hold, without limitation of amount, the stock of subsidiary corporations engaged in activities permissible for such institution and activities permissible under the Bank Service Corporation Act (Public Law 87-856, 12 U.S.C. § 1861 et seq.), subject to any conditions, limitations and restrictions comparable to those which may be imposed pursuant to section 201(c)(iii), (iv) and (v) and to notice and review as provided by section 201(e).

(e) Membership in Federal Home Loan Bank - The power to become a member of the Federal Home Loan Bank System, to hold shares of stock in a Federal Home Loan Bank, to take all actions incident to maintenance of such membership and to exercise all powers, not inconsistent with provisions of this act, conferred on member banks.
Section 204. Adoption and Contents of By-Laws

(a) Incorporated institutions other than mutual savings banks- The shareholders shall have the power to make, alter, amend and repeal the bylaws of an incorporated institution but such authority may be expressly vested by the articles or the by-laws in the board of directors (except as to by-laws fixing the qualifications, classification or terms of office of directors), subject to the power of the shareholders to change such action. Unless the articles or by-laws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the members of the board of directors, or by the vote of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon, as the case may be, at any regular or special meeting duly convened after notice to the directors or shareholders of that purpose.

(b) Mutual savings banks- The trustees shall have the power to make, alter, amend and repeal the by-laws of a mutual savings bank except as otherwise expressly provided in this act, or in the articles or by-laws of the mutual savings bank. Unless the articles or by-laws otherwise provide, the powers hereby conferred shall be exercised by a majority vote of the trustees at any regular or special meeting of the trustees duly convened after notice to them for that purpose. This subsection (b) shall not affect any other plan for the making of by-laws contained in the articles.

(c) Scope of by-laws- The by-laws of an incorporated institution may contain provisions for the regulation and management of the affairs of the institution not inconsistent with law or its articles.

(d) Filing with department- An incorporated institution shall send to the department a copy of its by-laws and of all changes therein, immediately after every adoption and change of its by-laws.

Section 205. Persons Bound by By-Laws; Execution of Instruments

(a) The by-laws of an incorporated institution shall not affect contracts or other dealings with persons who do not have actual knowledge of such bylaws.

(b) Without regard to any other form of execution provided in the bylaws, an instrument in writing, or any assignment or endorsement thereof, executed or entered into between an incorporated institution and any person and signed by the president and by the cashier or treasurer of the institution, shall be held to have been properly executed for and in behalf of the institution.

Section 206. Interested Directors and Shareholders; Quorum

(a) Voting requirements- Any transaction authorized under Chapter 16 of this act between an institution or subsidiary thereof and a shareholder of such an institution, or any transaction authorized under section 1803 of this act in which a shareholder is treated differently from other shareholders of the same class (other than any dissenting shareholders under section 1607 of this act), shall require the affirmative vote of the shareholders entitled to cast at least a majority of the votes which all shareholders other than the interested shareholder are entitled to cast with respect to the transaction, without counting the vote of the interested shareholder. For the purposes of
the preceding sentence, interested shareholder shall include the shareholder who is a party to the transaction or who is treated differently from other shareholders and any person, or group of persons, that is acting jointly or in concert with the interested shareholder and any person who, directly or indirectly, controls, is controlled by or is under common control with the interested shareholder. An interested shareholder shall not include any person who, in good faith and not for the purpose of circumventing this subsection, is an agent, bank, broker, nominee or trustee for one or more other persons, to the extent that such other person or persons are not interested shareholders.

(b) Exceptions- Subsection (a) shall not apply to a transaction:

(i) which has been approved by a majority vote of the board of directors or trustees without counting the vote of directors or trustees who:
(A) are directors, trustees or officers of, or have a material equity interest in, the interested shareholder; or
(B) were nominated for election as a director or trustee by the interested shareholder, and first elected as a director or trustee, within twenty-four months of the date of the vote on the proposed transaction; or

(ii) in which the consideration to be received by the shareholders for shares of any class of which shares are owned by the interested shareholder is not less than the highest amount paid by the interested shareholder in acquiring shares of the same class.

(c) Approvals required- The approvals required by this section shall be in addition to, and not in lieu of, any other approval required by this act, the articles of the institution, the bylaws of the institution or otherwise.

CHAPTER 3
BANKING POWERS

Section 301. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank and a bank and trust company.

Section 302. Deposits

An institution may receive money for deposit and may provide by rules of the institution or by agreement with the depositor for the terms of withdrawal thereof and for payment of interest thereon for the period of the deposit and an additional period not in excess of fifteen calendar days in any one month or such longer time as the department may provide by regulation.

Section 303. General Lending Powers

(a) Definitions- As used in this section, the following words and phrases shall have the meanings given to them in this subsection:
"Credit device"- any card, check, identification code or other means of identification contemplated by the agreement governing a plan.

"Leasehold"- the interest, which is security for a loan, of a lessee of real estate under a lease which on the date of the loan has an unexpired term extending at least five years beyond the maturity of the loan, or contains a right of renewal, which may be exercised by the institution, extending at least five years beyond the maturity of the loan.

"Loans"- cash advances or loans to be paid to or for the account of the customer.

"Plan" or "open-end credit plan"- a plan contemplating the extension of credit under an account governed by an agreement between an institution and a customer pursuant to which:

(i) the institution permits the customer and, if the agreement governing the plan so provides, persons acting on behalf of or with authorization from the customer from time to time to make purchases or to obtain loans or both by use of a credit device,

(ii) the amounts of purchases made and loans obtained are charged to the customer's account under the plan,

(iii) the customer is required to pay the institution the amounts of all purchases and loans charged to the customer's account under the plan but has the privilege of paying the amounts outstanding from time to time in full or installments, and

(iv) interest may be charged and collected by the institution from time to time on the outstanding unpaid indebtedness under such plan.

"Purchases"- payments for property of whatever nature, real or personal, tangible or intangible, and payments for services, licenses, taxes, official fees, fines, private or governmental obligations or any other thing of value.

"Truth in Lending"- the Federal Truth in Lending Act (Public Law 90-321, 15 U.S.C. § 1601 et seq.) and regulations promulgated thereunder as in effect from time to time. The terms "finance charge," "annual percentage rate," "credit card," "open-end credit" and "closed-end credit" have the same coverage and meanings as the definitions of those terms under Truth in Lending.

(b) General rule- (i) An institution may, subject to any applicable restriction under other provisions of this act, lend money, extend credit and discount or purchase evidences of indebtedness and agreements for the payment of money at such interest, finance charge, rate or terms under this section or at any interest, finance charge, rate or terms permitted for any other financial institution or any other lender regulated by any State or Federal supervisory authority on the specified class of loan.

(ii) This section shall govern all direct and indirect extensions of credit by an institution for personal, family, household, business or agricultural purposes to an individual, a partnership,
limited liability company or an unincorporated association, whether as closed-end credit or open-end credit.

(c) Disclosures- In connection with any loan or extension of credit, an institution shall make applicable disclosures required by applicable federal law, including the Real Estate Settlement Procedures Act (Public Law 93-533, 88 Stat. 1724), the Truth in Lending Act and the Equal Credit Opportunity Act (Public Law 93-495, 88 Stat. 1521), in lieu of any disclosure requirement which may be imposed by Pennsylvania law.

(d) Agreements for extension of credit- An institution may make a loan or extend credit pursuant to this section on the basis of a written agreement. An agreement shall be fully completed prior to signature by the customer. A completed copy of such agreement, including related statements, notices and documents, shall be given to the customer. An agreement shall provide, if applicable:

(i) the amounts of the loan or available credit and the procedure or means by which it may be obtained,

(ii) maturity provisions, installment payment requirements, prepayment privileges and rebates of unearned interest upon prepayment,

(iii) either the amounts or rates of interest, which may be fixed or variable rates, or the basis for determining such amounts or rates, which basis in the case of variable rates must be an objectively determinable basis other than a basis determined solely by the institution,

(iv) the method of determining balances of unpaid indebtedness to which periodic rates of interest are applicable which, in the case of an open-end credit plan, may, if the agreement governing the plan so provides, include the amount of any interest and other charges, including delinquency charges, which have accrued in the account,

(v) charges which may be imposed in addition to interest, in such amounts as the agreement provides, or as established in the manner the agreement provides, such as, but not limited to, minimum charges, check charges and maintenance charges related to extensions of credit pursuant to overdraft check plans, a delinquency charge which may be assessed if the loan or extension of credit is in default for more than fifteen days and fees, extension charges and actual charges that may be incurred on default, including, but not limited to, court and other collection costs and reasonable attorney fees. Such additional charges may include a daily, weekly, monthly, annual or other periodic charge for the privileges made available to the customer under an open-end credit plan, transaction charges for each separate purchase or loan under the plan and a minimum charge for each scheduled billing period under the plan, during any portion of which there is an outstanding unpaid indebtedness under the plan,

(vi) collateral security and provisions relating thereto, except that there may not be any authorization for entry of judgment by confession nor any acceleration of a loan or repossession of collateral unless there is a default pursuant to the agreement, and
(vii) insurance coverages and premiums for insurance coverages.

Such agreements shall be valid and enforceable, and an institution may impose and collect the interest and other charges provided in the agreement.

(e) Computation of interest- A fixed rate of interest included in a finance charge shall be computed either on a simple interest basis by a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending or, as to an extension of credit with an initial maturity of not more than sixty months, which is made within two years after the effective date of this section, on an add-on or discount basis. The maximum amount that may be charged on the basis of a variable rate of interest shall be computed in accordance with or with reference to a schedule or formula at the times and for the periods provided in the agreement. The periodic rate of interest, as so varied, will be applicable to all outstanding unpaid indebtedness under the agreement from the effective date of the variation if so provided in the agreement.

(f) Changes in terms- An institution may change the terms of the agreement if:

(i) the agreement so provides,

(ii) there is compliance with applicable notice requirements of Truth in Lending prior to the effective date of the change,

(iii) such notice states that a customer for whose account a change in terms does not become effective may pay all outstanding amounts pursuant to the agreement as in effect prior to the notice, and

(iv) in the case of an increase in a fixed rate of interest or other charges payable by the customer under an open-end credit plan, the customer incurs additional indebtedness after the effective date of the change of terms.

If the agreement governing the plan so provides, a change of terms pursuant to this subsection may, on and after the date it becomes effective as to an account, apply to all then outstanding unpaid indebtedness. A change in the amount of interest imposed in accordance with or with reference to a schedule or formula for a variable rate of interest shall not be deemed to be a change in terms, but a change in such schedule or formula shall be deemed to be a change in terms. No change may be made in a fixed rate of interest or other charges payable with respect to the outstanding balance of indebtedness or in the amount or due dates of required installment payments on closed-end credit unless there is written consent of the customer at the time of the change except for an extension of any due date or an option granted by the institution to the customer to omit payments and except as may be otherwise provided in an agreement for an extension of credit which is not for personal, family or household purposes.

(g) Prepayment-

(i) A borrower or buyer may prepay an extension of credit in full at any time.
(ii) If interest has been precomputed, then, in the event of prepayment of an extension of credit, the institution shall refund to the customer the unearned portion of the precomputed interest. The refund shall be in an amount not less than the amount of the unearned precomputed interest calculated in accordance with a generally accepted actuarial method, including a method permitted for determination of an annual percentage rate under Truth in Lending, except that the amount of the unearned interest on an extension of credit with an initial maturity of not more than sixty months which is made within two years after the effective date of this section for which interest is computed on an add-on or discount basis as permitted by subsection (e) may be calculated in accordance with the "sum of the balances" method and except that the customer shall not be entitled to a refund which results in a net minimum charge of less than an amount equal to the interest that would accrue in the first month the extension of credit was scheduled to be outstanding. The institution shall not be required to refund the unearned portion of the interest if such amount is less than one dollar ($1).

(iii) The amount of a refund under the "sum of the balances" method is determined by multiplying the precomputed interest by a fraction, the numerator of which is the sum of the balances, including interest, of the extension of credit scheduled to be outstanding after deducting the first of the payments scheduled to be made on or after the date of prepayment and the denominator of which is the sum of all the unpaid balances, including interest, of the extension of credit scheduled to be outstanding from its inception to and including the maturity of the final installment. Intervals between scheduled payments must be regular periods of one month or less except that the interval between the inception of an extension of credit and the due date of the first scheduled payment may be:
(A) one month and fifteen days when the regular payment interval is a month,
(B) one month when the regular payment interval is less than a month but more than a week, or
(C) eleven days when the regular payment interval is a week or less.

(h) Insurance- The agreement may provide for life, health, accident, loss-of-income or other permissible insurance related to an extension of credit under a group or individual policy subject to the option of the customer to furnish required insurance through an authorized insurer of the customer's choice as provided in section 11 of the act of September 2, 1961 (P.L.1232, No.540), known as the "Model Act for the Regulation of Credit Life Insurance and Credit Accident and Health Insurance," and, if premiums for such insurance are paid to the institution, provisions shall be made for rebates of unearned premiums, if any, upon prepayment. An institution may require that insurance be maintained, from an insurer acceptable to the institution, against loss or damage to property which is collateral security for the extension of credit and against liability arising out of the ownership or use of such property. An institution may grant an extension of credit to finance the premiums for the insurance.

(i) Extensions of credit through intermediaries- An extension of credit to finance a sale of a motor vehicle, other than through an open-end credit plan, may be made by an institution through a seller licensed as an installment seller under the act of June 28, 1947 (P.L.1110, No.476), known as the "Motor Vehicle Sales Finance Act," as an intermediary if:
(i) the agreement governing the extension of credit conspicuously provides that the extension of credit is made by the institution to the buyer and is subject to the provisions of this section, and

(ii) either the institution has made a commitment to make the extension of credit or the agreement is subject to acceptance by the institution within two business days after the date of the agreement and the institution upon such acceptance sends written notice thereof to the buyer. The terms and conditions under which the seller acts as an intermediary between the institution and the buyer shall be determined by written agreement between the institution and the seller.

An extension of credit made through an intermediary pursuant to this section shall be subject to this act and other acts governing transactions between banks and their customers and shall not be subject to the provisions or requirements of any other regulatory statute, rule or regulation, and neither a seller who acts as an intermediary for an institution with respect to such an extension of credit nor an institution which makes such an extension of credit through a seller as an intermediary shall be deemed to be in violation of licensing or other requirements of any other regulatory statute, rule or regulation that would be applicable to extensions of credits by such a seller or contractor to its customers.

(j) Right of rescission- A person whose ownership interest in that person's principal dwelling is subject to a lien or security interest as collateral security for an extension of credit subject to this section shall have a right of rescission for the same types of transactions on the same terms and conditions and for the same time periods as those provided for the right of rescission under Truth in Lending.

(k) Statement of account- Upon the written request of the customer, an institution shall provide, within ninety days after the end of each calendar year, a statement of the customer's account showing payments made during such year, the amount applied to interest and the balance of the account at the end of such year.

(l) Waiver of provisions- No provision of this section which confers rights on the customer or any other person may be waived or modified except to the extent and in the circumstances in which Truth in Lending permits a consumer to waive or modify the right of rescission.

(m) Balloon payments- No agreement for a loan or extension of credit under this section containing terms of which principal is repayable in installments may provide for a final payment which is more than double the regularly scheduled payment exclusive of overdue or extended payments, except in the case of automobile financing transactions and real estate loans.

(n) Real estate loans-

(i) An institution may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate, including a lease-hold, located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico for a term not to exceed forty years and in an amount not to exceed ninety percent of the value of the loan except that if the amount of the loan does not exceed one hundred thousand dollars ($100,000) or is made in reliance upon a private mortgage insurance or guarantee acceptable to
the department regardless of the amount of the loan, then one hundred percent of the value of the loan, unless otherwise subject to the supervisory loan-to-value limits established by the Federal Deposit Insurance Corporation in 12 CFR Pt. 365, Subpt. A, Appendix A (relating to interagency guidelines for real estate lending policies).

(ii) The requirements for a loan subject to this subsection shall be:

(A) the loan shall be evidenced by a bond, note or other obligation and the lien securing such loan shall be obtained by a mortgage, deed of trust or judgment,

(B) the value of the real estate shall be determined by a real estate appraiser qualified in the state where the real estate is located who shall inspect the real estate and state its value to the best of his judgment in a written report signed by him which must be preserved in the records of the institution,

(C) insurance, as evidenced by a policy or binder or a copy of either, against loss from fire on all buildings on the real estate which are included in the appraised value, issued by insurers acceptable to the institution and authorized to do business where the real estate is located and in form and amount satisfactory to the institution, shall be maintained during the term of the loan by or at the expense of the borrower, except that the institution may at its own expense maintain such insurance covering only its interest as lender,

(D) the borrower shall pay all expenses in connection with the loan for title insurance, searches and certificates, appraisal fees and fees for preparation and recording of documents, and

(E) an institution may make a single delinquency charge for each payment in arrears for a period of more than fifteen days other than by reason of acceleration or by reason of a delinquency on a prior payment.

(iii) The restrictions and requirements of this subsection shall not apply to:

(A) a loan guaranteed at least to the extent of twenty percent thereof, or for which a written commitment for such guarantee has been issued, by the Veterans Administration pursuant to the Veterans' Benefits Act,

(B) a loan insured, or for which a written commitment to insure has been issued, pursuant to national housing legislation,

(C) a loan insured, or for which a written commitment to insure has been issued, by the Farmers Home Administration pursuant to the Consolidated Farmers Home Administration Act (Public Law 87-128, 75 Stat. 307),

(D) a loan made pursuant to the Small Business Act (Public Law 85-536, 15 U.S.C. § 631 et seq.),

(E) an investment security acquired pursuant to section 307, or
(F) a loan in connection with which the institution takes a real estate lien as security in the exercise of banking prudence but as to which it is relying for repayment on:
(1) the general credit of the obligor or of an installment buyer or of a lessee of the real estate,
(2) collateral other than the real estate lien,
(3) a guaranty, or an agreement to take over or purchase the loan in the event of default, by a financially responsible person other than a person engaged in the business of guaranteeing real estate loans, or
(4) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment thereof, within a period of five years from the date of the loan and there is a certificate of reliance setting forth the applicable facts.

(G) a residential mortgage loan secured by real estate located in a low- to moderate-income area.

(iv) The restriction of this subsection on the location of real estate shall not apply in the case of a loan acquired from a corporation or association of which the institution owns more than fifty percent of the outstanding shares of capital under subsection 311(d)(ii)(C), if such loan:

(A) is secured by a first lien on improved real estate, including farm land,

(B) satisfies all requirements of this section other than the restriction on location of real estate, and

(C) is serviced by the corporation or association from which it is acquired.

Section 304. Direct Leasing of Personal Property

An institution may acquire and lease personal property pursuant to a binding arrangement for the leasing of such property to a customer upon terms requiring payment to the institution, during the minimum period of the lease, of rentals which in the aggregate will exceed the total expenditures by the institution for or in connection with the acquisition, ownership, maintenance and protection of the property.

Section 305. Participations

(a) An institution may purchase and may sell participations in:

(i) one or more evidences of indebtedness and agreements for the payment of money, and

(ii) pools of evidences of indebtedness and agreements for the payment of money, subject to regulation by the department.

(b) The department may prohibit the sale of any type of participation to the public or otherwise not in the usual course of banking business, except as permitted by other provisions of this act.
Section 306. Limits on Indebtedness of One Customer (Including Purchased Paper)

(a) General limit- An institution shall not at any time acquire indebtedness of any one customer (which includes an individual or any legal entity) of the types specified in this section, in an amount which together with all other such indebtedness then held would exceed fifteen percent of the capital accounts of the institution. If the department shall determine at any time that the interests of a group of more than one individual, partnership, unincorporated association or corporation are so interrelated that they should be considered as a unit for the purpose of extensions of credit, the total indebtedness of that group acquired at any time shall be combined and deemed indebtedness acquired from one customer in applying the limitation of this section. An institution shall not be deemed to have violated this section solely by reason of the fact that the indebtedness of a group then held exceeds the limitation of this section at the time of a determination by the department that the indebtedness of that group must be combined but the institution shall, if required by the department, dispose of indebtedness of the group in the amount in excess of the limitation of this section within such reasonable time as shall be fixed by the department.

(b) Indebtedness included- There shall be included in the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) the aggregate rentals payable by the customer under leases of personal property by the institution;

(ii) to the extent that they exceed fifteen percent of the capital accounts of the institution, the aggregate balances payable on all installment paper acquired by the institution from the customer, irrespective of the legal liability of the customer or absence of such liability;

(iii) to the extent that they exceed fifteen percent of the capital accounts of the institution, obligations of the customer as indorser or guarantor of notes (other than those excluded by subsection (c)(ii) of this section) having a maturity of not more than six months and actually owned by the customer transferring the notes;

(iv) obligations of the customer by reason of acceptances by the institution of drafts or bills of exchange (other than those excluded by subsection (c)(v) of this section);

(v) all other liabilities, not otherwise excluded by this section, of the customer to the institution, whether direct or indirect, primary or secondary, under evidences of indebtedness and agreements for the payment of money; and

(vi) any credit exposure to a person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction, or securities borrowing transaction between the institution and the person.

(c) Indebtedness excluded- There shall be excluded from the indebtedness of one customer to which the fifteen percent limitation of this section applies:
(i) obligations in the form of negotiable drafts or bills of exchange which have been drawn in good faith against actually existing values in connection with the sale of goods and which have been accepted or indorsed;

(ii) obligations arising out of the discount of commercial or business paper actually owned by the customer transferring it;

(iii) obligations drawn in good faith against actually existing values and secured by goods in process of shipment;

(iv) obligations in the form of banker's acceptances of other banks of the kind described in section 308;

(v) obligations of the customer by reason of acceptances by the institution for the customer's account pursuant to section 308, except to the extent that the institution acquires such acceptances;

(vi) obligations secured by documents of title covering:
   (A) livestock,
   (B) readily marketable nonperishable staples for a period of not more than ten months from the date of the document of title, or
   (C) readily marketable frozen or refrigerated staples for a period of not more than six months from the date of the document of title if such property has a market value of not less than one hundred fifteen percent of the amount of the obligation secured thereby and is fully covered by insurance;

(vii) obligations of, and obligations guaranteed by:
   (A) the United States,
   (B) the Commonwealth of Pennsylvania or a state where the institution lawfully maintains branches, a political subdivision of the Commonwealth or such state, a public body of the Commonwealth or such state or a public body of a political subdivision of the Commonwealth or such state, or
   (C) any state of the United States or any political subdivision thereof if the obligations or guarantees are general obligations;

(viii) obligations to the extent secured by:
   (A) obligations specified in clause (vii) of this subsection,
   (B) obligations which the institution would be authorized to acquire without limit as investment securities pursuant to section 307,
   (C) obligations fully guaranteed by the United States,
   (D) guaranties or commitments or agreements to take over or purchase made by any department, bureau, board, commission or establishment of the United States or any corporation owned directly or indirectly by the United States, or
   (E) loan agreements between a local public agency or a public housing agency and an instrumentality of the United States pursuant to national housing legislation under which funds will be provided for payment of the obligations secured by such loan agreements;
(ix) obligations secured by:
(A) at least a like amount of cash surrender value of life insurance policies, or
(B) collateral which has a market value of not less than one hundred and twenty percent of the amount of the obligations secured thereby to the extent of fifteen percent of the aggregate of the capital accounts of the institution;

(x) investment securities acquired pursuant to section 307;

(xi) obligations of the kind covered by subsection (b)(ii) of this section, as to which there is a certificate of reliance on a primary obligor;

(xii) obligations of the customer as to which there is a certificate of reliance on an obligor other than the customer;

(xiii) transactions of the institution in connection with the sale of reserve balances to a member or nonmember bank; and

(xiv) an assignment of funds on deposit in the lending institution.

(d) Regulation- The department may by regulation not inconsistent with the provisions of this section and section 1414(c) prescribe definitions of and requirements for transactions included in or excluded from the indebtedness to which the fifteen percent limitation of this section applies.

(e) Definition- As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

“Capital accounts”-- the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses of the institution. Reserve for loan losses shall mean that portion of an institution's earnings set aside as a general reserve to absorb possible future losses on loans as of the last complete calendar or fiscal year, carried in an account captioned "reserve for loan loss" or "reserve for bad debts."

“Derivative transaction”-- any transaction that is a contract, agreement, swap, warrant, note, or option that is based, in whole or in part, on the value of, any interest in, or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices, or other assets.

**Section 307. Investment Securities (Other Than Stock)**

An institution may purchase, sell, underwrite and hold investment securities which are obligations in the form of bonds, notes or debentures to the extent permitted by Federal law, subject to the restrictions and limitations imposed by Federal law and subject to such additional restrictions and limitations as may be imposed by regulation of the department. An institution may also hold without limit such investment securities which as loans would be within the coverage of subsection 306(c)(vii)(B).
Section 308. Acceptances

(a) Commercial transactions- An institution may, subject to regulation by the department, accept drafts drawn upon it arising out of transactions involving:

(i) the import or export of goods,

(ii) the domestic shipment of goods, or

(iii) the storage of readily marketable staples, if secured by documents of title covering such staples.

(b) Limits on acceptances under subsection (a)- The aggregate amount of acceptances under subsection (a) of this section shall not at any time exceed:

(i) for all such acceptances on behalf of one customer, fifteen percent of capital, surplus and undivided profits, exclusive of any acceptance secured by documents of title or other security growing out of the same transaction as the acceptance, and

(ii) for all such acceptances: (A) one hundred fifty percent of capital, surplus and undivided profits, or (B) with the prior written approval of the department, two hundred percent of capital, surplus and undivided profits, so long as acceptances growing out of domestic transactions do not exceed one hundred fifty percent of capital, surplus and undivided profits.

(c) Dollar exchange- An institution may, with the prior written approval of the department, accept drafts having not more than three months sight to run drawn upon it by banks or bankers in foreign countries, or in dependencies or insular possessions of the United States, for the purpose of creating dollar exchange as required by the usages of trade where the drafts are drawn in an aggregate amount which shall not at any time exceed:

(i) for all such acceptances on behalf of a single bank or banker, fifteen percent of capital, surplus and undivided profits, and

(ii) for all such acceptances, one hundred fifty percent of capital, surplus and undivided profits.

Section 309. (Deleted)

Section 310. (Deleted)
Section 311. Transactions With Respect to Shares of Corporate Stock and Capital Securities

(a) Authorized transactions- An institution may not engage in any transaction with respect to shares of the capital stock of any corporation unless specifically authorized by this section, by section 202, by section 203 or with respect to shares of its own stock by the provisions of this act governing the institution in its corporate capacity.

(b) Transactions for customers- An institution may purchase and sell shares of stock upon the order of and for the account of a customer and without recourse.

(c) Collateral loans- An institution shall not take pledges of shares of stock or capital securities issued by the institution as collateral security for a loan, nor shall an institution take pledges of corporate stocks not dealt in on a recognized exchange if the amount of the loan secured by said pledge, together with the total amount of:

(i) all indebtedness of the corporation to the institution,

(ii) rentals payable to the institution under leases of personal property to the corporation, and

(iii) the book value of investment securities of the corporation which are owned by the institution would at any time exceed twenty-five percent of the aggregate of the capital, surplus and capital securities of the institution.

(c.1) Collateral loans with affiliates- An institution may engage in a covered transaction with an affiliate, including the acceptance of securities issued by an affiliate as collateral security for a loan or extension of credit, if the institution complies with the requirements of 12 U.S.C. § 371c. The department shall interpret the requirements of 12 U.S.C. § 371c in a manner consistent with regulations, orders and interpretations as issued by the Board of Governors of the Federal Reserve System.

(d) Ownership- An institution may acquire and hold:

(i) shares of stock of a Federal Reserve Bank, without limitation of amount;

(ii) shares of stock of:
(A) the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, a corporation authorized to be created pursuant to Title IX of the Housing and Urban Development Act of 1968 or any other such corporations or agencies as may from time to time be approved by the department,
(B) a bank, a bank and trust company or a trust company subject to this act, a national bank located in Pennsylvania or a Pennsylvania bank holding company-to the extent of ten percent of the sum of the par value of the issued and outstanding shares of any such issuer, and, for purposes of this limitation, the shares owned by all the affiliates of a Pennsylvania bank holding company shall be aggregated to determine whether the ten percent limitation is reached,
(B.1) a subsidiary corporation engaged in the functions or activities that an institution is authorized to carry on, if the shares are acquired with the prior written approval of, and in accordance with the terms and conditions of transfer prescribed by, the department, or

(C) a corporation organized under the laws of the United States or of any state or any foreign country and principally engaged, directly or indirectly, in international or foreign banking or financial operations or in banking or financial operations in a dependency, or insular possession of the United States or in the Commonwealth of Puerto Rico, if the shares are acquired with the prior written approval of, and in accordance with the terms and conditions prescribed by, the department in an amount the cost of which to the institution for the shares of any such association or corporation so acquired or held is not in excess of ten percent of the aggregate of the capital, surplus and capital securities of the institution and in the case of shares covered by clause (B) of this subsection (d)(ii), in an amount the cost of which to the institution for the shares of all such issuers so acquired or held is not in excess of the lesser of ten percent of the total assets of the institution or one hundred percent of the aggregate of the capital, surplus and capital securities of the institution;

(iii) shares of stock of small business investment companies organized pursuant to the Small Business Investment Act, in an amount the cost of which is not in excess of one percent of the aggregate of the capital, surplus and capital securities of the institution;

(iv) in the case of a bank and trust company, shares of stock of a corporation organized under the laws of the Commonwealth for the purpose of conducting a title insurance business to which the institution has transferred the assets of its title insurance business, in an amount:

(A) the cost of which is not in excess of the lesser of (1) ten percent of the aggregate of the capital, surplus and capital securities of the institution or (2) double the minimum amount of capital and paid-in surplus required for the incorporation of such corporation, or

(B) with the prior approval of the department, the cost of which is not in excess of fifteen percent of the aggregate of the capital, surplus and capital securities of the institution;

(v) shares of stock of business development credit corporations to the extent provided by the Business Development Credit Corporation Law;

(vi) shares of stock of a corporation organized to promote the public welfare and community development, expand the economy or provide for social reform, subject to regulation by the department;

(vii) shares of stock of a clearing corporation as defined in Article 8 of the Uniform Commercial Code;

(viii) shares of stock of a stock savings bank located in Pennsylvania;

(ix) shares of stock of a corporation engaged exclusively in activities not prohibited by this act, which shares have been held continuously since November 30, 1965;

(x) shares of stock of a savings association, a Federal savings and loan association or a Federal savings bank, located in Pennsylvania, provided that an institution may hold no more than ten
percent of the outstanding shares of the common stock of such savings association, Federal savings and loan association or Federal savings bank; and

(xi) shares of stock of a Federal Home Loan Bank, without limitation of amount.

(e) Loans for carrying shares and capital securities- An institution shall not extend credit, directly or indirectly, for the purpose of enabling a customer to acquire or hold shares of stock or capital securities issued by the institution unless all indebtedness incurred for that purpose is secured by other readily marketable collateral with a value not less than one hundred twenty percent of the indebtedness.

(e.1) Transactions with affiliates- An institution may engage in a transaction with an affiliate, including the extension of credit to acquire or hold shares of capital securities of an affiliate, if the institution complies with the requirements of 12 U.S.C. § 371c-1. The department shall interpret the requirements of 12 U.S.C. § 371c-1 in a manner consistent with regulations, orders and interpretations as issued by the Board of Governors of the Federal Reserve System.

(f) Determination of surplus- For the purposes of this section, an institution may determine its surplus in the same manner as calculated for purposes of satisfying limitations upon the ownership of shares of banks and holding companies as provided by 12 U.S.C. § 24.

Section 312. Pledges For Deposits

(a) An institution may pledge assets as security for deposits of:

(i) public funds,

(ii) funds of a pension fund for employes of a political subdivision of the Commonwealth,

(iii) funds for which a political subdivision of the Commonwealth or an officer or employe thereof is the custodian or trustee pursuant to statute,

(iv) funds held by the Secretary of Banking as receiver or by the Insurance Commissioner as statutory liquidator,

(v) funds which are required to be secured by law or by an order of a court,

(vi) in the case of a bank and trust company, funds held in a fiduciary capacity and deposited in its commercial department pursuant to subsection 403(c) of this act, and

(vii) funds held in a fiduciary capacity by a trust company which is an affiliate of the institution.

(b) An institution may not pledge assets as security for deposits other than those covered by subsection (a) of this section.
Section 313. Bonds and Suretyship

(a) An institution may in the ordinary course of its banking business:

(i) give its bond, either alone or as surety for another, in connection with any bona fide transaction involving the import, export or domestic shipment of goods,

(ii) give guarantees in connection with the receipt and forwarding of items for collection,

(iii) give guarantees in connection with the transfer, exchange and collection of securities, and

(iv) give such other guarantees as the department may from time to time by regulation approve.

(b) Except as provided in subsection (a) of this section or as otherwise specifically provided by this act, an institution may not act as surety or give any bond or guarantee.

Section 314. Borrowings

(a) An institution may, subject to the restrictions of this section, borrow money except that the department may in the case of an individual institution:

(i) permit borrowings without regard to the restrictions of this section for emergency purposes, and

(ii) prohibit or place additional restrictions upon further borrowings which would in the judgment of the department constitute an unsound or unsafe practice in view of the condition and circumstances of the institution. An institution may issue notes, debentures and other obligations to evidence borrowings.

(b) The aggregate amount of outstanding liabilities of an institution for money borrowed exclusive of:

(i) liabilities to a Federal Reserve Bank on account of money borrowed or rediscounts,

(ii) liabilities on account of the acquisition of reserve balances at a Federal Reserve Bank or other reserve agent from a member or nonmember bank,

(iii) liabilities on account of agreements to repurchase securities sold by the institution (commonly known as "repurchase agreements"),

(iv) liabilities which do not constitute or result from the borrowing of money under definitions prescribed by regulation of the department, and

(v) liabilities to a Federal Home Loan Bank on account of money borrowed or rediscounts shall not at any time exceed the aggregate of the amount of its capital and one-half of the amount of its surplus.
**Section 315. Miscellaneous and Incidental Banking Powers**

An institution shall have, subject to the limitations and restrictions contained in this act:

(a) Letters of credit- the power to issue, advise and confirm letters of credit authorizing the beneficiaries thereof to draw upon the institution or its correspondents;

(b) Money for transmission- the power to receive money for transmission;

(c) Membership in clearing house- the power to become a member of a clearing house association and to pledge assets required for its qualification;

(d) Exchange, coin, bullion- the power to buy and sell exchange, coin and bullion;

(e) Municipal and mortgage-related securities- with the prior approval of the department the power to deal in and underwrite municipal and mortgage-related securities to the extent permitted for a savings bank under section 502(f);

(f) Ownership interests in real estate- the power to acquire or maintain ownership interests in improved or unimproved real estate of any type held for development, rental or sale, subject to the prudent man rule of section 504(c), provided that the development shall be completed within five years of the commencement of the development unless that period is extended by the department, and provided that the direct cost of the total of all such ownership interests shall not exceed one percent of the assets of the institution measured at the time investment is made, unless authorized by the department;

(g) Other investment- with the prior written approval of the department, the power to make investments permitted by regulations promulgated by the department that are not otherwise authorized by this act or that do not comply with the conditions, restrictions, limitations or requirements provided elsewhere in this act, but the total amount of such investments may not exceed three percent of the assets of the institution; however, no one investment shall exceed one percent of assets of the institution. The regulations promulgated by the department may include such conditions, restrictions, limitations or requirements as the department deems necessary and appropriate;

(h) Additional powers- the power to exercise any power a savings bank may exercise under sections 502(g) and 505(i) (with the written approval of the department and in accordance with any limitations or conditions prescribed by the department); and

(i) Incidental powers- all powers incidental to the conduct of banking business.

**Section 316. (Deleted)**

**Section 317. (Deleted)**

**Section 318. (Deleted)**
CHAPTER 4
FIDUCIARY AND OTHER REPRESENTATIVE POWERS

Section 401. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank and trust company, an interstate bank which has fiduciary powers under its law of incorporation, a trust company and a savings bank that has fiduciary powers, except that section 407 shall apply only to a trust company. The powers conferred by this chapter on a bank and trust company or savings bank that has fiduciary powers shall be independent of, and shall not expand, the banking powers of such an institution.

Section 402. Powers to Act as Fiduciary and in Other Representative Capacities

(a) An institution may act, alone or with others, as:

(i) fiduciary,

(ii) investment advisor,

(iii) custodian of property,

(iv) agent or attorney-in-fact,

(v) registrar or transfer agent of securities,

(vi) fiscal agent of the United States, a state or a political subdivision thereof, a public body, a corporation or an individual,

(vii) treasurer of a political subdivision or public body or of a nonprofit corporation, and

(viii) insurer of titles to, mortgages on and other interests in real estate-if the institution qualifies under the provisions of section 406.

(b) An institution shall have, in respect of any capacity in which it may act pursuant to a power under subsection (a) of this section, all the rights and duties which an individual or a corporation
has in such capacity under applicable law and under the terms upon which the institution is designated to act in such capacity.

Section 403. Actions Required, Permitted or Prohibited in Fiduciary Capacity

The following rules shall be applicable to an institution acting in the capacity of fiduciary any capacity provided for under section 402.

(a) Segregation of assets and records- The institution shall segregate from assets of the institution all property held as fiduciary (other than items in the course of collection) and shall keep separate records of all such property for each account for which such property is held.

(b) Names in which property held- The institution shall hold all such property in a form which complies with applicable law.

(c) Deposits of funds and security- The institution may deposit funds of an account awaiting investment or distribution in:

(i) a depository which is authorized by law to receive deposits and is subject to supervision by public authorities, or

(ii) if the institution is a bank and trust company or a savings bank, in its commercial, savings or other department where the funds may be used in the conduct of its business and, for an account for which the institution is acting as a fiduciary under Section 402(a)(i), to the extent so deposited in an amount in excess of insurance provided by the Federal Deposit Insurance Corporation, shall be secured by a pledge of obligations or securities that are permissible as an investment of the institution.

(d) Capital in lieu of bond or security- The institution shall not be required to execute any bond or provide any security required by law of fiduciaries.

(e) Power to give bonds and security- The institution may give its own bond and pledge its assets as security for the faithful performance by it of its duties as fiduciary or as surety for such faithful performance by any co-fiduciary, in any case in which such bond may be required despite subsection (d) of this section.

(f) Oaths and affidavits- The institution may provide any oath or affirmation or any affidavit required of the institution as fiduciary through an officer thereof acting on behalf of the institution.

(h) Transactions between institution and fiduciary accounts- The institution shall not, as fiduciary, directly or indirectly sell any asset to the institution for its own account, or purchase from the institution any asset or any security issued by the institution except:

(i) obligations of the United States or for which the full faith and credit of the United States is pledged or obligations of the Commonwealth or any political subdivision of the Commonwealth,
(ii) assets earmarked for future investment as fiduciary at the time of acquisition by the institution and purchased with funds or exchanged for property held in a fiduciary account within two years of the date of such acquisition, subject to the requirement that there be a monthly report to the directors, which shall be noted in the minutes and kept on file by the institution, of property earmarked for future trust investment and of all transactions with respect to such property,

(iii) an undivided interest in a security or in an obligation secured by a lien on real estate, to the extent permitted by section 405, or

(iv) any asset sold to the institution for its own account or purchased in a fiduciary capacity from the institution with the prior approval of the department.

Section 404. Collective Investment Funds

(a) Authorization- An institution may, to the extent provided in this section, establish and maintain common trust funds or collective investment funds for the investment and reinvestment of property which:

(i) is contributed by the institution or by any affiliate of the institution as described in section 1504 of the Internal Revenue Code in a capacity in which it or the affiliate is authorized to act pursuant to section 402, and

(ii) is eligible for contribution to a collective investment fund under the provisions of this section.

As used in this section, the term "collective investment fund" shall include a common trust fund and any other type of collective investment fund.

(b) Types of funds- An institution may contribute property for collective investment in:

(i) a fund qualified for exemption from Federal income taxation as a common trust fund and maintained exclusively for fiduciary accounts eligible to participate therein,

(ii) a fund consisting solely of assets of retirement, pension, profit-sharing, stock-bonus and other trusts which are exempt from Federal income taxation, or

(iii) a fund which complies with regulations of the department.

(c) Regulations of department- The department shall regulate the establishment and maintenance of collective investment funds subject to this section except those covered by subsection (b)(i) of this section. Such regulations of the department shall comply with the general standards for exercise of the regulatory power of the department under this act and in addition shall be designed to assure:
(i) ratably equal treatment of the participants in a fund by imposing minimum requirements for the method and frequency of valuation of participations in the fund, for the time and method of admission or withdrawals of participations in the fund and for the determination of interests of participants in the assets and income of the fund; and

(ii) the competitive equality between state institutions and national banks with respect to the authority to establish and maintain collective investment funds to the extent compatible with the general purposes of this act.

(d) Effect of restrictions on fiduciary- An institution may not contribute to a collective investment fund property held in a fiduciary capacity contrary to express restrictions and limitations imposed on the institution by the terms upon which it is designated as fiduciary.

(e) Effect of mistake- No mistake made in good faith and in the exercise of due care in connection with the administration of a collective investment fund shall be deemed a violation of this section or of any other duty of the institution if, promptly after discovery of the mistake, the institution takes whatever action may be practicable in the circumstances to remedy the mistake.

(f) Funds not subject to section- An institution may, in any capacity in which it may act under section 402, invest property collectively in accordance with the specific terms upon which it receives such property, without regard to the restrictions of this section.

Section 405. Investment in Undivided Interests in a Real Estate Loan or a Single Security

(a) Authority to create; retention of interests by institution- An institution may, subject to the limitations of this section, create undivided interests in:

(i) a single loan secured by a first lien (other than a lien of taxes, assessments or charges which are not yet due or which are payable without penalty) on improved real estate, or

(ii) in a single security, for the purpose of sale from time to time to accounts held by the institution in any capacity provided for under section 402 of this act. The institution may retain a portion of such undivided interests for its own account if the loan or security is one which it would be authorized to acquire pursuant to this act wholly for its own account.

(b) Limitations- The limitations on such undivided interests shall be:

(i) the real estate loan or security shall be one which:

(A) the institution would be authorized to acquire pursuant to this act wholly for its own account and, in the absence of broader investment powers under the terms upon which it was designated as fiduciary, would also be authorized to acquire as a legal investment for funds held by fiduciaries, or

(B) the institution would be authorized to acquire as an investment by the terms upon which it was designated as fiduciary of each account which acquires an undivided interest therein;
(ii) all investments in undivided interests for fiduciary accounts shall be made within two years after the date of acquisition of the loan or security by the institution except:
(A) interests sold by a fiduciary account to another fiduciary account, and
(B) interests sold to the institution by a fiduciary account in order to make distribution or for any other purpose approved by the department and resold by the institution to another fiduciary account;

(iii) interests not retained by the institution may be sold only to a fiduciary account;

(iv) interests may be sold by a fiduciary account only to:
(A) another fiduciary account, or
(B) the institution in order to make distribution or for any other purpose approved by the department and may be otherwise transferred only in distribution to a beneficiary of the fiduciary account.

(c) Control by institution- The institution shall exercise all rights of ownership in respect of a real estate loan or security in which undivided interests have been sold pursuant to this section and in respect of any property acquired by foreclosure or otherwise in connection with such real estate loan or security, in its own name but for the benefit of itself and all other owners of the undivided interests therein.

(d) Records- The institution shall at all times maintain records of all undivided interests created pursuant to this section showing the extent of the undivided interest of each owner therein.

(e) Certificate evidencing interests- The institution may issue a certificate evidencing each undivided interest created pursuant to this section, keep records showing the holders of such certificates, provide for transfer of a certificate by the registered holder thereof upon surrender of the certificate and deal with the registered holder of a certificate as the owner of the undivided interest represented by the certificate. Each certificate shall contain a summary of the rights of an owner of the undivided interest represented thereby and expressly disclaim any guarantee by the institution of payment of any amount.

Section 406. Title Insurance

An institution may insure titles to, liens on and other interests in real estate only if:

(a) it had the power to do so on the effective date of this act and exercised the power within a period of one year prior to such effective date, and

(b) it does not fail to exercise such power for any period of twelve successive calendar months at any time after the effective date of this act.

Section 407. Provisions Applicable to Trust Companies

A trust company:
(a) Investments- may make any investment subject to the limitations in section 504 on investments authorized for savings banks, other than the limitation on investment in shares of stock, and may make any other investment specifically authorized by its articles;

(b) Borrowings- may borrow money

(i) in amounts not in excess of twenty-five percent of the aggregate of capital and surplus, and

(ii) for a period not in excess of three months and in any larger amount or for any longer period authorized by the department and may issue notes, debentures and other obligation to evidence borrowings;

(c) Bonds and suretyship- may not act as surety or give any bond or guarantee, except as specifically provided by this act; and

(d) Limitation on dealings in own shares- may not acquire or hold for its own account any shares of its own stock, except as specifically provided by this act.

Section 408. Transfer of Fiduciary Accounts

(a) (Deleted).

(b) Transfer of accounts- Provided that an institution is directly involved in the transaction, with the prior written approval of, and in accordance with the terms and conditions of transfer prescribed by, the department, and upon completion of the notice procedures of subsection (c) without objection, a bank holding company with a subsidiary institution, national bank or Federal savings bank located in this Commonwealth may cause the transfer of one or more of the accounts with a situs in this Commonwealth and held in any capacity provided for under section 402 of one or more of the institutions, national banks or Federal savings banks controlled by such bank holding company to either:

(i) another of such institutions, national banks or Federal savings banks; or

(ii) a newly formed institution, national bank or Federal savings bank also controlled by such bank holding company.

(c) Notice procedure- Notwithstanding the provisions of 20 Pa.C.S. (relating to decedents, estates and fiduciaries), prior to effecting a transfer of one or more accounts under subsection (b), a bank holding company shall cause notice that such a transfer will take place to be given to the settlor of the account, or if the settlor is deceased, to persons who are readily ascertainable as beneficiaries of the account by their receipt of statements of the account. Such notice shall also be given to any cofiduciary of the account. If the persons or their legal representatives or guardians, in the case of minor children or incompetents, to whom the notice required by this subsection has been given, do not make written objection to the institution, national bank or Federal savings bank then acting as fiduciary of the account or to the holding company which
issued the notice within 15 days of the date the notice was mailed, then the holding company may complete the transfer of the account.

(d) Effect of transfer- If a bank holding company completes a transfer as described in subsections (b) and (c), the institution, national bank or Federal savings bank to which the fiduciary accounts of the other institutions, national banks or Federal savings banks have been transferred shall be automatically substituted by reason of such transfer as fiduciary of all accounts held in that capacity by such transferring institutions, national banks or Federal savings banks, without further action and without any order or decree of any court or public officer and shall have all the rights and be subject to all the obligations of such transferring institutions, national banks or Federal savings banks as fiduciary.

CHAPTER 5
SAVINGS BANK POWERS

Section 501. Application of Chapter

This chapter shall apply to a savings bank.

Section 502. Additional Powers Related to Conduct of Business of Savings Banks

A savings bank shall have, in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

(a) Membership in Federal Home Loan Bank- the power to become a member of a Federal Home Loan Bank, to hold shares of stock therein, to take all actions incident to maintenance of such membership and to exercise all powers not inconsistent with provisions of this act conferred on such members by the Federal Home Loan Bank Act;

(b) Money for transmission- the power to receive money for transmission to be forwarded through any person which is authorized by law to receive deposits and is subject to supervision by banking authorities of the United States or of any state;

(c) Trusts for self-employed individuals- the power to act as trustee of funds or contributions received under a trust instrument conforming with the requirements of the Self-employed Individuals Tax Retirement Act and regulations thereunder and to invest such funds or contributions only in interest-bearing deposits in the savings bank;

(d) Agency in securities transactions- the power to purchase and sell shares of stock and securities upon the order of and for the account of a customer and without recourse;

(e) Investment advisor- the power to act as investment advisor to any management investment company registered under the Investment Company Act of 1940, whose shares are sold by such company only to depositors in savings banks incorporated under the laws of the United States, any state, the District of Columbia, a dependency or insular possession of the United States or the Commonwealth of Puerto Rico;
(f) Underwriting of municipal and mortgage-related securities- with the prior approval of the department, the power to deal in and underwrite municipal securities and mortgage-related securities, as those terms are defined in section 3(a)(29) and (41) of the Securities Exchange Act of 1934 (15 U.S.C. § 78c(a)(29) and(41)), securities that would be such mortgage-related securities if they were rated in one of the two highest rating categories by a nationally recognized rating organization, and securities offered and sold pursuant to section 4(5) of the Securities Act of 1933 (15 U.S.C. § 77d(5));

(g) Subsidiary powers- the power to undertake any activity permissible to a subsidiary of the savings bank with the written approval of the department and in accordance with any limitations or conditions prescribed by the department; and

(h) Incidental powers- all powers incidental to the conduct of business of a savings bank.

Section 503. Deposits

An institution may receive money for deposit and may provide by rules of the institution or by agreement with the depositor for the terms of withdrawal thereof and for payment of interest thereon for the period of the deposit and an additional period not in excess of fifteen calendar days in any one month or such longer time as the department may provide by regulation.

Section 504. Investments

(a) Authority under articles- A savings bank may make such investments as may be authorized by its articles subject to compliance with the requirements of this act as to investments in shares of stock and in real estate loans.

(a.1) (Deleted).

(b) Authority under this act or other statutes- Except as otherwise provided in its articles, a savings bank may, in addition to investments authorized by its articles, other provisions of this act or other statutes, make investments in:

(i) obligations of the United States or of the District of Columbia or obligations for which the full faith and credit of the United States is pledged;

(ii) obligations of the Federal National Mortgage Association, a Federal Land Bank, a Federal Home Loan Bank, a Bank for Cooperatives, a Federal Intermediate Credit Bank, the Tennessee Valley Authority, the International Bank for Reconstruction and Development, the Inter-American Development Bank and the Asian Development Bank, or any other such corporations or agencies as may from time to time be approved by the Department of Banking;

(iii) obligations of any state of the United States or of any political subdivision of any state, obligations for which the full faith and credit of any state or of any political subdivision of any
state is pledged and obligations of any authority existing under the laws of the Commonwealth of Pennsylvania- subject to the prudent man rule;

(iv) obligations of any corporation or similar entity existing under the laws of the United States, any state or the District of Columbia-subject to the prudent man rule;

(v) bankers' acceptances and bills of exchange eligible for purchase in the open market by a Federal Reserve Bank which have been accepted by a member of a Federal Reserve Bank, subject to a limit for all acceptances by one acceptor held at any time of twenty-five percent of the capital and surplus of such acceptor and to a limit for the aggregate of all acceptances held at any time of five percent of the book value of the assets of the savings bank;

(vi) shares of preferred stock, guaranteed stock or common stock of a corporation or similar entity existing under the laws of the United States, any state or the District of Columbia, subject to:
(A) the prudent man rule,
(B) a limit for the aggregate cost of all shares acquired pursuant to this subsection (vi) of the lesser of seven and one-half percent of the book value of the assets of the savings bank or seventy-five percent of the aggregate of its:
(I) surplus, unallocated reserves, undivided profits and subordinated securities, in the case of a mutual savings bank, or
(II) capital, surplus, and capital securities, in the case of a stock savings bank, at the time of acquisition of each of such shares,
(C) a limit for the aggregate cost of all shares of one issuer of one-fifth of one percent of the book value of the assets of the savings bank at the respective times of acquisition of each of such shares, and
(D) a limit for the aggregate number of shares of one issuer of five percent of the total number of issued and outstanding shares of such issuer at the respective times of acquisition of each of such shares;

(vii) obligations of the Pennsylvania Housing Agency;

(viii) real estate loans made pursuant to this chapter; and

(ix) personal property leased to customers pursuant to this chapter.

(x) corporations formed to promote the public welfare and community development, expand the economy and provide for social reform, subject to regulation by the department.

(xi) investment securities which are direct obligations in the form of bonds, notes or debentures issued, assumed or guaranteed by the State of Israel to the same extent as that permitted to national banks under Federal Law (12 U.S.C. § 24), subject to the same restrictions and limitations imposed on national banks by such law, and subject to such additional restrictions and limitations as may be imposed by regulation of the department.
(xii) shares of stock of a clearing corporation as defined in Article 8 of the Uniform Commercial Code.

(xiii) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, capital stock, securities or other obligations of any service corporation, subject to the following limitations:

(A) the entire capital stock of the service corporation shall be available for purchase by, or be transferable to, only savings banks, savings and loan associations organized under the laws of this Commonwealth, Federal savings banks and savings and loan associations having their home offices in this Commonwealth, regional thrift institutions, as that term is defined in section 117, or, after March 4, 1990, foreign thrift institutions, as that term is defined in section 117,

(B) unless authorized by the department a savings bank shall not have an aggregate outstanding investment in the capital stock, securities or obligations of service corporations the cost of which exceeds three percent of the assets of the savings bank at the time of acquisition of such stock, securities or obligations,

(C) a service corporation qualifying for investment under this subsection may engage in the following activities:

(1) originating, purchasing, selling and servicing loans upon real estate and participating interests therein,

(2) performing clerical, bookkeeping, accounting, statistical or similar functions, primarily for financial institutions,

(3) acquisition and development of real estate, principally for construction of housing or for resale to others for such construction or for use as mobile home sites, either separately or in conjunction with others provided that such development shall be completed within five years of the commencement of development, unless that period is extended by the department,

(4) acquiring interests in improved residential real estate and mobile homes to be held for rental, and

(5) any other activity authorized by the department by regulation; and

(xiv) ownership interests in improved or unimproved real estate of any type held for development, rental or sale, subject to the prudent man rule of subsection (c), provided that development shall be completed within five years of the commencement of the development unless that period is extended by the department, and provided that the direct cost of the total of all such ownership interests shall not exceed one percent of the assets of the savings bank measured at the time investment is made, unless authorized by the department.

(c) Prudent man rule- Investments which are stated to be subject to the prudent man rule shall be made in the exercise of that degree of judgment and care under the circumstances then prevailing which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income to be derived therefrom as well as the probable safety of their capital.

(d) Other investment- The department may, by regulation, permit a savings bank with the prior written approval of the department, to make investments that are not otherwise authorized by this act or that do not comply with the conditions, restrictions, limitations or requirements provided
elsewhere in this act, but the total amount of such investments may not exceed three percent of
the assets of the savings bank: Provided, however, That no one investment shall exceed one
percent of assets of the savings bank. The regulations may include such conditions, restrictions,
limitations or requirements as the department deems necessary and appropriate.

Section 505. (Deleted).

Section 506. Lending Powers; Direct Leasing of Personal Property

(a) A savings bank may lend money, extend credit and discount or purchase evidences of
indebtedness and agreements for the payment of money pursuant to section 303 of this act and
acquire and lease personal property pursuant to a binding arrangement for the leasing of such
property to a customer upon terms requiring payment to the savings bank, during the minimum
period of the lease, of rentals which in the aggregate will exceed the total expenditures by the
savings bank for or in connection with the acquisition, ownership, maintenance and protection of
the property.

(b) (Deleted).

Section 507. Participations

A savings bank may purchase and may sell participations in investments and loans which it is
authorized to make, subject to regulation by the department. The department may prohibit the
sale of any type of participation to the public or otherwise not in the usual course of savings bank
business, except as permitted by other provisions of this act.

Section 508. Managing Agent Accounts and Collective Investment Funds for Such
Accounts

(a) Authority- A savings bank may act as a managing agent for the purpose of receiving,
investing, reinvesting and managing property received or deposited with the savings bank in such
capacity and shall have the power to be a trustee with respect to such property, subject to the
limitation that such property may be invested and reinvested only in collective investment funds
established and maintained pursuant to this section.

(b) Collective investment funds- A savings bank may establish and maintain collective
investment funds for the investment and reinvestment of property received or deposited with it as
managing agent to the same extent as a bank and trust company or a trust company may establish
and maintain such collective investment funds under the provisions of sections 404(b)(i) and
404(b)(iii), subject to qualification of each such collective investment fund for exemption from
Federal income taxation as a common trust fund.

(c) Investments- A savings bank may invest property held by it in a collective investment fund,
without limitation as to type or amount of investment and without regard to the provisions of this
act governing investments by the savings bank for its own account, subject to the prudent man
rule of section 504(c) of this act.
(d) Effect of mistake- No mistake made in good faith and in the exercise of due care in connection with the administration of a collective investment fund shall be deemed a violation of this section or of any other duty of the savings bank, if promptly after the discovery of the mistake, the savings bank takes whatever action may be practicable in the circumstances to remedy the mistake.

(e) Definition of "managing agent"- For the purpose of this section, "managing agent" shall mean the fiduciary relationship assumed by a savings bank upon the creation of an account which confers investment discretion on the savings bank.

Section 509. Surplus

A mutual savings bank may accumulate and retain a surplus not in excess of twenty-five percent of the aggregate of its deposits. If its surplus should exceed such amount at the end of any fiscal year, its board of trustees shall divide such excess pro rata among the depositors holding accounts on the last day of such fiscal year.

Section 510. Liability for Unlawful Distributions

(a) Prohibition- The trustees of a mutual savings bank shall not declare or pay interest or authorize or ratify the distribution of any part of its assets to depositors or others, except as authorized by this act.

(b) Trustees liable- The trustees under whose administration an unlawful payment of interest or distribution is made shall be jointly and severally liable to the mutual savings bank for the amount thereof except:

(i) a trustee who voiced his dissent at the meeting at which the action was authorized and requested that his dissent be entered on the minutes of the meeting or who, if he was absent at the time, promptly upon learning of the action filed his written objection thereto with the secretary of the savings bank, or

(ii) a trustee who relied and acted upon financial statements of the savings bank represented to him to be correct by the president of the savings bank or by an officer responsible for its accounts or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the savings bank.

(c) Contribution- Each trustee held liable under this section shall be entitled to contribution from the other trustees who are likewise liable.

Section 511. Borrowings and Subordinated Securities

(a) A savings bank may:

(i) borrow money to repay deposits,
(ii) borrow money from a Federal Reserve Bank or a Federal Home Loan Bank,

(iii) borrow money for any purpose other than repayment of deposits in amounts not in excess of five percent of the book value of its assets and for a period not in excess of three months and in any larger amount or for any longer period authorized by the department, and

(iv) acquire reserve balances at a Federal Reserve Bank or other reserve agent from a member or nonmember bank without limitation. A savings bank may issue notes, debentures and other obligations to evidence borrowings.

(b) Notes, debentures and other obligations issued by a savings bank shall be deemed "subordinated securities" for the purpose of this act if they:

(i) are subordinated in right of payment, in the event of insolvency or liquidation of the savings bank, to the prior payment of all deposits of the savings bank and of all claims of other creditors of the savings bank except the holders of securities on a parity therewith and the holders of securities expressly subordinated thereto,

(ii) are authorized by action of at least a majority of all the trustees of the savings bank,

(iii) contain provisions for amortization, serial maturities, transfers to a sinking fund, allocation of reserves or such other provisions as the department may require, and (iv) are approved by the department prior to the issue thereof.

Section 512. Deposits of Excess Cash

A savings bank shall deposit in depositories selected pursuant to section 610 its excess cash over and above the aggregate of cash needed for its current operations and vault cash held as part of its required reserve fund until such time as such excess cash can be judiciously invested pursuant to this act.

Section 513. (Deleted).

Section 514. Bonds and Suretyship

A savings bank may in the ordinary course of its business:

(a) Bonds for transactions of goods—give its bond, either alone or as surety for another, in connection with any bona fide transaction involving the import, export or domestic shipment of goods;

(b) Guarantees for items for collection—give guarantees in connection with the receipt and forwarding of items for collection;
(c) Guarantees for securities—give guarantees in connection with the transfer, exchange and collection of securities; and

(d) Miscellaneous guarantees—give such other guarantees as the department may from time to time approve.

Section 515. Pledges For Deposits

(a) Types of deposits—A savings bank may pledge assets as security for deposits of:

(i) public funds,

(ii) funds of a pension fund for employes of a political subdivision of the Commonwealth,

(iii) funds for which a political subdivision of the Commonwealth or an officer or employe of the Commonwealth is the custodian or trustee pursuant to statute,

(iv) funds held by the Secretary of Banking as receiver or by the Insurance Commissioner as statutory liquidator,

(v) funds that are required to be secured by law or by an order of a court,

(vi) in the case of a savings bank with trust powers, funds held in a fiduciary capacity and deposited in its commercial department pursuant to section 403(c) of this act, and

(vii) funds held in a fiduciary capacity by a trust company that is an affiliate of the savings bank.

(b) Other deposits—A savings bank may not pledge assets as security for deposits other than those covered by subsection (a).

Section 516. Limits on Indebtedness of One Customer (Including Purchased Paper)

(a) General limit—A savings bank shall not at any time acquire indebtedness of any one customer, which includes an individual or any legal entity, of the types specified in this section, in an amount which together with all other such indebtedness then held would exceed fifteen percent of the capital accounts of the savings bank. If the department determines at any time that the interests of a group of more than one individual, partnership, unincorporated association or corporation are so interrelated that they should be considered as a unit for the purpose of extensions of credit, the total indebtedness of that group acquired at any time shall be combined and deemed indebtedness acquired from one customer in applying the limitation of this section. A savings bank shall not be deemed to have violated this section solely by reason of the fact that the indebtedness of a group then held exceeds the limitation of this section at the time of a determination by the department that the indebtedness of that group must be combined but the institution shall, if required by the department, dispose of indebtedness of the group in the amount in excess of the limitation of this section within such reasonable time as shall be fixed by the department.
(b) Indebtedness included--There shall be included in the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) the aggregate rentals payable by the customer under leases of personal property by the savings bank,

(ii) to the extent that they exceed fifteen percent of the capital accounts of the savings bank, the aggregate balances payable on all installment paper acquired by the savings bank from the customer, irrespective of the legal liability of the customer or absence of such liability,

(iii) to the extent that they exceed fifteen percent of the capital accounts of the savings bank, obligations of the customer as indorser or guarantor of notes, other than those excluded by subsection (c)(ii), having a maturity of not more than six months and actually owned by the customer transferring the notes,

(iv) obligations of the customer by reason of acceptances by the savings bank of drafts or bills of exchange, other than those excluded by subsection (c)(v),

(v) all other liabilities, not otherwise excluded by this section, of the customer to the savings bank, whether direct or indirect, primary or secondary, under evidences of indebtedness and agreements for the payment of money, and

(vi) any credit exposure to a person arising from a derivative transaction, repurchase agreement, reverse repurchase agreement, securities lending transaction or securities borrowing transaction between the savings bank and the person.

(c) Indebtedness excluded--There shall be excluded from the indebtedness of one customer to which the fifteen percent limitation of this section applies:

(i) obligations in the form of negotiable drafts or bills of exchange that have been drawn in good faith against actually existing values in connection with the sale of goods and which have been accepted or indorsed,

(ii) obligations arising out of the discount of commercial or business paper actually owned by the customer transferring it,

(iii) obligations drawn in good faith against actually existing values and secured by goods in process of shipment,

(iv) obligations in the form of banker's acceptances of other banks,

(v) obligations of the customer by reason of acceptances by the savings bank for the customer's account, except to the extent that the savings bank acquires those acceptances,

(vi) obligations secured by documents of title covering:
(A) livestock,
(B) readily marketable nonperishable staples for a period of not more than ten months from the date of the document of title, or
(C) readily marketable frozen or refrigerated staples for a period of not more than six months from the date of the document of title if such property has a market value of not less than one hundred fifteen percent of the amount of the obligation secured thereby and is fully covered by insurance,

(vii) obligations of, and obligations guaranteed by:
(A) the United States,
(B) the Commonwealth of Pennsylvania or a state where the savings bank lawfully maintains branches, a political subdivision of the Commonwealth or such state, a public body of the Commonwealth or such state or a public body of a political subdivision of the Commonwealth or such state, or (C) any state of the United States or any political subdivision of the United States if the obligations or guarantees are general obligations,

(viii) obligations to the extent secured by:
(A) obligations specified in clause (vii) of this subsection,
(B) obligations that the savings bank would be authorized to acquire without limit as investment securities pursuant to section 504,
(C) obligations fully guaranteed by the United States,
(D) guaranties, commitments or agreements to take over or purchase made by any department, bureau, board, commission or establishment of the United States or any corporation owned directly or indirectly by the United States, or
(E) loan agreements between a local public agency or a public housing agency and an instrumentality of the United States pursuant to national housing legislation under which funds will be provided for payment of the obligations secured by those loan agreements;

(ix) obligations secured by:
(A) at least a like amount of cash surrender value of life insurance policies, or
(B) collateral that has a market value of not less than one hundred twenty percent of the amount of the obligations secured thereby to the extent of fifteen percent of the aggregate of the capital accounts of the institution;

(x) investment securities acquired pursuant to section 504;

(xi) obligations of the kind covered by subsection (b) (ii) of this section, as to which there is a certificate of reliance on a primary obligor;

(xii) obligations of the customer as to which there is a certificate of reliance on an obligor other than the customer;

(xiii) transactions of the savings bank in connection with the sale of reserve balances to a member or nonmember bank; and

(xiv) an assignment of funds on deposit in the lending savings bank.
(d) Regulation--The department may by regulation not inconsistent with the provisions of this section and section 1414(c) prescribe definitions of and requirements for transactions included in or excluded from the indebtedness to which the fifteen percent limitation of this section applies.

(e) Definitions--As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Capital accounts"--the aggregate of capital, surplus, undivided profits, capital securities and reserve for loan losses of the savings bank. Reserve for loan losses shall mean that portion of a savings bank's earnings set aside as a general reserve to absorb possible future losses on loans as of the last complete calendar or fiscal year, carried in an account captioned "reserve for loan loss" or "reserve for bad debts."

"Derivative transaction"--any transaction that is a contract, agreement, swap, warrant, note or option that is based, in whole or in part, on the value of, any interest in or any quantitative measure or the occurrence of any event relating to, one or more commodities, securities, currencies, interest or other rates, indices or other assets.

CHAPTER 6
RULES CONCERNING DEPOSITS, SAFE-DEPOSIT AGREEMENTS AND MONEY RECEIVED FOR TRANSMISSION

Section 601. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean:

(a) a bank, a bank and trust company, a savings bank and a private bank for the purpose of all of the provisions of this chapter, and

(b) a trust company for the purpose of the provisions of this chapter concerning safe-deposit agreements and for the purpose of section 610.

Section 602. Deposits-Receipts, Notice of Rules and Binding Effect of Statements

(a) Receipts- An institution shall give a receipt, by pass-book, duplicate deposit slip or ticket or otherwise, for every deposit received by it except that for deposits made by an employer to the credit of individual accounts of employees:

(i) the receipt shall be given to the employer at the time of the deposit, and

(ii) each employe shall be given upon request a statement of his account and not less frequently than once each year a statement showing the balance of his account.

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(b) Notice of rules- An institution which has adopted rules governing deposits or withdrawal of deposits shall give notice of the rules and of all changes therein to each customer whose deposits are affected by such rules, either by delivery of a copy to such customer or by posting in the offices of the institution.

(c) Statements- If an institution renders an accounting to a depositor by giving the depositor a statement of the account or by entries in a pass-book delivered to the depositor to show the condition of the account and if there is no objection to the accounting by the depositor, such accounting shall after a period of three years from the date it is rendered become final and binding. This provision is in addition to other statutory provisions affecting the duty of a depositor to examine statements and items paid from his account.

Section 603. Minors' Deposits and Safe-Deposit Agreements

(a) Receipt of deposits- An institution may receive deposits by or in the name of:

(i) a minor,

(ii) a minor jointly with one or more adults or other minors, with the same effect as a joint deposit under section 604, or

(iii) a minor as trustee, or a minor and one or more adults or other minors as trustees, with the same effect as a deposit in trust under section 605.

(b) Safe-deposit agreements- An institution may rent a safe-deposit box or other receptacle for safe-deposit of property to, and receive property for safe-deposit from, a married minor and spouse, whether adult or minor, jointly.

(c) Dealings with minor- An institution may deal with a minor with respect to a deposit account or safe-deposit agreement covered by subsections (a) or (b) of this section without the consent of a parent or guardian and with the same effect as though the minor were an adult. A parent or guardian shall not have any right in that capacity to interfere with any such transaction. Any action of the minor with respect to such deposit account or safe-deposit agreement shall be binding on the minor with the same effect as though an adult. This section 603 shall not affect the law governing transactions with minors in cases outside the scope of this section.

Section 604. Joint Deposits

(a) An institution may receive deposits in an account in the names of two or more persons.

(b) Any such deposit account and all interest thereon may be paid in whole or part upon the check, order or receipt of:

(i) one or more of the depositors pursuant to an arrangement with the institution previously agreed upon by all of the depositors, even though one or more individuals named in the account may have:
(A) died and the institution may have received written notice of that fact, or
(B) become incompetent, unless such incompetence has been adjudicated by a court and written notice of the appointment of a guardian has been received by the institution and unless the arrangement agreed upon has no provision for payment of the account despite such notice;

(ii) the survivor of a husband and wife in the case of an account in their joint names, unless an arrangement with the institution provides otherwise; or

(iii) all of the depositors in any case not covered by clauses (i) and (ii) of this subsection.

Section 605. Tentative Trusts

(a) An institution may receive deposits in an account in the names of one or more individuals described as trustees:

(i) for an individual or for multiple individuals jointly or successively, or

(ii) for a non-profit organization without any notice of the existence or of the terms of a trust other than such description.

(b) Upon receipt of satisfactory proof of death of the individual described as trustee, or of all of the individuals described as trustees, in such account, the institution shall pay the balance of the account and all interest thereon upon the check, order or receipt:

(i) if the account is stated to be held in trust for one beneficiary, of such beneficiary;

(ii) if the account is stated to be held in trust for multiple individuals jointly, of all of such individuals or, upon satisfactory proof of death of one of them prior to the death of all the named depositors, of the survivor, if the arrangement previously agreed upon between the institution and the named depositors so provides; or

(iii) if the account is stated to be held in trust for multiple individuals successively, of the individual first named as the beneficiary, or, upon satisfactory proof of his death prior to the death of all the named depositors, of the successive individual for whom the account is stated to be held in trust in the alternative; and, in the event any individual to whom such account is payable is a minor, may make payment to the minor without the assent of a parent or guardian, unless expressly provided otherwise in the deposit arrangement, and with the same effect as though the minor were an adult.

Section 606. Adverse Claims to Deposits and Property Held in Safe-Deposit

(a) An institution shall not be required, in the absence of a court order or indemnity required by this section, to recognize any claim to, or any claim of authority to exercise control over, a deposit account or property held in safe-deposit (whether by the institution or in a safe-deposit box or other receptacle leased to a customer) made by a person or persons other than:
(i) the customer in whose name the account or property is held by the institution, or

(ii) an individual or group of individuals who are authorized to draw on or control the account or property pursuant to a certified corporate resolution or other written arrangement with the customer, currently on file with the institution, which:
(A) has not been revoked by valid corporate action in the case of a corporation, or by a valid agreement or other valid action appropriate for the form of legal organization of any other customer, of which the institution has received notice, and
(B) is not the subject of a dispute known to the institution as to its original validity.

(b) To require an institution to recognize an adverse claim to, or adverse claim of authority to control, a deposit account or property held in safe-deposit, whoever makes the claim must either:

(i) obtain and serve on the institution an appropriate order directed to the institution by a court restraining any action with respect to the account or property until further order of such court or instructing the institution to pay the balance of the account or deliver the property, in whole or part, as provided in the order, or

(ii) deliver to the institution a bond, in form and amount and with sureties satisfactory to the institution, indemnifying the institution against any liability, loss or expense which it might incur because of its recognition of the adverse claim or because of its refusal by reason of such claim to honor any check or other order of, or to deliver any property to, anyone described in clauses (i) and (ii) of subsection (a) of this section.

Section 607. Money Received for Transmission

(a) An institution which receives money for transmission shall give the customer a receipt setting forth:

(i) the date of receipt of the money,

(ii) the amount of the money in dollars and cents, and

(iii) if the money is to be transmitted to a foreign country in the currency of such country, the amount of the money in such currency.

(b) In an action by a customer against an institution for recovery of money delivered for transmission, the burden of proof of delivery of the money in accordance with the instructions of the customer shall be on the institution but an affidavit by an agent or correspondent of the institution that the money was delivered in accordance with the customer's instructions and a receipt for the money signed in the name of the recipient designated by the customer shall be prima facie evidence of the delivery of the money in accordance with the customer's instructions.
Section 608. Agreements Concerning Safe-Deposit

An institution shall receive property for safe-deposit and rent out receptacles and safe-deposit boxes on the terms and conditions prescribed by the institution but such terms and conditions shall not bind any customer to whom the institution does not give notice thereof either by delivery of a copy or by posting in the offices of the institution where such receptacles or safe-deposit boxes are located.

Section 609. Death or Incompetence of Donor of Power of Attorney

An institution which has on file a power of attorney of a customer covering a deposit account or a safe-deposit agreement which has not been revoked by the customer may continue to rely on the provisions of the power of attorney in the event of the death or incompetence of the donor of the power until it receives written notice of the death or written notice of adjudication by a court of the incompetence of the customer and appointment of a guardian.

Section 610. Deposits by an Institution

(a) Depositories- An institution may deposit its funds in a depository which:

(i) is selected by, or in a manner authorized by, the directors or trustees of the institution or by its owners in the case of a private bank without a board of directors, subject to the provisions of subsection (b) of this section, and

(ii) if the depository is located in the United States, is authorized by law to receive deposits and is subject to supervision by banking authorities of the United States or of any state.

(b) Approval where director or trustee has relationship- If a director or trustee of the institution has a relationship to a depository as either:

(i) an officer or director,

(ii) an owner if the depository is unincorporated, or

(iii) an owner of five percent or more of the capital of the depository if it is incorporated, the depository shall be approved by a majority of the directors or trustees other than the director or trustee who has such relationship.

(c) Amount of deposit- An institution shall not have on deposit in a single depository at any time an amount which is in excess of twenty percent of the aggregate of its surplus, undivided profits and unallocated reserves in the case of a mutual savings bank, in excess of twenty percent of its net worth in the case of a private bank or in excess of twenty percent of its capital, surplus and undivided profits in the case of any other institution, without the approval of the depository for that purpose by the department.
Section 611. Compliance with Federal Law Regarding Availability of Withdrawal of Items Deposited

An institution shall comply with the Expedited Funds Availability Act (Public Law 100-86, 12 U.S.C. § 4001 et seq.) and any amendments thereof and any regulations, interpretations and rulings issued thereunder from the effective date thereof.

CHAPTER 7
RESERVES

Section 701. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company, a savings bank and a private bank.

Section 702. Definitions for Purpose of Reserve Requirement

For the purposes of the reserve requirement imposed by section 703 and the composition of the required reserve fund under section 704, the terms:

(a) "reserve agent" shall mean a depository of the institution selected as provided in section 610 and approved by the department for the deposit of funds included in the required reserve fund; and

(b) "instrumentality of the United States" shall mean the Federal National Mortgage Association, a Federal Land Bank, a Federal Home Loan Bank, a Bank for Cooperatives and a Federal Intermediate Credit Bank.

Section 703. Requirement of Reserve Fund

(a) An institution which is not subject to reserve fund requirements of the Federal Reserve System shall maintain at all times a reserve fund in an amount fixed by regulation of the department. The amount of the required reserve for each day shall be computed on the basis of average daily deposits covering such bi-weekly or shorter periods as shall be fixed by regulation of the department.

(b) An institution which is subject to reserve fund requirements of the Federal Reserve System shall maintain at all times a reserve fund in accordance with the requirements of the laws of the United States.

Section 704. Composition of Reserve Fund

(a) Institutions other than savings banks- In the case of an institution other than a savings bank, such portion of the reserve fund against deposits as shall be fixed by regulation of the department shall consist of United States coin and currency on hand or on deposit, subject to call without notice, in a reserve agent. The balance of such reserve fund shall be kept in obligations of:
(i) the United States or any instrumentality thereof, the Commonwealth of Pennsylvania, any political subdivision of the Commonwealth, any public body of the Commonwealth or any public body of any political subdivision of the Commonwealth, or

(ii) other issuers whose obligations are marketable and approved by regulation of the department for the purpose of this section.

(b) Savings banks- In the case of a savings bank, the reserve fund shall consist of:

(i) United States coin and currency on hand or on deposit, subject to call without notice, in a reserve agent, in a total amount not less than one percent of the deposits of the savings bank, and

(ii) securities permitted under subsection (a) of this section.

(c) Ownership and valuation- All assets which are part of the reserve fund shall be owned absolutely by the institution and shall not be pledged, assigned or hypothecated in any manner. The value of all securities which constitute part of an institution's reserve fund shall be computed at the current market value thereof.

Section 705. Notice to Department of Deficiency in Reserve Fund

An institution shall give written notice to the department, in the manner prescribed by the department for such notice, of any deficiency in the reserve fund required under subsection (a) or (b) of section 703 within three business days after the close of any scheduled averaging period during which such deficiency occurs-subject to the penalty provisions of this act.

CHAPTER 8
NAMES

Section 801. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an institution subject to this act.

Section 802. Names Permitted to Be Used

(a) The name of an institution:

(i) may be in any language but shall be expressed in English letters or characters;

(ii) in the case of a bank, bank and trust company or a savings bank, shall contain in English the word "bank" or "banking" and may contain the word "trust" if the bank, bank and trust company or savings bank acts in a fiduciary or other representative capacity as authorized in Chapter 4 of this act;
(iii) (Deleted).

(iv) In the case of a trust company, shall contain in English the words "trust company" or "company for trusts" and shall not contain any of the words "bank", "banking" or "savings";

(v) (Deleted).

(vi) In the case of a private bank, shall contain in English the words "private bank" or "unincorporated bank" and shall not contain either of the words "trust" or "savings";

(viii) shall not contain any word which may deceptively lead to the conclusion that the institution is authorized to perform any act or conduct any business which it is not authorized to perform or conduct or which is forbidden to it by law, its articles or otherwise;

(ix) shall not contain any of the words "Government", "Official", "Federal", "National" or "United States"; and

(x) shall not be a name which would be unavailable for use by a business corporation under section 202(B) of the Business Corporation Law (dealing with names the same as, or deceptively similar to, certain other names).

(b) An institution may, without regard to the provisions of subsection (a) of this section, use:

(i) its name legally in use on the effective date of this act, or

(ii) a name legally in use on the effective date of this act by another institution which is adopted by:
(A) an institution which is the resulting institution in a plan of merger or consolidation to which the institution using the name is a party, or
(B) an institution which is incorporated under this act in pursuance of a plan of segregating the banking business and the trust business of the institution using the name.

(c) An institution may adopt fictitious names permitted by 54 Pa.C.S. Ch. 3 (relating to fictitious names), provided that such fictitious names do not violate subsection (a)(viii) or (ix).

Section 803. Change of Name of an Institution

(a) If an institution makes any change in its name, its new name shall comply with the provisions of section 802.

(b) An incorporated institution may change its name by an amendment of its articles. An unincorporated institution may change its name, with the approval of the department, in the manner provided by law.
Section 804. Reservation of Name

(a) Right to reserve- The exclusive right to use a name permitted to be used by an institution under this act may be reserved by an individual intending to incorporate an institution, by an institution intending to change its name or by a national bank or private bank intending to convert into an institution.

(b) Method of reservation- Such reservation may be made by filing with the Department of State an application to reserve a specified name executed by the applicant. If the Department of State finds that such name is available, it shall send a copy of the application to the Department of Banking. If the Department of Banking concludes that the use of the name complies with the requirements of section 802 and is otherwise consistent with the purposes and provisions of this act, it shall give its written assent to the Department of State which shall then reserve the name for the exclusive use of the applicant for a period of six months.

(c) Extension of reservation- A name which has been reserved for a period of six months pursuant to this section may be reserved for additional successive periods of six months each, if prior to the expiration of each such period of six months the applicant files with the Department of State a statement executed by the applicant to the effect that the proposed institution for which the name is intended has taken appropriate action to obtain, but has not received, all approvals of regulatory authorities required for the business in which the name would be used.

(d) Transfer of right- The right to the exclusive use of a name reserved pursuant to this section may be transferred to any one who would be entitled to reserve such name under this section except for such prior reservation, by filing with the Department of State a notice of the transfer which shall be executed by the transferor who reserved the name and which shall set forth the name of the transferee. The Department of State shall send a copy of such notice to the Department of Banking.

Section 805. Prohibition of Adoption, Use or Advertisement of Certain Names, Titles and Descriptions

(a) Deceptive names- No person shall adopt, use or advertise any name, title or description which is deceptively similar to the name of an institution subject to this act.

(b) Use of "bank", "banking" or "trust"- No person engaged in a financial business and having an office located in Pennsylvania shall adopt, use or advertise any name, title or description which contains any of the words "bank", "banking", "banker" or "trust" or the plural of any of such words except:

(i) an institution subject to this act,

(ii) a Federal Reserve Bank,

(iii) a national bank,
(iv) a Federal Intermediate Credit Bank, Federal Land Bank, Federal Home Loan Bank or a Bank for Cooperatives,

(v) the International Bank for Reconstruction and Development,

(vi) the Inter-American Development Bank, or

(vii) a Pennsylvania bank holding company.

(c) Names in prior use- A person may, without regard to the provisions of subsections (a) and (b) of this section, use:

(i) its name legally in use on the effective date of this act, or

(ii) in the case of a corporation, a name legally in use on the effective date of this act by another corporation which is adopted by the resulting corporation in a plan of merger or consolidation to which the corporation using the name is a party.

(d) Duty of Department of State- The Department of State shall not approve as a corporate name, or register as a fictitious name, any name which would violate the provisions of this chapter.

Section 806. Effect of Chapter

(a) Supplementary law- The law of unfair competition and unfair practices, the principles of law and equity and the statutes of this Commonwealth with respect to the right to acquire and protect trade names shall supplement, except to the extent that they are in conflict with or are superseded by, the provisions of this chapter.

(b) Effect on corporate existence- The corporate existence of an incorporated institution shall not be affected by the adoption of a name in violation of this chapter.

(c) Jurisdiction of courts- The court may, upon application of the Attorney-General acting on his own motion or at the instance of any administrative department, board or commission of the Commonwealth, enjoin an institution from using a name which violates this chapter, or a court having jurisdiction may, upon application of any person adversely affected, enjoin a person from using a name, title or description which violates this chapter.

CHAPTER 9
OFFICES

Section 901. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an institution subject to this act, an interstate bank and a banking institution existing under the laws of another
jurisdiction which will become an interstate bank upon the acquisition of a branch in this Commonwealth.

Section 902. Authorized Offices

(a) General rule- Except as provided in subsection (b), an institution may not maintain any office for the conduct of its business other than:

(i) its principal place of business designated in its articles, or in the case of a private bank in its certificate of authorization,

(ii) branches authorized prior to the effective date of this act or authorized pursuant to this act, and

(iii) offices, agencies and other places of business which do not constitute branches as defined in this act.

(b) Affiliates- An institution may establish and operate as a branch, any principal place of business or branch of an affiliated State or national bank, savings bank, Federal savings bank, State savings association or Federal savings and loan association upon written approval by the department of an application for approval in a form prescribed by the department accompanied by any applicable fee. The department may issue regulations under this subsection; however, the absence of regulations shall not be a bar to consideration by the department of an application filed under this subsection nor a basis for denial of such an application.

(c) Institutions as agents for affiliates--
(i) Any institution that is a subsidiary of a bank holding company may receive deposits, renew time deposits, close loans, service loans and receive payments on loans and other obligations as an agent for an institution affiliate.

(ii) Notwithstanding any other provision of law, an institution acting as an agent in accordance with paragraph (i) for an institution affiliate shall not be considered to be a branch of the affiliate.

(iii) An institution may not--
(A) conduct any activity as an agent under paragraph (i) which the institution is prohibited from conducting as a principal under any applicable Federal or State law or order, or

(B) as a principal, have an agent conduct any activity under paragraph (i) which the institution is prohibited from conducting under any applicable Federal or State law or order.

(iv) No provision of this subsection may be construed as affecting--
(A) the authority of any institution to act as an agent on behalf of any other institution under any other provision of law, or

(B) whether an institution that conducts any activity as an agent on behalf of any other institution under any other provision of law shall be considered to be a branch of such other institution.

(v) An agency relationship between institutions under paragraph (i) shall be on terms that are consistent with safe and sound banking practices and all applicable regulations or orders of any appropriate Federal or State banking regulator.
Section 903. Change of Location of Office

(a) Change of principal place of business- An institution may, with the prior written approval of the department and, in the case of an incorporated institution by amendment of its articles, change the location of its principal place of business to a new location anywhere in this Commonwealth.

(b) Change of branch- An institution may, pursuant to a resolution of its board of directors or trustees, or in the case of a private bank its owners, and with the prior written approval of the department, change the location of a branch to a new location in the same manner and subject to the same requirements and limitations as are prescribed by this act for the establishment of branches.

(c) Temporary change for alterations- An institution may, with the prior written approval of, and for a period fixed by, the department, change the location of its principal place of business or of a branch to permit the alteration or improvement of the premises then occupied by such office.

(d) Discontinuance of office- Upon the change of location of an office pursuant to subsections (a) and (b) of this section, the institution may not maintain a branch at the former location unless such office shall be authorized as a branch pursuant to this act.

Section 904. Authorization of New Branches

(a) General rule- An institution may establish and maintain:

(i) branches maintained on the date of these amendments;

(ii) branches acquired from a predecessor in a merger, consolidation or conversion; and

(iii) branches established with the prior written approval of the department after the filing of an application for approval in a form prescribed by the department accompanied by any applicable fee and after investigation by the department, except that department approval shall not be required for national banks or Federal savings associations.

(b) (Deleted).

(c) (Deleted).

Section 905. Approval of Branch by Department

(a) Investigation and discretionary hearings- Upon receipt of an application for approval of a branch which satisfies the requirements of this act, the department shall conduct such investigation as it may deem necessary and, in its discretion, may hold hearings before the department.
(c) Action by department- Within sixty days after receipt of the application or such longer period as may be required for any hearing which the department may hold, the department shall approve the application if it finds that the establishment of the proposed branch would be consistent with the purposes of this act set forth in subsection (a) of section 103 and that the requirements of this act have been complied with but shall otherwise disapprove the application. If the department approves the application, it shall issue to the institution a letter of authority to establish the branch. If the department disapproves the application, it shall give the institution written notice of its disapproval and a statement in detail of the reasons for its decision.

(d) Time for establishment of branch- An institution may establish a branch pursuant to approval of the department under this section not later than six months after the date of the letter of authority or within such longer period as the department shall allow for good cause. The institution shall deliver to the department a certificate of the establishment of the branch in a form prescribed by the department.

(e) Discontinuance of branch- An institution may, pursuant to a resolution of its board of directors or trustees or, in the case of a private bank, its owners, and with prior written notice to the department, discontinue the operation of a branch. The institution shall deliver to the department a certificate of the discontinuance of the branch in a form prescribed by the department.

(f) Record of branches- The department shall maintain a record of the number and location of all branches of institutions.

Section 907. Branches Outside Pennsylvania

(a) A private bank which on the effective date of this act lawfully maintains branches in any other state or foreign country may continue to maintain such branches, subject to the laws of such other state or foreign country.

(b) An institution may establish and maintain an office outside the states of the United States with the prior written approval of the department and subject to an agreement satisfactory to the department providing for the times, method and reimbursement of expenses of examination of such branch. At any such branch, an institution shall have the power (without regard to other provisions of this act) to engage in any business or any activity permitted by applicable Federal law and regulations.

(c) An institution may establish and maintain branches in any other state, the District of Columbia or a territory or possession of the United States upon receiving the prior written approval of the department after filing an application and paying a fee to the department in a form and amount prescribed by the department, except no approval is required for national banks or Federal savings associations under this subsection.

Section 908. (Deleted).
CHAPTER 10
INCORPORATION

Section 1001. Application of Chapter

This chapter shall apply to, and the word institution in this chapter shall mean, an institution which shall be incorporated under this act.

Section 1002. Incorporators

(a) An institution may be incorporated by:

(i) fifteen or more adults, in the case of a mutual savings bank, and

(ii) three or more adults who shall each subscribe to shares of common stock with an aggregate par value of at least one thousand dollars ($1,000), in the case of any other institution.

(b) At least two-thirds of the incorporators shall be citizens of the United States or its territories or possessions and at least two-thirds shall be residents of Pennsylvania.

Section 1003. Prohibition of Promoters' Fees

(a) Prohibited fees- An institution shall not pay any fee, compensation or commission for promotion in connection with its organization or apply any money received on account of shares or subscriptions for shares to promoters' fees for obtaining subscriptions, selling shares or other services in connection with its organization, except legal fees and other usual and ordinary expenses, including reasonable brokers' fees, commissions and underwriting costs, necessary for its organization.

(b) Affidavit of incorporators- A majority of the incorporators shall file with the department at the time of filing of the articles an affidavit:

(i) setting forth all expenses incurred or to be incurred in connection with the organization of the institution, subscriptions for its shares and sale of its shares, and

(ii) stating that no fee, compensation or commission prohibited by subsection (a) of this section has been paid or incurred.

(c) Disapproval of articles-In the event of a violation of this section the department may disapprove the articles on account of such violation.

Section 1004. Articles of Incorporation

(a) Execution- Articles of incorporation shall be signed by at least five of the incorporators in the case of a mutual savings bank and by each of the incorporators in any other case.

(b) Contents- The articles shall set forth in the English language:
(i) the name of the institution;

(ii) the location and post office address of its principal place of business, which shall be located within this Commonwealth;

(iii) a brief statement of the purpose or purposes for which it is incorporated and that it is incorporated under the provisions of this act;

(iv) the term for which it is to exist which may be perpetual;

(v) except in the case of a mutual savings bank, the aggregate number of shares which the institution shall have authority to issue and
  (A) if the shares are to consist of one class only, the par value of each of the shares, or
  (B) if the shares are to be divided into classes,
  (I) the number of shares of each class that are to have a par value and the par value of each class and the number of shares of each class, if any, that are to be without par value,
  (II) a statement of the designations, preferences, redemption provisions, qualifications, privileges, limitations, options, conversion rights and other special rights in respect of the shares of any class or series of any class, the fixing of which by the articles is desired, and
  (III) a statement of such authority as may be desired to vest in the board of directors to fix by resolution any designations, preferences, redemption provisions, qualifications, privileges, limitations, options, conversion rights and other special rights in respect of the shares of any class or a series of any class that shall not be fixed in the articles;

(vi) the name, occupation, citizenship, place of residence and post office address of each incorporator and, except in the case of a mutual savings bank, the number of shares to which he has subscribed;

(vii) the name, occupation, citizenship, place of residence and post-office address, in the case of a savings bank, of each of the first trustees and, in any other case, of each of the first directors who shall serve until the first annual meeting;

(viii) except in the case of a mutual savings bank, any provision which the incorporators may choose to insert granting to shareholders preemptive rights to subscribe to issues of shares or securities of the institution; and

(ix) any provision not inconsistent with law which the incorporators may choose to insert for the regulation of the internal affairs and business of the institution.

Section 1005. Application for Approval by Department

The incorporators shall make an application to the department for approval of the proposed institution in a manner prescribed by the department and shall deliver to the department when available:
(a) the articles of incorporation;

(b) the affidavit required by section 1003;

(c) evidence of reservation in the Department of State of the name of the proposed institution;

(d) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1007; and

(e) as soon as available, proof of publication of the advertisement required by section 1006.

Section 1006. Advertisement

(a) The incorporators shall advertise their intention to deliver, or the delivery of, articles of incorporation with the department once in each newspaper in which such advertisement is required to be published in accordance with section 109 of this act.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles to the department and shall set forth briefly:

(i) the name of the proposed institution,

(ii) a statement that it is to be incorporated under the provisions of this act,

(iii) the purpose or purposes of the institution,

(iv) the names and addresses of the incorporators and of the first directors or trustees as they appear, or will appear, in the articles, and

(v) the date of delivery of the articles to the department.

Section 1007. Approval of Proposed Institution by Department

(a) Upon receipt of an application for approval of a proposed institution the department shall conduct such investigation as it may deem necessary to ascertain whether:

(i) the articles and supporting items satisfy the requirements of this act;

(ii) the convenience and needs of the public will be served by the proposed institution;

(iii) the population density or other economic characteristics of the area primarily to be served by the proposed institution afford reasonable promise of adequate support for the institution;

(iv) the character and fitness of the incorporators, of the directors or trustees and of the proposed officers are such as to command the confidence of the community and to warrant the belief that the business of the proposed institution will be honestly and efficiently conducted;
(v) there has been or will be any violation of section 1003;

(vi) except in the case of a mutual savings bank, the capital structure of the proposed institution is adequate in relation to the amount and character of the anticipated business of the institution and the safety of prospective depositors; and

(vii) the proposed institution will have sufficient personnel with adequate knowledge and experience to administer fiduciary accounts, if the institution were authorized to act as fiduciary.

(b) Within sixty days after receipt of the articles the Department of Banking shall make a determination whether to approve or disapprove the proposed institution on the basis of its investigation. In giving approval, the department may impose conditions to be satisfied prior to the issuance of a certificate of authorization under section 1010. If the Department of Banking shall approve the proposed institution with or without conditions, it shall deliver the articles with its written approval of the articles to the Department of State and notify the incorporators of its action. If the Department of Banking shall disapprove the proposed institution, it shall give written notice to the incorporators of its disapproval and a statement in detail of the reasons for its decision.

Section 1008. Issuance of Certificate of Incorporation

If all the taxes, fees and charges required by law shall have been paid and if the name of the proposed institution continues to be reserved or is available on the records of the Department of State, the receipt of the articles by the Department of State with the written approval of the Department of Banking, shall constitute filing of the articles with the Department of State as of the date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall immediately issue to the incorporators a certificate of incorporation, as of the date and time of filing, with the approved articles attached thereto and shall make and retain a copy of such certificate and articles.

Section 1009. Effect of Filing of Articles in Department of State and of Certificate of Incorporation

(a) As of the filing of the articles in the Department of State, the corporate existence of the institution shall begin and, except in the case of a mutual savings bank, those persons who subscribed for shares prior to such filing of the articles, or their assignees, shall be shareholders in the institution.

(b) The certificate of incorporation shall be conclusive evidence of the fact that the institution has been incorporated but proceedings may be instituted by the Commonwealth to dissolve, wind up and terminate an institution which should not have been incorporated under this act or which was incorporated without a substantial compliance with the conditions prescribed by this act as precedent to incorporation.
Section 1010. Certificate of Authorization to Do Business

(a) Until receipt of a certificate of authorization issued by the department, an institution shall not accept deposits, incur indebtedness or transact any business except such business as is incident to its organization or to the obtaining of subscriptions and payment for its shares and other securities—subject to the penalty provisions of this act.

(b) The department shall issue to an institution a certificate of authorization to do business when:

(i) except in the case of a mutual savings bank, capital of the institution shall have been fully paid in, in an amount specified by the department and, in addition, there shall have been paid in:
(A) surplus in an amount not less than fifty percent of the capital paid in,
(B) an expense fund in an amount fixed by the department at not less than five percent of the capital paid in, and
(C) the proceeds of capital securities, if any, which were considered part of the capital structure of the institution by the department under section 1007(a)(vi) in giving its approval of the proposed institution;

(ii) an expense fund, in the case of a mutual savings bank, shall have been paid in, in an amount fixed by the department, subject to reimbursement to the contributors thereof only out of earnings after the mutual savings bank has accumulated out of earnings an expense fund at least equal to the amount of the original expense fund and surplus in an amount at least equal to the amount of such expense fund;

(iii) a majority of the directors or trustees have taken the oath or affirmation required by section 1406;

(iv) the by-laws of the institution have been filed with the department;

(v) the institution has been organized and is ready to begin the business for which it was incorporated;

(vi) all conditions imposed by the department in giving its approval of the proposed institution under section 1007 have been satisfied; and

(vii) the department has received an affidavit signed by the cashier or treasurer and by at least a majority of the directors or trustees of the institution to the effect that all of the foregoing requirements of this subsection have been satisfied.

Section 1011. Organization Meetings

(a) After the filing of the articles in the Department of State, the first meeting of the shareholders shall be held within this Commonwealth at the call of the shareholders who were the incorporators, or a majority of them, for the purpose of adopting such by-laws as this act and the articles require to be adopted by the shareholders and for such other purposes as shall be stated in
the notice of the meeting. The shareholders who call the meeting shall give to each shareholder at least five days' written notice of the time and place of the meeting.

(b) After the filing of the articles in the Department of State, an organization meeting of the board of directors or trustees named in the articles shall be held within this Commonwealth at the call of a majority of the directors, for the purpose of adopting such by-laws as the articles authorize the directors or trustees to adopt, of electing officers and of transaction of such other business as may come before the meeting. The directors or trustees who call the meeting shall give to each director or trustee named in the articles at least five days' written notice of the time and place of the meeting.

Section 1012. Organization as a Limited Liability Company.

(a) General rule--Subject to any conditions or restrictions as determined by the department, a bank, bank and trust company, trust company or savings bank may be organized as a limited liability company pursuant to 15 Pa.C.S. Ch. 89 (relating to limited liability companies) in order to conduct the business of a bank, bank and trust company, trust company or savings bank subject to this act.

(b) Conflicts--In the event of a conflict between this act and 15 Pa.C.S. Ch. 89 in relation to the conduct of the affairs of an institution, the two statutes shall be construed together, if possible, as one statute. In the event of any unresolvable conflict, this act shall control as determined by the department.

CHAPTER 11
CAPITAL, SURPLUS, EXPENSE FUND AND CAPITAL SECURITIES

Section 1101. Application of Chapter

This chapter shall apply to, and the word "institution" in the chapter shall mean, a bank, a bank and trust company, a trust company and a stock savings bank.

Section 1102. Minimum Capital

(a) Existing institutions-- The minimum capital of an institution in existence on the effective date of this act shall be:

(i) the amount required by subsection (b) of this section, or

(ii) such lesser amount as the institution had on the effective date of this act but not less than the minimum amount required by law prior to such effective date.

(b) New institutions-- An institution which is incorporated pursuant to this act, or an institution that becomes subject to this act due to a conversion, shall establish and maintain minimum capital in an amount specified by the department.
Section 1103. Surplus

(a) An institution:

(i) shall at all times maintain surplus in an amount which is equal to at least the amount of its capital, except as provided in section 1010(b) as to the initial surplus of a new institution, and

(ii) shall not by action of the institution reduce surplus without approval of the department and in no event to an amount less than the amount of its capital.

(b) If the surplus of an institution is at any time less than the amount of its capital, the institution shall, until surplus is equal to such amount, transfer to surplus an amount which is at least ten percent of the net earnings of the institution for the period since the end of the last fiscal year or for any shorter period since the last declaration of a dividend:

(i) prior to the declaration of any dividend, and

(ii) in any event, at the end of each fiscal year except that if surplus is less than fifty percent of the amount of capital, no dividend may be declared or paid without the prior approval of the department until surplus is equal to fifty percent of the amount of capital.

Section 1104. Expense Fund

The expense fund required under section 1010(b) of this act shall be created out of the portion of amounts paid for shares of common stock which is in excess of one hundred fifty percent of the par value of such shares. Such expense fund may be charged for expenses incurred by the institution in connection with its incorporation and operation and any balance in such fund at any time after the expiration of one year from the date of the issuance to the institution of a certificate of authorization to do business may be credited to undivided profits.

Section 1105. Capital Securities

Notes, debentures and other obligations issued by an institution shall be deemed "capital securities" for the purpose of this act if they:

(a) are subordinated in right of payment, in the event of insolvency or liquidation of the institution, to the prior payment of all deposits of the institution and of all claims of other creditors of the institution except the holders of securities on a parity therewith and the holders of securities expressly subordinated thereto,

(b) are authorized by the same votes of directors and shareholders as those required for authorization of an increase in capital stock of the institution,

(c) contain provisions for amortization, serial maturities, transfers to a sinking fund, allocation of reserves or such other provisions as the department may require, and
(d) are approved by the department prior to the issue thereof.

CHAPTER 12
SHARES AND SHAREHOLDERS

Section 1201. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company, a trust company and a stock savings bank.

Section 1202. Classes of Shares

(a) Types of shares- An institution may create and issue:

(i) common shares with par value, and

(ii) one or more classes of other shares and one or more series of shares within any class thereof, all of which classes may consist of shares with par value or shares without par value and any or all of which classes or series may consist of shares with full, limited, multiple or fractional or no voting rights and with such designations, preferences, qualifications, privileges, limitations, redemption provisions, options, conversion rights and other special rights as shall be stated in the articles or in the resolution or resolutions providing for the issue of such shares adopted by the board of directors pursuant to authority expressly vested in it by the articles. Any of the terms of a class or series of preferred shares may be made dependent upon facts ascertainable outside of the articles, or outside of the resolution or resolutions providing for the issue of such shares adopted by the board of directors pursuant to authority expressly vested in it by the articles, provided that the manner in which the facts will operate upon the terms of the class or series is set forth in the articles or in the resolution or resolutions providing for the issue of such shares adopted by the board of directors. Different series of the same class of shares shall not be construed to constitute different classes of shares for the purpose of voting by classes under this act.

(b) Redemption of redeemable shares- Any redeemable shares subject to redemption shall be redeemable only pro rata or by lot or by such other equitable method as is selected by the board of directors, except as otherwise provided in the articles.

(c) Status of shares- Shares of an institution shall be deemed personal property. Except as otherwise provided in the articles, each share shall be in all respects equal to every other share.

(d) Method of Issue- Unless the articles or by-laws otherwise provide, the board of directors may, by resolution duly adopted, issue from time to time, in whole or in part, the shares authorized by the articles.
(e) Increase or decrease- The power to increase or decrease authorized capital as provided in, and subject to the limitations of this act shall apply to all or any shares authorized by subsection (a) of this section.

(f) Filing of statement affecting class or series of shares- Before any institution shall issue any shares of any class or any series of any class of which the designations, preferences, qualifications, privileges, limitations, redemption provisions, options, conversion rights and other special rights, if any, shall not have been set forth in the articles but shall be provided for in a resolution or resolutions adopted by the board of directors pursuant to authority expressly vested in it by the articles, the institution shall:

(i) file with the department a statement executed by two duly authorized officers of the institution, setting forth:
   (A) the name of the institution,
   (B) the resolution establishing and designating the class or series and fixing and determining the relative rights and preferences thereof,
   (C) the aggregate number of shares of such class or series established and designated by:
      (I) such resolution,
      (II) all prior statements, if any, filed under this act with respect thereto, and
      (III) any other provision of the articles,
   (D) the date and manner of the adoption of such resolution, and

(ii) file with the Department of State a copy of the statement described in clause (i), stamped or otherwise marked by the department to evidence the prior filing thereof with the department pursuant to clause (i). Upon the filing of such statement with the Department of State, the resolution shall become effective and shall operate as an amendment of the articles.

(g) Increase or decrease in number of shares- Except to the extent otherwise provided in the articles or in any such resolution, the number of shares of any class or series established and designated in such resolution may be increased or decreased (but not below the number of shares thereof then outstanding) by a statement and a copy thereof filed with the department and with the Department of State, respectively, in accordance with the procedures described in subsection (f), setting forth a resolution adopted by the board of directors increasing or decreasing the authorized number of shares of such class or series. In case the number of shares shall be decreased, the number of shares so specified in the statement shall resume the status which they had prior to the adoption of the preceding resolution or resolutions with respect thereto.

(h) Preferences, voting rights, etc.- Except to the extent otherwise provided in the articles or in any such resolution, the authority granted to the board of directors to determine the designations, preferences, qualifications, privileges, limitations, redemption rights, options, conversion rights and other special rights of any class or series shall be deemed to include the power to determine preferences as to dividends or assets which are prior or subordinate to or on parity with any other class or series and to determine designations, qualifications, privileges, limitations, redemption provisions, options, conversion rights and other special rights, including, but not limited to, voting rights, which are greater or lesser than or equal to those of any other class or series,
whether or not the other shares are issued or outstanding at the time when the board of directors acts to determine them.

Section 1203. Consideration for Shares

(a) Minimum requirements- Except in the case of a distribution of shares of the institution authorized by section 1303 or shares issued upon exchanges or conversions, shares of an institution may be issued only for cash in an amount, or for assets with a value, which shall be at least:

(i) in the case of the issuance of common shares and other shares with par value either:
   (A) the par value of the shares if the surplus of the institution will be at least equal to its capital after the issuance of the shares, or
   (B) the par value of the shares and such additional amount up to fifty percent of the par value of the shares as may be required to provide surplus equal to capital after the issuance of the shares, or
   (C) the par value of the shares and an additional amount equal to fifty percent of the par value of the shares if the surplus of the institution will not be at least equal to its capital after the issuance of the shares, and in the case of a new institution, such additional amount as may be necessary to provide the expense fund required by section 1010(b)(i) of this act; and

(ii) in the case of the issuance of other shares without par value, the amount of value of the agreed consideration received for such shares which the board of directors shall, in the resolution authorizing the issue of such shares, allocate to capital or surplus by specifying in dollars the part of such consideration allocated to capital, which shall not be less than the preferential right of such shares in the assets of the institution in the event of involuntary liquidation, and the part of such consideration allocated to surplus.

(b) Treasury shares- Treasury shares may be sold for the amount fixed by the directors.

(c) Consideration for shares issued upon exchanges and conversions- The consideration for the issuance of shares in exchange for or on conversion of other shares of the institution or obligations of the institution shall be deemed to be the consideration originally received for the shares or obligations surrendered in exchange or converted, plus any additional consideration paid to the institution upon the issuance of such shares for the other shares or obligations surrendered in exchange or converted, plus, in the case of an exchange or conversion of shares, the amounts, if any, transferred to surplus upon the issuance of such shares for the other shares surrendered in exchange or converted. In any such case the consideration shall be not less than the minimum specified in subsection (a) of this section. Any amount by which capital may be reduced upon an exchange or conversion of shares shall be transferred to surplus.

Section 1204. Payment of Subscriptions and Default in Payment of Subscriptions for Shares

The provisions of the Business Corporation Law applicable to payment of subscriptions for shares of stock and default in payment of such subscriptions shall apply to the payment of
subscriptions for shares of an institution and the rights of the institution in the event of default in payment of subscriptions for shares, except that references in those provisions to a "corporation" shall mean an institution as defined for the purpose of this chapter and references to the "registered office" of a corporation shall mean the principal office of the institution and except that any advertisement provided for under those sections shall comply with the requirements for advertisements under section 109 of this act.

Section 1205. Share Certificates

(a) Contents- The shares of an institution shall be represented by share certificates which shall in every case contain:

(i) a statement that the institution is incorporated under the laws of this Commonwealth,

(ii) the name of the registered holder of the shares represented thereby,

(iii) the number and class of shares which the certificate represents, and the designation of the series, if any,

(iv) the par value of each share represented, or a statement that the shares are without par value, and if the institution is authorized to issue shares of more than one class, the certificate shall contain on the face or back either a full or a summary statement, or a statement that the institution will furnish to any shareholder upon request and without charge a full statement, of the designations, preferences, limitations and relative rights of the shares of each class authorized to be issued and, if the institution is authorized to issue any class in series, the variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the board of directors to fix and determine the relative rights and preferences of subsequent series.

(b) Execution- Every share certificate shall be signed by the president and secretary or by such officers as the by-laws may provide, but if the certificate is signed by a transfer agent or a registrar, the signature of any officer of the institution on the certificate may be a facsimile, engraved or printed.

(c) Signature of former officer- In case any officer who has signed or whose facsimile signature has been placed on any share certificate shall have ceased to be such officer before the certificate is issued, it may be issued by the institution with the same effect as if the officer had not ceased to be such at the date of its issue.

(d) Right to certificate- Every shareholder of record shall be entitled to a share certificate representing the shares owned by him but a certificate shall not be issued by an institution to a shareholder until the shares represented thereby have been fully paid for.
Section 1206. Issuance of Fractional Shares or Scrip

(a) Authorization- An institution may issue a certificate for a fractional share and, by action of its board of directors, may issue in lieu thereof scrip or other evidence of ownership, in bearer form or in the name of the holder, which:

(i) shall entitle the bearer or holder to receive a certificate for a full share upon the surrender of such scrip or other evidence of ownership aggregating a full share,

(ii) shall entitle the bearer or holder to participate proportionately in the assets of the institution in the event of liquidation, and

(iii) shall not entitle the holder to exercise any voting right or to receive dividends.

(b) Conditions- The board of directors may cause such scrip or evidence of ownership to be issued subject to:

(i) the condition that it shall become void if not exchanged for share certificates before a specified date,

(ii) the condition that after such specified date the shares for which such scrip or evidence of ownership is exchangeable may be sold by the institution and the proceeds thereof distributed to the bearers or holders of such scrip or evidence of ownership, and

(iii) other conditions which the board of directors may deem advisable.

Section 1207. Liability of Subscribers and Shareholders

A subscriber to, or holder of, shares of an institution shall have no liability with respect to such shares other than the obligation of complying with the terms of the subscription for such shares which shall be the same as the obligation on a share subscription governed by the Business Corporation Law.

Section 1208. Preemptive Rights of Shareholders

(a) Unless otherwise provided in its articles, an institution may issue shares, option rights or securities having conversion or option rights without first offering them to shareholders of any class.

(b) Shares or securities which have been offered to shareholders who have preemptive rights thereto and which have not been subscribed to within the time fixed by, or pursuant to, the articles, may be thereafter offered for subscription to any person at a price and upon terms not more favorable than those at which they were offered to such shareholders.
Section 1209. Meetings of Shareholders

(a) Place- Meetings of the shareholders of an institution shall be held at such place within the Commonwealth as shall be fixed by the by-laws or by the board of directors pursuant to the by-laws or, if none is so fixed, at the principal place of business of the institution.

(b) Annual meeting- There shall be at least one meeting of shareholders in each calendar year for the election of directors. The time of such annual meeting shall be fixed by the by-laws or by the board of directors pursuant to the by-laws. If the annual meeting shall not be called and held during any calendar year, any shareholder may call such meeting at any time thereafter.

(c) Special meetings- Special meetings of the shareholders may be called at any time by the president, by the board of directors, by the shareholders entitled to cast at least one-fifth of the votes which all shareholders are entitled to cast at the particular meeting or by such other officers or persons as the by-laws may provide. Upon the written request of a person or persons who are entitled to call a special meeting, the secretary shall fix the date of such meeting to be held not more than sixty days after the receipt of the request and shall give due notice thereof. In the event of the secretary's failure within thirty days after the receipt of the request to fix the date or give the notice, the person or persons entitled to call the meeting may do so.

(d) Adjournments- Any meeting may be adjourned for any period except that a meeting at which directors are to be elected may be adjourned only from day to day or for such longer periods not in excess of fifteen days each as may be directed by the shareholders present in person or by proxy who are entitled to cast at least a majority of the votes which all such shareholders would be entitled to cast at an election of directors, until such directors have been elected.

Section 1210. Notice of Meetings of Shareholders

Written notice of each meeting of shareholders shall be given to each shareholder of record entitled to vote at the meeting at least five days prior to the date thereof, unless a longer period of notice is required by the articles, by-laws or other provisions of this act. Notice of an adjourned meeting and of the business to be transacted at such meeting may be given by announcement at the meeting at which the adjournment is taken unless otherwise provided in the articles or by-laws.

Section 1211. Quorum of and Action by Shareholders

(a) Requirement- A shareholders' meeting duly called shall not be organized for the transaction of business unless a quorum is present.

(b) Constitution of quorum- Unless otherwise provided in the articles or in a by-law adopted by the shareholders:

(i) the presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on a particular matter shall constitute a quorum for the purpose of considering such matter, except as provided in subsection (c) of this section;
(ii) at a duly organized meeting, the acts of the shareholders present who are entitled to cast at least a majority of the votes which all shareholders present are entitled to cast shall be the acts of the shareholders, except as otherwise provided in this act;

(iii) the shareholders present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum; and

(iv) if a meeting cannot be organized for lack of a quorum, those present may, except as otherwise provided in this act, adjourn the meeting to such time and place as they may determine.

(c) Adjourned meetings to elect directors- In the case of a meeting for the election of directors which is twice adjourned for lack of a quorum, those present at the second of such adjourned meetings shall constitute a quorum for the election of directors without regard to the other quorum requirements of this section, the articles or by-laws.

Section 1212. Voting Rights of Shareholders

(a) Right to vote- Except as otherwise provided in the articles or in this act, every shareholder of record shall have the right at every shareholders' meeting to one vote for each share standing in his name on the books of the institution. A shareholder may vote in person or by proxy and shall not sell his vote or execute a proxy for any sum of money or anything of value.

(b) Proxy voting- A proxy:

(i) shall be in writing and filed with the secretary of the institution,

(ii) shall, unless coupled with an interest, be revocable at will upon notice received by the secretary, notwithstanding any agreement to the contrary,

(iii) shall be valid for eleven months or such longer period provided therein not in excess of three years from the date of execution, unless revoked earlier or unless coupled with an interest, and

(iv) shall not be revoked by the death or incompetence of the maker unless, before the vote is counted or the authority exercised, written notice of such death or an adjudication of such incompetence is received by the secretary.

A proxy coupled with an interest shall include an unrevoked proxy in favor of a creditor of a shareholder and such a proxy shall be valid so long as the debt owed to the creditor remains unpaid.

(c) Shares called for redemption- Except as provided in the articles, redeemable shares which have been called for redemption shall not be entitled to vote on any matter and shall not be deemed outstanding shares after written notice has been given to the holders thereof that such
shares have been called for redemption and that payment of the redemption price has been provided for and after such payment has been provided for.

Section 1213. Election of Directors; Cumulative Voting

(a) Elections of directors need not be by ballot, except as otherwise provided in the by-laws or upon demand made by a shareholder at the election and before the voting begins.

(b) Except as provided in the article of incorporation, in each election of directors, every shareholder entitled to vote shall have the right, in person or by proxy, to multiply the number of votes to which he may be entitled by the total number of directors to be elected in the same election by the holders of the class or classes of shares of which his shares are a part, and he may cast the whole number of such votes for one candidate or he may distribute them among any two or more candidates. The candidates receiving the highest number of votes from each class or group of classes entitled to elect directors separately, up to the number of directors to be elected in the same election by such class or group of classes, shall be elected.

Section 1214. Voting by Fiduciaries and Pledgees

(a) Shares standing in the name of a fiduciary may be voted either in person or by proxy of the fiduciary.

(b) A shareholder whose shares are pledged shall be entitled to vote the shares, in person or by proxy, until they have been transferred on the books of the institution and thereafter the transferee shall be entitled to vote the shares in person or by proxy.

Section 1215. Voting by Joint Holders of Shares

(a) Shares which are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise, shall be deemed to be represented for the purpose of determining a quorum if one or more such persons are present in person or by proxy. Except as provided in subsection (b) of this section, the vote of all such shares shall be the vote cast by such person or a majority of such persons but if such persons are equally divided upon the manner of voting, the vote of the shares held by them shall be divided equally among such persons, without prejudice to the rights of such joint owners or the beneficial owners thereof among themselves.

(b) Upon the filing with the secretary of the institution of a copy, certified by an attorney-at-law to be correct, of the relevant portions of the agreement under which such shares are held or of the instrument or decree of court by which the fiduciaries were appointed, or of a decree of court directing the voting of such shares, the persons specified as having such voting power in the latest such document shall be entitled to vote such shares in accordance therewith.

Section 1216. Voting Shares Held by Incorporated Institutions and Other Corporations

(a) An incorporated institution or other corporation which holds shares of an institution, or an incorporated institution which holds shares of a corporation, may vote the shares by:
(i) its president or a vice-president in the case of an incorporated institution or any of its officers in the case of any other corporation,

(ii) a proxy appointed by its president or a vice-president in the case of an incorporated institution or by any officer in the case of any other corporation, or

(iii) a person appointed its general or special proxy by resolution of its board of directors or trustees or a provision of its articles or by-laws, a copy of which, certified to be correct by one of its officers, shall have been filed before the vote is taken with the secretary of the institution or corporation in which the shares are held.

(b) Treasury shares of an institution shall not be voted directly or indirectly at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any time.

Section 1217. Determination of Shareholders of Record

(a) The board of directors of an institution may, except as otherwise provided in its by-laws, fix a date for the determination of the shareholders entitled to receive notice of and to vote at any meeting or to receive any dividend, distribution or allotment of rights or a date for any change, conversion or exchange of shares by:

(i) fixing a record date not more than sixty days prior thereto, or

(ii) closing the books of the institution against transfers of shares for all or part of such period by giving notice to each shareholder of record at least ten days before the closing of the books.

(b) If no date for determination of shareholders of record is fixed by the by-laws or pursuant to subsection (a) of this section, transferees of shares which are transferred on the books of the institution within ten days of the date of a meeting of shareholders shall not be entitled to receive notice of, or to vote at, the meeting.

Section 1218. Voting Lists

(a) The officer or agent having charge of the transfer books for shares of an institution shall at least five days before each meeting of shareholders make a list of the shareholders entitled to vote at the meeting, arranged in alphabetical order with the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder for any proper purpose:

(i) at the principal place of business of the institution at any time during normal business hours, and

(ii) at the time and place of the meeting during the whole time of the meeting.
(b) The original share ledger or transfer book, or a duplicate thereof kept in this Commonwealth, shall be prima facie evidence of the shareholders entitled to examine such list or the share ledger or transfer book or to vote at any meeting of shareholders.

Section 1219. Voting Trusts

(a) Agreement- Two or more shareholders of an institution may, upon the terms and conditions stated in an agreement in writing, transfer their shares to one or more voting trustees other than the institution for the purpose of vesting in the transferee or transferees voting or other rights in respect of such shares for a period not in excess of ten years.

(b) Share certificates- Upon the surrender of the certificates for the shares so transferred, new certificates therefor shall be issued in the name of the voting trustee or trustees named in the agreement who thereupon shall have all voting and other rights in respect of the shares for the period specified in, and subject to the terms and conditions of, the agreement. The fact that the new certificates are issued pursuant to the agreement shall be noted in the certificates and in the transfer books of the institution.

(c) Voting trust certificates- The voting trustee or trustees may execute and deliver to the transferors voting trust certificates which shall be transferable in the same manner and with the same effect as certificates for shares.

(d) Trustees- Except as otherwise provided in the agreement, the voting trustee or trustees:

(i) may vote in person or by proxy,

(ii) shall, if there is more than one, be subject to the provisions of section 1215 governing voting by joint holders of shares,

(iii) shall fill vacancies among the trustees by the remaining trustees, and

(iv) shall incur no liability as trustees except for their own neglect or malfeasance.

(e) Extensions- At any time within one year prior to the time of expiration of a voting trust agreement as originally fixed or as extended in accordance with this subsection (e) one or more of the beneficial owners of the shares covered by the agreement may, by agreement in writing and with the written consent of the voting trustee or trustees, extend the duration of such agreement for an additional period not in excess of ten years. New certificates for shares subject to such extension agreement shall be issued in the manner provided in subsection (b) of this section. An extension agreement shall not affect rights or obligations of any person not a party thereto.

Section 1220. Judges of Election

(a) A judge or three judges of election, and an alternate or alternates to act in the event of a vacancy, may be appointed:
(i) in advance of each meeting of shareholders by the board of directors, or

(ii) if the board of directors has not done so, at the meeting by the chairman of the meeting except that in such case, the holders of a majority of the shares present and entitled to vote shall determine whether one judge or three judges are to be appointed. A judge of election need not be a shareholder and a candidate for office shall not act as a judge.

(b) The judge or judges of election shall perform his or their duties impartially, expeditiously and in good faith and shall:

(i) determine the number of shares outstanding and the number present at the meeting, the voting power of each and the existence of a quorum,

(ii) determine the authenticity, validity and effect of proxies,

(iii) receive votes or ballots, hear and determine all challenges in connection with the right to vote, count and tabulate the votes, and determine the result,

(iv) do whatever is appropriate to conduct the election or vote with fairness to all shareholders,

(v) act by majority vote, if there are three, and

(vi) upon the request of the chairman or any shareholder present at the meeting, make a written report of any matter determined by him or them and execute a certificate of any fact found by him or them. Any report or certificate made by the judge or judges of election shall be prima facie evidence of the facts stated therein.

Section 1221. Informal Action by Shareholders

Any action which may be taken at a meeting of shareholders may, unless otherwise provided in the articles or by-laws, be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the shareholders who would be entitled to vote on such action at a meeting and shall be filed with the secretary of the institution.

Section 1222. Rights of Dissenting Shareholders

If a shareholder of an institution shall object to a proposed plan of action of the institution authorized under a section of this act and such section provides that the shareholder shall be entitled to the rights and remedies of a dissenting shareholder, the rights and remedies of such shareholder shall be governed by the provisions of the Business Corporation Law applicable to dissenting shareholders and shall be subject to the limitations on such rights and remedies under those provisions. Shares acquired by an institution as a result of the exercise of such rights by a dissenting shareholder may be held and disposed of as treasury shares or, in the case of a merger or consolidation, as otherwise provided in the plan of merger or consolidation.
CHAPTER 13
DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS; REDEMPTION OR ACQUISITION OF PREFERRED SHARES

Section 1301. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company, a trust company and a stock savings bank.

Section 1302. Cash Dividends

(a) Authorized dividends- The board of directors of an institution may, from time to time, declare, and the institution may pay, dividends on its outstanding shares subject to the restrictions of this act and to the restrictions, if any, in its articles. Dividends may be declared and paid only out of accumulated net earnings of the institution or accumulated net earnings acquired as a result of a merger and transferred to surplus, if used with seven years of the date of merger, and may be paid in cash or property other than its own shares.

(b) Surplus requirements- A dividend may not be declared or paid unless:

(i) any transfer of net earnings to surplus required by section 1103 of this act has been made prior to the declaration of the dividend, and

(ii) the surplus of the institution would not be reduced by the payment of the dividend.

(c) Fund for dividends after merger, consolidation or conversion- In determining the accumulated net earnings of an institution which has been the resulting institution in a merger, consolidation or conversion, the accumulated net earnings immediately prior to the merger, consolidation or conversion of each institution and national bank or Federal savings bank which was a party to the merger or consolidation or of the national bank or Federal savings bank which converted into the institution may, to the extent not transferred to capital or surplus of the resulting institution, be carried forward as accumulated net earnings of the resulting institution.

Section 1303. Distributions of Shares of Institution

(a) Authorized distributions- The board of directors of an institution may distribute pro rata to holders of any class of its shares from time to time treasury shares and authorized but unissued shares of the institution, subject to the restrictions of this act and to the restrictions, if any, in its articles.

(b) Capital and surplus requirements- No distribution may be made in authorized but unissued shares of the institution unless:

(i) if the distribution is made in shares having a par value, there shall be transferred to capital an amount equal to the aggregate par value of the shares distributed,
(ii) if the distribution is made in shares without par value, the board of directors may fix a value for the shares so issued and there shall be transferred to capital at the time of such distribution an amount of accumulated net earnings equal to the aggregate value so fixed, and

(iii) immediately after the distribution, surplus would be at least equal to the amount of capital.

(c) When shareholder approval required- No distribution of shares of any class may be made to holders of shares of any other class unless the articles so provide or unless such distribution is authorized by the affirmative vote or written consent of the holders of a majority of the outstanding shares of the class in which the distribution is made.

(d) Cash in lieu of fractional shares- In lieu of issuing fractional shares in any distribution authorized by this section, the institution may pay in cash the fair value thereof, as determined by the board of directors, to shareholders entitled thereto.

**Section 1304. Liability For Unlawful Dividends and Distributions**

(a) Prohibition- The directors of an institution shall not declare dividends, or authorize or ratify the distribution of any part of its assets to shareholders by purchase of its shares or otherwise, except as authorized by this act.

(b) Directors liable- The directors under whose administration an unlawful dividend or distribution is made shall be jointly and severally liable to the institution for the amount thereof except:

(i) a director who voiced his dissent at the meeting at which the action was authorized and requested that his dissent be entered on the minutes of the meeting or who, if he was absent at the time, promptly upon learning of the action filed his written objection thereto with the secretary of the institution, or

(ii) a director who relied and acted in good faith upon financial statements of the institution represented to him to be correct by the president of the institution or by an officer responsible for its accounts or stated in a written report by an independent public or certified public accountant or firm of such accountants fairly to reflect the financial condition of the institution.

(c) Contribution- Each director held liable under this section shall be entitled to contribution from the other directors who are likewise liable.

**Section 1305. Distribution Upon Reduction of Capital**

(a) Upon the decrease of capital of an institution pursuant to an amendment of its articles to reduce its authorized capital, the board of directors may, with the approval of the department and subject to the restrictions, if any, of its articles, distribute to the shareholders of the institution an amount in cash equal to all or part of the amount of the decrease in capital together with a like amount of surplus, if immediately after such distribution the institution would have the capital required by this act and would have surplus in an amount at least equal to its capital.
(b) Any portion of the amount of a decrease in capital which may be but is not distributed to shareholders in accordance with this section shall be transferred to surplus.

Section 1306. Redemption and Acquisition of Redeemable Shares; Statement of Reduction of Authorized Shares

(a) Unless otherwise provided in its articles, an institution may by resolution of its board of directors and with the prior approval of the department redeem or otherwise acquire shares subject to redemption if immediately after the redemption or other acquisition surplus would be at least equal to the amount of capital. In determining whether or not to give its approval under this subsection (a), the department shall give primary consideration to the question whether or not, after the cancellation of the shares, the capital accounts of the institution would be adequate to support its anticipated deposit volume. The provisions of this section do not restrict or otherwise affect the power of an institution with prior approval of the department to purchase (subject to the requirements of this act as to capital and surplus), hold and own its shares other than shares subject to redemption.

(b) Shares subject to redemption which are redeemed or otherwise acquired shall be canceled and shall not be reissued. Immediately upon the redemption or other acquisition, the institution shall deliver to the department a statement of reduction of authorized shares which shall be signed by two duly authorized officers and shall set forth:

(i) the aggregate number of shares of each class which the institution had authority to issue and the number of issued shares of each class,

(ii) the number of shares of each class subject to redemption which have been canceled,

(iii) the aggregate number of shares of each class which the institution has authority to issue after giving effect to the reduction made by such cancellation, and

(iv) the provisions of the articles of the institution which are to be changed by reason of the reduction of authorized shares.

If the Department of Banking finds that the statement conforms to law it shall deliver the statement with its written approval to the Department of State for filing. Receipt thereof by the Department of State shall have the effect of amending the articles of the institution to the extent of the changes set forth in the statement. The Department of State shall make and retain a copy of the statement and shall send the approved statement to the institution.

CHAPTER 14
DIRECTORS OR TRUSTEES; OFFICERS, EMPLOYEES AND ATTORNEYS
Section 1401. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an incorporated institution.

Section 1402. Board of Directors or Trustees; Honorary and Advisory Positions

(a) Authority- The business and affairs of an institution shall be managed by a board of trustees in the case of a savings bank and by a board of directors in the case of any other institution.

(b) Articles and by-laws- Subject to the provisions of this act and provisions of the articles, the number, qualifications, terms of office, manner of election, time and place of meetings, compensation, powers and duties of the directors or trustees may be prescribed by the by-laws.

(c) Compensation- The board of directors or trustees may, except as otherwise provided in the articles or by-laws, fix the compensation of directors or trustees for their services and a director or trustee may be a salaried officer of the institution.

(d) Honorary and advisory positions- The board of trustees of a savings bank may appoint an individual an honorary trustee or trustee emeritus and the board of directors of any other institution may appoint an individual an honorary director or director emeritus or member of an advisory board. An individual so appointed may be compensated but may not vote at any meeting of the board of directors or trustees or be counted in determining a quorum and shall not have any responsibility or be subject to any liability imposed upon a director or trustee.

Section 1403. Number, Qualifications and Eligibility of Directors or Trustees

(a) Number- The by-laws may fix the number of trustees of a savings bank at not less than five. The by-laws of any other institution may fix the number of directors at not less than five or more than twenty-five and may provide that the board may, within such limitation, increase the number of directors by not more than two in any one year.

(b) Qualifications- Each director or trustee shall be a citizen of the United States except that the department may waive the requirement of citizenship for one or more directors or trustees by written approval imposing any conditions which it may deem appropriate, including, but not limited to, consent to service of process.

(c) Ineligibility- No individual may be a director or trustee who is at the same time:

(i) a judge of a court of record in this Commonwealth, except a trustee of a savings bank, or a person lawfully serving as director of an institution at the time he becomes judge, or a director of a resulting institution who was lawfully serving as director of a party to a merger, consolidation, or conversion,

(ii) The holder of an office in the Department of Banking, the Treasury Department, the Auditor General's Department or the Department of Revenue of this Commonwealth, except a trustee of a
savings bank, or a person lawfully serving as a director of an institution at the time he becomes Auditor General, or

(iii) In the case of a trustee of a savings bank, an officer, employe or trustee of another savings bank,

(iv) An auditor conducting any audit of the institution provided for in section 1407 or otherwise under the laws of this Commonwealth, or

(v) An auditor or examiner with the Office of Comptroller of the Currency, Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, or a Federal Reserve Bank, who has responsibility for any safety and soundness examination, Bank Secrecy Act examination or consumer compliance examination of any institution subject to this act.

(d) Authorization- Subject to the provisions of this act:

(i) No more than two trustees of a savings bank may serve at the same time as directors of a trust company which does not make real estate mortgage loans and does not accept savings deposits from persons.

(ii) No more than two directors of a trust company which does not make real estate mortgage loans and does not accept savings deposits from persons may serve at the same time as trustees of a savings bank.

Section 1404. Term of Office of Directors or Trustees; Vacancies; Classification of Directors

(a) Term of office- Each trustee of a mutual savings bank shall, except as otherwise specifically provided in its articles, hold office until he resigns, is removed or becomes disqualified and each director of any other institution shall hold office until he resigns, is removed, becomes disqualified or until his successor shall have been duly elected and qualified. Directors shall be elected by the shareholders for a term of one year except as otherwise provided in this chapter or in the articles or the by-laws.

(b) Vacancies- Except as otherwise provided in the articles or by-laws, vacancies in the board of directors or trustees, including vacancies resulting from an increase in the number of directors, may be filled by the remaining members of the board even though less than a quorum. Each director so elected shall be a director until his successor is elected by the shareholders who shall make such election at the next annual meeting of shareholders or at any special meeting called for that purpose prior thereto, unless the by-laws or articles provide otherwise.

(c) Classification of directors- Directors may be classified, pursuant to a provision of the articles or by-laws, according to the time for which they shall severally hold office, except that the directors named in the articles shall serve only until the first annual meeting of shareholders. Each class shall be as nearly equal in number as possible, the term of office of at least one class shall expire in each year and the members of a class shall not be elected for a shorter period than
one year or a longer period than four years. If directors of more than one class are to be elected at a meeting of shareholders by reason of a vacancy or otherwise, there shall be a separate election for each class of directors to be elected at the meeting.

Section 1405. Method of Action by Board of Directors or Trustees or Executive or Other Committee

Except as otherwise provided in this act or in the articles or by-laws:

(a) Meetings; notice- Meetings of the board of directors or trustees shall be held within this Commonwealth upon such notice as the by-laws may prescribe. Notice of an adjourned meeting may be given by announcement at the meeting at which the adjournment is taken;

(b) Quorum- A majority of all the directors or trustees in office shall constitute a quorum for the transaction of business and actions of a majority of those present at a meeting at which a quorum is present shall be actions of the board;

(c) Executive or other committee- The board of directors or trustees may, by resolution adopted by a majority of the whole board, delegate three or more of its number to constitute an executive committee or other committee which, to the extent provided in such resolution, shall have and exercise the authority of the board of directors or trustees in the management of the business of the institution; and

(d) Consent in lieu of meeting- Any action which may be taken at a meeting of the directors or trustees or of the members of an executive or other committee may be taken without a meeting if a consent or consents in writing setting forth the action shall be signed by all of the directors or trustees or all of the members of the executive or other committee and filed with the secretary of the institution.

(e) Participation by telephone- If the by-laws so provide, one or more directors or trustees may participate in a meeting of the board of directors or trustees or of a committee of the board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and all directors or trustees so participating shall be deemed present at the meeting.

Section 1406. Oaths of Directors or Trustees

(a) Each director or trustee shall before assuming office take an oath or affirmation that he will diligently and honestly perform his duties in the administration of the affairs of the institution, that he will not permit a wilful violation of law by the institution and that he meets the eligibility requirements of this act and of the articles and by-laws.

(b) The oath or affirmation shall be signed by the director or trustee and immediately sent to the department for filing.
Section 1407. Audits and Reports by Directors or Trustees; Accountants; Internal Auditors

(a) Annual audit- Except as provided in subsection (c) of this section, the board of directors or trustees shall at least once each year have made, by certified public accountants selected by the institution and satisfactory to the department, an audit of the books and affairs of the institution including such matters as may be required by the department and including, in the case of a bank and trust company, savings bank or a trust company, accounts held in a fiduciary or other representative capacity. The department may by regulation establish minimum standards for audits and reports under this subsection (a).

(b) Audit report- A report of the audit made under subsection (a) of this section shall be signed by the certified public accountants who make it and filed with the department and a signed copy of the report shall be submitted to the board and kept in the files of the institution.

(c) Internal auditors- In the case of an institution which has a system of internal audit control approved by the department, no audit under subsection (a) of this section shall be required and in lieu of the report required by subsection (b), the auditor or comptroller of the institution shall submit to the board an annual summary report of the same matters as those required under subsection (a) of this section. Such report shall set forth the degree of compliance with the approved audit system and shall express the opinion of the auditor or comptroller as to the adequacy of the internal controls. The report shall be kept in the files of the institution and a copy shall be filed with the department.

(d) Accounting standards- Audits and reports shall be deemed to satisfy the requirements of this section to the extent the audits and reports conform to accounting standards and principles applicable pursuant to 12 U.S.C. § 1831n to reports or statements required to be filed with Federal banking agencies.

Section 1408. Removal of Directors or Trustees

(a) Removal by shareholders- The entire board of directors or an individual director may be removed without cause:

(i) by the vote of shareholders entitled to cast at least a majority of the votes which all shareholders would be entitled to cast at an annual election of directors, unless

(ii) in the case of an individual director, if the entire board is not removed, there shall be cast against the resolution for his removal the votes of a sufficient number of shares which if cumulatively voted at an annual election would be sufficient to elect one or more directors. In case of the removal of one or more directors, new directors may be elected at the same meeting.

(b) Removal by board- The board may remove a director or trustee from office if:

(i) he is adjudicated an incompetent by a court or is convicted of a felony,
(ii) he does not, within sixty days after his election or such longer time as the by-laws may specify, accept the office in writing or by attendance at a meeting and fulfill other requirements for holding the office,

(iii) he fails to attend regular meetings of the board for six successive months without having been excused by the board, or

(iv) in the case of a trustee of a savings bank, he accepts directly or indirectly any funds of the savings bank as a loan not permitted to be made by this act or becomes surety or guarantor for any money borrowed from the savings bank or becomes a trustee, officer or employe of another savings bank.

(c) Removal by court- The court of common pleas of the county where the principal place of business of the institution is located may, in a suit in which the institution is a party filed by a majority of the board of directors or trustees or by the holder or holders of at least ten percent of the outstanding shares of the institution, remove from office a director or trustee for fraudulent or dishonest acts or gross abuse of authority or discretion in the affairs of the institution and may bar any director or trustee so removed from reelection for any period prescribed by the court.

Section 1409. Officers; Share Purchase and Option Plans

(a) Number- An institution shall have a president, a secretary and a cashier or treasurer and such other officers as it may authorize. The by-laws may provide that the same individual may hold any two or more offices except both the offices of president and of cashier or treasurer. The president shall be a member of the board of directors or trustees.

(b) Election and removal- Except as otherwise provided in the by-laws, the board of directors or trustees shall elect the officers, fix their compensation and fill vacancies however occurring. An officer elected or appointed by the board may be removed by the board at any time, without prejudice to any contract right of such officer.

(c) Authority- The officers shall, as between themselves and the institution, have such authority and perform such duties as may be provided in the by-laws, or in the absence of a provision in the by-laws, as may be provided by the board.

(d) Treasurer or cashier- No individual shall be eligible to be treasurer or cashier who either:

(i) holds an office of the kind described in clauses (i) and (ii) of subsection 1403 (c),

(ii) is the treasurer of a political subdivision of the Commonwealth which has funds on deposit in the institution, or

(iii) is engaged either directly or indirectly in the business of a stock broker, real estate broker or insurance agent.
(e) Share purchase and option plans- Unless otherwise provided in the articles, an institution may adopt and carry out a plan, approved by the department, for the sale of shares, or for the granting, with or without consideration, of options for shares, to some or all of the officers and employees of the institution or of any subsidiary corporation or to a trustee on their behalf, upon such terms and conditions and in such manner as may be provided by the by-laws or by the board. In any such plan:

(i) such shares need not be first offered to shareholders of the institution but authorized and unissued shares subject to preemptive rights may be issued and sold under the plan only with the written consent or affirmative vote of shareholders entitled to cast at least a majority of the votes which all shareholders entitled to exercise preemptive rights with respect thereto are entitled to cast,

(ii) such shares may be sold or optioned upon terms which are deemed advantageous to the institution by the directors other than directors who may benefit by their action or, if the number of directors who will not benefit by the action is fewer than three, by the shareholders, and

(iii) in the absence of fraud in the transaction, the judgment of the board of directors or the shareholders as to the adequacy of the consideration received for any rights or options to purchase shares under the plan shall be conclusive.

Section 1410. Bonds

Each officer and employe and any director or trustee who is authorized to handle money or negotiable assets on behalf of the institution shall be bonded and the institution may pay the cost of such bond. The form, amount and surety of such bonds shall be such as is approved by the board of directors or trustees but the department may require an additional amount or new or additional surety.

Section 1413. Prohibitions Applicable to Directors, Trustees, Officers, Employes and Attorneys

(a) No director, trustee, officer, employe or attorney of an institution or of an affiliate of the institution shall:

(i) receive anything of value for procuring or attempting to procure any loan from or investment by the institution, or

(ii) (Deleted).

(iii) purchase, or directly or indirectly be interested in purchasing, from the institution for less than its face value any promissory note or other evidence of indebtedness issued by the institution.

(b) A violation of this section shall be subject to the penalty provisions of this act.
Section 1414. Preferential Rates of Interest

(a) Preferences prohibited- Notwithstanding the provisions of sections 306 and 516 and except as provided by subsection (c), an institution shall not pay to any director, trustee, executive officer a higher rate of interest on deposits than the rate paid to any other depositor on similar deposits and shall not grant to any such individual a lower rate of interest on a loan, or a lower rate of charge on an agreement for the payment of money, than the rate granted to other customers under similar circumstances.

(c) Authorized activities- Notwithstanding any other provision of this act, an institution may extend credit to any director, trustee, executive officer, attorney or principal shareholder, or to any related interest of such a person, to the extent permissible pursuant to 12 U.S.C. §§ 375a and 375b. The department shall interpret the provisions of 12 U.S.C. §§ 375a and 375b in a manner consistent with regulations, orders and interpretations as issued by the Board of Governors of the Federal Reserve System. A regulation, order or interpretation of the provisions of 12 U.S.C. §§ 375a and 375b by the Board of Governors of the Federal Reserve System shall take effect for the purposes of this subsection within thirty days of promulgation by the Board of Governors except that the department may for good cause suspend the application of such regulation, order or interpretation for up to a one-year period. Notice of such suspension shall be published by the department in the Pennsylvania Bulletin. Thereafter, the regulation, order or interpretation shall take effect for the purposes of this subsection unless the department adopts administrative regulations setting forth a contrary interpretation of the provisions of 12 U.S.C. §§ 375a and 375b. A regulation, order or interpretation of the provisions of 12 U.S.C. §§ 375a and 375b by the Board of Governors of the Federal Reserve System may take effect for the purposes of this subsection within less than thirty days of promulgation by the Board of Governors if approved by the department.

Section 1416. Purchases From, and Sales To, Directors, Trustees, Officers, Employes or Attorneys of Institutions and Affiliates

(a) An institution shall not purchase any asset from, or sell any asset to, any director, trustee, officer, employe or attorney of the institution or of an affiliate of the institution except:

(i) upon terms not less favorable to the institution than those offered to other persons, and

(ii) with the prior approval of a majority of all of the directors or trustees or members of an executive or other committee, other than a director or member of a committee having a direct or indirect personal interest in the transaction, unless the transaction is made in the regular course of business.

(b) A violation of this section shall be subject to the penalty provisions of this act.

Section 1417. (Deleted).
**Section 1418. Standard of Care and Justifiable Reliance.**

Directors and officers of an institution shall be subject to the provisions of 15 Pa.C.S. § 512 (relating to standard of care and justifiable reliance) in the performance of their duties.

**CHAPTER 15
AMENDMENT OF ARTICLES**

**Section 1501. Application of Chapter**

This chapter shall apply to, and the word "institution" in this chapter shall mean, an incorporated institution.

**Section 1502. Authorized Amendments**

(a) An institution may, in the manner provided in this chapter, amend its articles at any time in order to make any change therein including without limitation an amendment:

(i) to adopt a new name permitted to be used under this act,

(ii) to increase the term for which it is to exist or to provide for perpetual existence,

(iii) to change, add to or diminish the statement of its purpose or purposes,

(iv) to increase or diminish the aggregate number of shares which it has authority to issue or to reclassify the shares by changing the number, par value, designations, preferences, redemption provisions or relative, participating, optional or other special rights of the shares or the qualifications, limitations or restrictions of such rights, either with or without an increase or decrease in the number of shares, or

(v) to restate the articles in their entirety.

(b) Articles as amended under this section must be such as would be authorized as original articles under this act except that articles restated in their entirety shall state the location and post office address of the current instead of the original principal place of business of the institution and need not state the names or other information concerning the first directors or trustees or the incorporators.

**Section 1503. Proposal and Adoption of Amendments**

(a) Proposal- An amendment of the articles shall be proposed by adoption of a resolution:

(i) in the case of a mutual savings bank, by two-thirds of the trustees present at a duly organized meeting, directing that it be submitted to a vote at a meeting of the board held upon not less than ten days' notice to all the trustees, or
(ii) in any other case, by the board of directors, directing that it be submitted to a vote at a meeting of shareholders held upon not less than ten days' notice to all shareholders.

(b) Contents of resolution- The resolution proposing an amendment or amendments shall contain the language of each amendment by setting forth in full the articles as they would be amended or any provision thereof as it would be amended or by setting forth in full any matter to be added to or deleted from the articles. A copy of the resolution or a summary thereof shall be included with the notice of the meeting required for the vote of the trustees or shareholders.

(c) Required vote- Adoption of each amendment shall require the affirmative vote:

(i) in the case of a mutual savings bank, of at least two-thirds of all the trustees, or

(ii) in any other case, of the shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast thereon and, if any class is entitled to vote thereon as a class, of the holders of at least a majority of the outstanding shares of such class.

(d) Shareholders entitled to vote- If a proposed amendment would:

(i) make any change in the preferences, qualifications, limitations, restrictions or special or relative rights of the shares of any class or series adverse to such class or series,

(ii) increase or decrease the par value of the shares of any class,

(iii) increase the authorized number of shares of any class or series, unless otherwise provided in the articles,

(iv) limit or deny the existing preemptive rights of the shares of any class,

(v) authorize a new class or series of shares having a preference as to dividends or assets, or increase the number of authorized shares of any existing class or series, having a preference as to dividends or assets, senior to the shares of a class or series, or

(vi) authorize the board of directors to fix and determine the relative rights and preferences as between series of any preferred or special class, the holders of the outstanding shares of such class or series shall be entitled to vote as a class on such amendment, regardless of any limitation stated in the articles on the voting rights of any class. Except in such case, only the holders of outstanding shares who, under the articles are entitled to vote on proposed amendments, shall be entitled to vote thereon.

Section 1504. Articles of Amendment

(a) Upon the adoption of an amendment, articles of amendment shall be signed by two duly authorized officers of the institution and shall contain:

(i) the name of the institution,
(ii) the location and post office address of its principal place of business,

(iii) the act of Assembly under which the institution was incorporated and the date of its incorporation.

(iv) the time and place of the meeting of shareholders or trustees at which the amendment was adopted and the kind and period of notice given to the shareholders or trustees,

(v) except in the case of a mutual savings bank, the number of shares entitled to vote on the amendment and if the shares of any class are entitled to vote as a class, the number of shares of each such class,

(vi) in the case of a mutual savings bank the number of trustees who voted for and against the amendment and, in any other case, the number of shares voted for or against the amendment and if shares of any class are entitled to vote as a class, the number of shares of each such class voted for and against the amendment, and

(vii) the amendment adopted which shall be set forth in full.

(b) The articles of amendment shall be delivered to the department together with:

(i) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1506,

(ii) as soon as available, proof of publication of the advertisement required by section 1505, and

(iii) if the amendment would change the name of the institution, evidence of reservation in the Department of State of the proposed new name.

Section 1505. Advertisement

(a) The institution shall advertise its intention to deliver, or the delivery of, articles of amendment to the department once in each newspaper in which such advertisement is required to be published in accordance with section 109 of this act.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles of amendment to the department and shall set forth briefly:

(i) the name of the institution,

(ii) the location and post office address of its principal place of business,

(iii) a statement that articles of amendment are to be, or have been, delivered under the provisions of this act,
(iv) the nature of the amendment, and

(v) the date of delivery of the articles of amendment to the department.

**Section 1506. Approval of Articles of Amendment by Department**

(a) Upon receipt of the articles of amendment the department shall conduct such investigation as it may deem necessary to determine whether:

(i) the articles of amendment and supporting items satisfy the requirements of this act,

(ii) the interests of its depositors and the convenience and needs of the public will be served by the amendment, in a case in which the amendment increases the term for which the institution is to exist, increases its authorized capital or adds to the statement of its purpose or purposes,

(iii) the remaining capital of the institution will be adequate to support its anticipated deposit volume, in a case in which the amendment decreases its authorized capital, and

(iv) the institution will have sufficient personnel with adequate knowledge and experience to administer fiduciary accounts, in a case in which the amendment authorizes the institution to act as fiduciary.

(b) Within sixty days after receipt of the articles of amendment the Department of Banking shall approve or disapprove the articles of amendment on the basis of its investigation. If the Department of Banking shall approve the articles of amendment, it shall deliver them with its written approval to the Department of State and notify the institution of its action. If the Department of Banking shall disapprove the articles of amendment, it shall give written notice to the institution of its disapproval and a statement in detail of the reasons for its decision.

**Section 1507. Issuance of Certificate of Amendment**

If all the fees and charges, and taxes, if applicable, required by law have been paid and, in the case of a change of name, if the proposed new name of the institution continues to be reserved or is available on the records of the Department of State, the receipt of the articles of amendment by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of amendment as of the date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall immediately issue to the institution a certificate of amendment as of the date and time of filing with the approved articles of amendment attached thereto and shall make and retain a copy of such certificate and articles.
Section 1508. Effect of Filing of Articles of Amendment in Department of State and of Certificate of Amendment

(a) Effective date- As of the filing of the articles of amendment in the Department of State, each amendment shall become effective and the articles of incorporation shall be deemed to be amended accordingly.

(b) Conclusiveness of certificate- The certificate of amendment shall be conclusive evidence of the performance of all conditions required by this act for amendment of articles of incorporation, except as against the Commonwealth.

(c) Existing rights and actions- No amendment shall affect any existing cause of action in favor of or against the institution, any pending action in which the institution is a party or existing rights of persons other than shareholders. If the amendment changes the name of the institution, no action by or against the institution shall be abated for that reason.

CHAPTER 16
MERGERS, CONSOLIDATIONS AND CERTAIN OTHER FUNDAMENTAL TRANSACTIONS

Section 1601. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, an incorporated institution.

Section 1602. Authority to Merge or Consolidate

(a) Upon compliance with the requirements of this chapter one or more institutions and one or more national banks, federal savings banks and interstate banks, without regard to whether any such interstate bank maintains branches in this Commonwealth at the time of a merger or consolidation, may merge or consolidate into a national bank or federal savings bank and, with the approval by the department, may merge with or into an institution or consolidate into a new institution or merge a non-bank subsidiary into an institution, provided that the institution can engage in activities conducted by the subsidiary as principal, except that a trust company may enter into a merger or consolidation only with another trust company, a bank and trust company, a national bank or federal savings bank with trust powers or a stock savings bank under section 1609.

(b) The authority of an institution to merge or consolidate into a national bank shall be subject to the condition that at the time of the transaction the laws of the United States shall authorize a national bank located in this Commonwealth, without approval by the Comptroller of the Currency of the United States, to merge or consolidate into an institution under limitations and conditions no more restrictive than those contained in this chapter with respect to the merger or consolidation of an institution into a national bank.
Section 1603. Requirements for a Merger or Consolidation

The requirements for a merger or consolidation which must be satisfied by the parties thereto are as follows:

(a) Plan- The parties shall adopt a plan stating the method, terms and conditions of the merger or consolidation, including (except in the case of a mutual savings bank) the rights under the plan of the shareholders of each of the parties, and any agreement concerning the merger or consolidation.

(b) Required vote- Adoption of the plan by each party thereto shall require the affirmative vote

(i) in the case of a mutual savings bank, of at least
(A) two-thirds of the trustees present at a meeting at which the plan is proposed, and
(B) two-thirds of all the trustees at a subsequent meeting held upon not less than ten days' notice to all the trustees;

(ii) in the case of any other institution, if the proposed merger or consolidation will result in an institution subject to this act, of at least
(A) a majority of the directors, and
(B) the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast thereon, and, if any class of shares is entitled to vote thereon as a class, the holders of at least two-thirds of the outstanding shares of such class, at a meeting held upon not less than ten days' notice to all shareholders; and

(iii) in the case of any other institution if the proposed merger or consolidation will result in a national bank, or in the case of a national bank, of at least such directors and shareholders whose vote thereon is required under the laws of the United States.

(c) Notices- The notice required to be given to the trustees of a mutual savings bank or to the shareholders of any other institution or national bank shall include a copy or summary of the plan. In any case in which dissenters' rights under section 1222 of this act are given by section 1607, the notice to shareholders shall include a full statement of the rights and remedies of dissenting shareholders, the methods of exercising them and the limitations on such rights and remedies.

(d) Modification of plan- Subject to applicable requirements of the laws of the United States in a case in which a national bank is a party to a plan, any modification of a plan which has been adopted shall be made by any method provided therein, or in the absence of such provision, by the same vote as that required for adoption.

(e) Application for approval by department- If a proposed merger or consolidation will result in an institution subject to this act, an application for the required approval hereof by the department shall be made in a manner prescribed by the department. There shall also be delivered to the department, when available:
(i) articles of merger or consolidation,

(ii) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1604,

(iii) if the proposed name of the resulting institution is not identical with the name of one of the parties to the plan, evidence of reservation of such name in the Department of State, and

(iv) if there is any modification of the plan at any time prior to the approval by the department under section 1604, an amendment of the application and, if necessary, of the articles, signed in the same manner as the originals, setting forth the modification of the plan, the method by which such modification was adopted and any related change in the provisions of the articles of merger or consolidation.

(f) Articles of merger or consolidation- The articles of merger or consolidation shall be signed by two duly authorized officers of each party to the plan and shall contain:

(i) the names of the parties to the plan and of the resulting institution,

(ii) the location and post office address of the principal place of business of each,

(iii) the votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,

(iv) the names and addresses of the first directors or trustees of the resulting institution,

(v) in the case of a merger, any amendment of the articles of the resulting institution,

(vi) in the case of a consolidation, the provisions required in articles of incorporation of a new institution by clauses (iii), (iv), (v), (viii) and (ix) of subsection 1004(b) of this act, and

(vii) the plan.

(g) Action where approval by department not required- If a proposed merger or consolidation will result in a national bank or an interstate bank, an institution which is a party to a plan shall:

(i) notify the department of the proposed merger or consolidation,

(ii) provide such evidence of the adoption of the plan as the department may request,

(iii) notify the department of any abandonment or disapproval of the plan, and

(iv) file with the Department of Banking and with the Department of State a certificate of the approval of the merger or consolidation by the Comptroller of the Currency of the United States.
Section 1604. Approval of Merger or Consolidation By Department

(a) Upon receipt of an application for approval of a merger or consolidation and of the supporting items required by subsection 1603(e), the department shall conduct such investigation as it may deem necessary to ascertain whether:

(i) the articles of merger or consolidation and supporting items satisfy the requirements of this act;

(ii) the plan and any modification thereof adequately protect the interests of depositors, other creditors and shareholders;

(iii) the requirements for a merger or consolidation under all applicable laws have been satisfied and the resulting institution would satisfy the requirements of this act applicable to it; and

(iv) the merger or consolidation would be consistent with adequate and sound banking and in the public interest on the basis of

(A) the financial history and condition of the parties to the plan,
(B) their prospects,
(C) the character of their management,
(D) the potential effect of the merger or consolidation on competition, and
(E) the convenience and needs of the area primarily to be served by the resulting institution.

(b) Within sixty days after receipt of the application, the articles of merger or consolidation and the applicable fee payable to the department, or within an additional period of not more than thirty days after an amendment to the application is received within the initial sixty day period, the department shall approve or disapprove the application on the basis of its investigation. The department shall immediately give to the parties to the plan written notice of its decision and, in the event of disapproval, a statement in detail of the reasons for its decision.

Section 1605. Procedure After Approval by the Department; Issuance of Certificate of Merger or Consolidation

(a) If the laws of the United States require the approval of the merger or consolidation by any Federal agency, the department shall, after its approval, retain the articles of merger or consolidation until it receives notice of the decision of such agency. If such agency shall refuse to give its approval, the department shall notify the parties to the plan that the department's approval has been rescinded for that reason. If such agency gives its approval, the Department of Banking shall immediately deliver the articles of merger or consolidation with its written approval to the Department of State for filing as of a date and time specified by the Department of Banking and shall notify the parties to the plan.

(b) If all the taxes, fees and charges required by law, shall have been paid and if the name of the resulting institution continues to be reserved or is available on the records of the Department of State, the receipt of the articles by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of merger or consolidation as of the
date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall immediately issue to the resulting institution a certificate of merger or consolidation as of the date and time of filing with the approved articles of merger or consolidation attached thereto and shall make and retain a copy of such certificate and articles.

Section 1606. Effect of Merger or Consolidation

(a) Effective date- As of the filing of the articles of merger or consolidation in the Department of State, the merger or consolidation shall be effective.

(b) Conclusiveness of certificate- The certificate of merger or consolidation shall be conclusive evidence of the performance of all conditions precedent to the merger or consolidation and of the existence or creation of the resulting institution, except as against the Commonwealth.

(c) Corporate succession- When a merger or consolidation becomes effective, the existence of each party to the plan, except the resulting institution, shall cease as a separate entity but shall continue in, and the parties to the plan shall be, a single corporation which shall be the resulting institution and which shall have, without further act or deed, all the property, rights, powers, duties and obligations of each party to the plan.

(d) Articles of resulting institution- The articles of the resulting institution shall be, in the case of a merger, the same as its articles prior to the merger with any change stated in the articles of merger, or in the case of a consolidation, the provisions stated in the articles of consolidation.

(e) Authorized business- The resulting institution shall have the authority to engage only in such business and exercise only such powers as it would have upon original incorporation under this act and shall be subject to the same prohibitions and limitations as it would be subject to upon original incorporation, except that it may engage in any business and exercise any right that any party to the plan which was an institution subject to this act could lawfully exercise or engage in immediately prior to the merger or consolidation.

(f) Liabilities- No liability of any party to the plan or of its shareholders, directors, trustees or officers shall be affected, nor shall any lien on any property of a party to the plan be impaired, by the merger or consolidation. Any claim existing or action pending by or against any party to the plan may be prosecuted to judgment as if the merger or consolidation had not taken place or the resulting institution may be substituted in its place.

Section 1607. Rights of Dissenting Shareholders

(a) A shareholder of an institution which is a party to a plan in which the proposed merger or consolidation will result in an institution subject to this act who objects to the plan shall be entitled to the rights and remedies of a dissenting shareholder provided under, and subject to compliance with, the provisions of section 1222 of this act.

(b) If a shareholder of a national bank which is a party to a plan in which the proposed merger or consolidation will result in an institution subject to this act shall object to the plan and shall
comply with the requirements of applicable laws of the United States, the resulting institution shall be liable for the value of his shares as determined in accordance with such laws of the United States. If the laws of the United States do not provide rights of dissenting shareholders or requirements for the exercise of such rights and the valuation of shares, such shareholder shall be entitled to the rights and remedies of a dissenting shareholder under, and subject to compliance with, the provisions of section 1222 of this act.

Section 1608. Succession to Fiduciary Accounts and Appointments; Application for Appointment of New Fiduciary

(a) Fiduciary accounts- If a party to a plan of merger or consolidation was authorized to act in a fiduciary capacity and if the resulting institution, resulting national bank or resulting interstate bank is similarly authorized, the resulting institution, resulting national bank or resulting interstate bank shall be automatically substituted by reason of the merger or consolidation as fiduciary of all accounts held in that capacity by such party to the plan, without further action and without any order or decree of any court or public officer, and shall have all the rights and be subject to all the obligations of such party as fiduciary.

(b) Appointments- No designation, nomination or appointment as fiduciary of a party to a plan of merger or consolidation shall lapse by reason of the merger or consolidation. The resulting institution, resulting national bank or resulting interstate bank shall, if authorized to act as fiduciary, be entitled to act as fiduciary pursuant to each such designation, nomination or appointment to the same extent as the party to the plan so named could have acted in the absence of the merger or consolidation.

(c) Application for new fiduciary- Any person with an interest in an account held in a fiduciary capacity by a party to a plan of merger or consolidation may, within sixty days after the effective date of the merger or consolidation, apply to the appropriate court or public officer for the appointment of a new fiduciary to replace the resulting institution, resulting national bank or resulting interstate bank on the ground that the merger or consolidation will adversely affect the administration of the fiduciary account. The court or public officer shall have the discretion to appoint a new fiduciary to replace the resulting institution, resulting national bank or resulting interstate bank if it should find, upon hearing after notice to all parties in interest, that the merger or consolidation will adversely affect the administration of the fiduciary account and that the appointment of a new fiduciary will be in the best interests of the beneficiaries of the fiduciary account. This provision shall be in addition to any other provision of law governing the removal of fiduciaries and shall be subject to the terms upon which the party to the plan which held the fiduciary account was designated as fiduciary.

Section 1609. Mergers, Consolidations and Conversions of Savings Banks

(a) Authority to merge, consolidate or convert-

(i) upon compliance with the requirements of sections 1602, 1603, 1604, 1605 and 1606, a savings bank may enter into a merger or consolidation with one or more other savings banks. In the event the book value of the total assets of the acquired savings bank is less than one percent
in excess of the book value of the total liabilities, the resulting institution may maintain as a branch, any office operated by the acquired institution.

(ii) upon compliance with the requirements of this section and other applicable law, one or more savings banks and one or more associations may merge into a savings bank or consolidate into a new savings bank. The word "association" in this chapter shall mean an association subject to the Savings Association Code of 1967.

(iii) upon compliance with the requirements of this section and other applicable law, (A) one or more savings banks, one or more Federal savings banks and one or more Federal savings and loan associations may merge into a savings bank, Federal savings bank or a Federal savings and loan association or consolidate into a new savings bank, a new Federal savings bank or a new Federal savings and loan association, and (B) (Deleted).

(C) a business corporation which owns all of the issued and outstanding shares of a savings bank may merge into such savings bank.

(iv) the authority of a savings bank to merge or consolidate into a Federal savings bank or Federal savings and loan association shall be subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings bank or Federal savings and loan association to merge or consolidate into a savings bank.

(v) upon compliance with the requirements of this section and other applicable law, (A) (Deleted).

(B) a savings bank may be converted into a Federal savings bank or a Federal savings and loan association, subject to the condition that at the time of the transaction the laws of the United States shall authorize a Federal savings bank or a Federal savings and loan association to convert into a savings bank, or

(C) an association may convert to a savings bank.

(vi) upon compliance with the requirements of this section and other applicable law and subject to the laws of the United States, a Federal savings bank or a Federal savings and loan association may be converted into a savings bank.

(vii) upon compliance with the requirements of this section, a mutual savings bank may be converted into a stock savings bank. A stock savings bank shall have authority, upon compliance with the requirements of this section, to enter into a merger or consolidation with one or more other stock savings banks, banks, national banking associations, bank and trust companies, trust companies or stock savings and loan associations.

(viii) all mergers, consolidations and conversions in which the resulting corporation is a savings bank shall be subject to the approval of the department.

(ix) upon compliance with the requirements of 12 CFR Pt. 708a (relating to bank conversions and mergers), other applicable law and this section, a Federal or State credit union may convert to a mutual savings bank.
(x) upon compliance with the requirements of this section and other applicable law,
(A) a bank or bank and trust company may be converted into a stock savings bank, provided, in
the case of a bank and trust company, that the resulting savings bank will have fiduciary powers, or
(B) a savings bank may be converted into a bank or a bank and trust company.

(b) Requirements for a merger, consolidation or conversion- The requirements for a merger,
consolidation or conversion under clauses (ii), (iii), (v), (vi), (vii), (ix) or (x) of subsection (a)
which must be satisfied by the parties thereto are as follows:

(i) the parties shall adopt a plan stating the method, terms and conditions of the merger,
consolidation or conversion, including the rights under the plan of the members, depositors and
shareholders, if any, of each of the parties, and any agreement concerning the merger or
consolidation.

(ii) if the proposed merger, consolidation or conversion will result in a Federal savings bank, a
savings bank or a Federal savings and loan association, adoption of the plan by each party
thereto shall require the affirmative vote,
(A) in the case of a mutual savings bank, of at least two-thirds of the trustees present at a meeting
at which the plan is proposed, and two-thirds of all the trustees at a subsequent meeting
held upon not less than ten days' notice to all the trustees,
(B) in the case of a stock savings bank, of at least a majority of the trustees, at a meeting held
upon not less than ten days' notice to all the trustees, and of the shareholders entitled to cast at
least two-thirds of the votes which all shareholders are entitled to cast thereon, at a meeting held
upon not less than ten days' notice to all shareholders,
(C) in the case of a Federal savings bank, a Federal savings and loan association or an
association, of two-thirds of the entire membership of the board of directors,
(D) in the case of any other party, such vote as is required by law for merger, consolidation or
conversion, and
(E) in the case of the notice required to be given to the trustees of a savings bank and to the
shareholders of a stock savings bank shall include a copy or summary of the plan. The
department may require such vote of the members of an association as it deems proper.

(iii) any modification of a plan which has been adopted shall be made by any method provided
therein, or in the absence of such provision by the same vote as that required for adoption.

(iv) if a proposed merger, consolidation or conversion will result in a savings bank, an
application for the required approval thereof by the department shall be made in a manner
prescribed by the department. The department may require notice to be given to such
persons as it designates. There shall also be delivered to the department:
(A) articles of merger, consolidation or conversion,
(B) applicable fees payable to the department in connection with the articles and with the
conduct of the investigation required by subsection (e),
(C) (Deleted).
(D) if the proposed name of the resulting savings bank is not identical with the name of one of the parties to the plan, evidence of reservation of such name in the Department of State, and
(E) if there is any modification of the plan at any time prior to the approval by the department, an amendment of the application and, if necessary, of the articles, signed in the same manner as the originals, setting forth the modification of the plan, the method by which such modification was adopted and any related change in the provisions of the articles of merger, consolidation or conversion.

(v) if a proposed merger, consolidation or conversion will result in a national banking association, all requirements of the applicable Federal law shall be met.

(c) Articles of merger, consolidation or conversion- The articles of a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi), (vii), (ix) or (x) of subsection (a) shall be signed by two duly authorized officers of each party to the plan and shall contain:

(i) the names of the parties to the plan and of the resulting savings bank,

(ii) the location and post office address of the principal place of business of each,

(iii) the votes by which the plan was adopted and the time, place and notice of each meeting in connection with such adoption,

(iv) the names and addresses of the first trustees of the savings bank,

(v) in case of a merger, any amendment of the articles of the resulting savings bank,

(vi) (Deleted).

(vii) in the case of a consolidation, the provisions required in articles of incorporation of a new savings bank as the case may be,

(viii) in the case of a conversion, the provisions required in the articles of incorporation of a new savings bank as the case may be,

(ix) the plan.

(d) Action where approval by department not required- If a proposed merger, consolidation or conversion will result in a Federal savings bank or a Federal savings and loan association, a savings bank which is a party to a plan shall:

(i) notify the department of the proposed merger, consolidation or conversion,

(ii) provide such evidence of the adoption of the plan as the department may request,

(iii) notify the department of any abandonment or disapproval of the plan,
(iv) file with the department and with the Department of State a certificate of the approval of the merger, consolidation or conversion by the Federal Home Loan Bank Board or its successor which has the right on behalf of the United States to approve such mergers, consolidations or conversions into Federal savings banks or Federal savings and loan associations.

(e) Approval of merger, consolidation or conversion by department-

(i) upon receipt of an application for approval of a merger, consolidation or conversion under clauses (ii), (iii), (v), (vi), (vii), (ix) or (x) of subsection (a) and of the supporting items required by clause (iv) of subsection (b), the department shall conduct such investigation as it may deem necessary to ascertain whether:
(A) the articles of merger, consolidation or conversion and supporting items satisfy the requirements of this act,
(B) the name of the resulting, new or converted savings bank conforms with the requirements of law,
(C) the plan and any modification thereof adequately protect the interests of depositors, other creditors and shareholders, if any, of a savings bank which is a party to the plan,
(D) the requirements for a merger, consolidation or conversion under all applicable laws have been satisfied and the resulting corporation would satisfy the requirements of this act applicable to it, and
(E) the merger, consolidation or conversion would be consistent with adequate and sound banking and in the public interest on the basis of
(1) the financial history and condition of the parties to the plan,
(2) their prospects,
(3) the character of their management,
(4) the potential effect of the merger, consolidation or conversion on competition, and
(5) the convenience and needs of the area primarily to be served by the resulting corporation.

(ii) within sixty days after receipt of the application, articles of merger, consolidation or conversion and the applicable fee payable to the department, or within an additional period of not more than thirty days an amendment to the application, the department shall approve or disapprove the application on the basis of its investigation. The department shall immediately give to the parties to the plan written notice of its decision and, in the event of disapproval, a statement in detail of the reasons for its decision.

(f) Procedure after approval by department; issuance of certificate of merger, consolidation or conversion-

(i) if the laws of the United States require the approval of the merger, consolidation or conversion by any Federal agency, the department shall after its approval retain the articles of merger, consolidation or conversion until it receives notice of the decision of such agency. If such agency shall refuse to give its approval, the department shall notify the parties to the plan that the department's approval has been rescinded for that reason. If such agency gives its approval, the Department of Banking shall immediately deliver the articles of merger, consolidation or conversion with its written approval to the Department of State for filing as of a date and time specified by the Department of Banking and shall notify the parties to the plan.
(ii) if all the taxes, fees and charges required by law shall have been paid and if the name of the resulting savings bank continues to be reserved or is available on the records of the Department of State, the receipt of the articles by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of merger, consolidation or conversion as of the date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall issue to the resulting corporation a certificate of merger, consolidation or conversion as of the date and time of filing with the approved articles of merger, consolidation or conversion attached thereto and shall make and retain a copy of such certificate and articles.

(g) Effect of merger, consolidation or conversion-

(i) as of the filing of the articles of merger, consolidation or conversion in the Department of State, the merger, consolidation or conversion shall be effective.

(ii) the certificate of merger, consolidation or conversion shall be conclusive evidence of the performance of all conditions precedent to the merger, consolidation or conversion and of the existence or creation of the resulting savings bank, except as against the Commonwealth.

(iii) when a merger, consolidation or conversion becomes effective, the existence of each party to the plan, except the resulting savings bank, shall cease as a separate entity but shall continue in, and the parties to the plan shall be, a single corporation which shall be the resulting savings bank and which shall have without further act or deed, all the property, rights, powers, duties and obligations of each party to the plan.

(iv) the articles of the resulting savings bank shall be, in the case of a merger, the same as its articles prior to the merger with any change stated in the articles of merger, or in the case of a consolidation, the provisions stated in the articles of consolidation.

(v) if the resulting corporation shall be a savings bank it shall engage only in such business and it shall have only such powers as it would have if it had been originally incorporated under this act, except that it may engage in any business and exercise any right that any party to the plan which was an institution subject to this act could lawfully exercise or engage in immediately prior to the merger, consolidation or conversion.

(vi) no liability of any party to the plan or of its trustees, officers, members or directors shall be affected, nor shall any lien on any property of a party to the plan be impaired, by the merger, consolidation or conversion. Any claim existing or action pending by or against any party to the plan may be prosecuted to judgment as if the merger, consolidation or conversion had not taken place or the resulting corporation may be substituted in its place.

(h) Rights of depositors or shareholders in a merger, consolidation or conversion- A depositor of a mutual savings bank that is a party to the plan shall be entitled to notification of the effective date of the merger, consolidation or conversion and shall have the right, within thirty days of the receipt of such notice, to make written claim for payment in full of his deposit account together.
with all interest accrued thereon to the date of withdrawal, less any penalties payable under Federal law. A shareholder of a stock savings bank that is a party to a plan which will result in an institution subject to this act who objects to the plan shall be entitled to the rights and remedies of a dissenting shareholder provided under, and subject to compliance with, the provisions of section 1222.

(i) (Deleted).

(j) In the event of conversion by a mutual savings bank to a stock savings bank, all depositors shall be given a preemptive right to purchase stock. The preemptive right to depositors shall be nonassignable. The department, by regulation, may define the rights and prescribe the terms on which they may be exercised. In the event the book value of the total assets of the savings bank, determined in accordance with generally accepted accounting principles, is less than two percent in excess of the book value of its total liabilities, no preemptive rights will be given depositors, unless determined to be in the public interest by the Secretary of Banking. A stock savings bank which has converted from a mutual savings bank may not be voluntarily liquidated for a period of ten years from the date of conversion.

Section 1610. Right of Shareholders to Receive Payment for Shares Following a Control Transaction

(a) Rights and remedies- Unless (i) the bylaws, by amendment adopted within ninety days of the date of enactment of this section and not subsequently rescinded by an amendment of the articles, or (ii) the articles explicitly provide that this section shall not be applicable to the institution, any holder of voting shares of an institution that becomes the subject of a control transaction described in subsection (b) who shall object to the transaction shall be entitled to the rights and remedies herein provided.

(b) Definition-

(i) A controlling person or group shall mean, for the purposes of this section, a person who has, or a group of persons acting in concert that has, voting power over voting shares of the institution that would entitle the holders thereof to cast at least thirty percent of the votes that all shareholders would be entitled to cast in an election of directors or trustees of the institution.

(ii) Notwithstanding clause (i), a person or group which would otherwise be a controlling person or group within the meaning of this section shall not be deemed such a controlling person or group unless, subsequent to the enactment of this section, that person or group increases the percentage of outstanding voting shares of the institution over which it has voting power to in excess of the percentage of outstanding voting shares of the institution over which that person or group had voting power on the date of enactment of this section, and to at least the amount specified in clause (i), as the result of forming or enlarging a group, or acquiring, by purchase, voting power over voting shares of the institution.

(iii) (A) A person shall not be a controlling person under clause (i) if such person holds voting power, in good faith and not for the purpose of circumventing this section, as an agent, bank,
broker, nominee or trustee for one or more beneficial owners who do not individually or, if they are a group acting in concert, as a group have the voting power specified in clause (i) or who are not deemed a controlling person or group under clause (ii).

(B) For the purposes of this section, a person has voting power over a voting share if such person has or shares, directly or indirectly, through any option, contract, arrangement, understanding, conversion right or relationship, or by acting jointly or in concert or otherwise, the power to vote, or to direct the voting of, such voting share.

(iv) A control transaction shall mean, for the purposes of this section, the acquisition by a person or group of the status of a controlling person or group other than in the conversion to stock form of a mutual savings bank.

(c) Notice- Prompt notice that a control transaction has occurred shall be given by the controlling person or group to each shareholder of record of the institution holding voting shares. If the person or group so requests, the institution shall, at the option of the institution and at the expense of the person or group, either furnish a list of all such shareholders to the person or group or mail the notice to all such shareholders. There shall be included in or enclosed with the notice a copy of this section and subsections (F) through (I) of section 515 of the act of May 5, 1933 (P.L.364, No.106), known as the "Business Corporation Law."

(d) Demand for payment- After the occurrence of the control transaction, any holder of voting shares of the institution may, prior to or within a reasonable time after the notice required by subsection (c) is given, which time period may be specified in the notice, make written demand on the controlling person or group for payment of the amount provided in subsection (e) with respect to the voting shares of the institution held by the shareholder, and the controlling person or group shall agree to pay that amount to the shareholder upon surrender of the share certificate or certificates representing such shares. The demand of the shareholder shall state the number and class or series, if any, of the shares owned by him with respect to which the demand is made. Nothing contained in this section shall preclude a controlling person or group subject to this section from offering, whether in such notice or otherwise, to purchase voting shares of the institution at a price other than that provided in subsection (e), and nothing contained in this section shall preclude any shareholder from agreeing to sell his voting shares at that or any other price to any person.

(e) Shareholders' rights- A shareholder making written demand under subsection (d) shall be entitled to receive cash for each of his shares in an amount equal to the fair value of each voting share as of the day prior to the date on which the control transaction occurs, taking into account all relevant factors, including an increment representing a proportion of any value payable for acquisition of control of the institution. Either the controlling person or group or the shareholder may proceed under subsections (F) through (I) of section 515 of the act of May 5, 1933 (P.L.364, No.106), known as the "Business Corporation Law," for a determination of the fair value of such share as defined in this subsection. The date of notice of the occurrence of the control transaction, or if no notice is given, the date of written demand made by the shareholder, shall be deemed to be the effective date of the plan, the shareholders who make written demand shall be deemed to be the dissenting shareholders, and the controlling person or group shall be deemed to be the institution for the purposes of those subsections.
(f) Control transactions- A person or group that proposes to engage in a control transaction may comply with the requirements of this section in connection with the control transaction, and the effectiveness of the rights afforded herein to shareholders may be conditioned upon the consummation of the control transaction. The person or group shall give prompt written notice of the satisfaction of any such condition to each shareholder who has made demand as herein provided.

(g) (Deleted).

CHAPTER 17
CONVERSIONS

Section 1701. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a bank and trust company and a trust company.

Section 1702. Authority for Conversion of National Bank or Interstate Bank Into Institution

A national bank or interstate bank may, subject to the provisions of this chapter, convert into an institution upon:

(a) authorization by and compliance with the laws of the United States or of the jurisdiction under which the interstate bank exists,

(b) adoption of a plan of conversion by the affirmative vote of at least:

(i) a majority of its directors, and

(ii) the holders of two-thirds of each class of its shares at a meeting held upon not less than ten days' notice to all shareholders, and

(c) approval by the department.

Section 1703. Application for Approval by Department

The national bank or interstate bank shall make an application to the department for approval of the conversion in a manner prescribed by the department and shall deliver to the department when available:

(a) articles of conversion,

(b) evidence of reservation in the Department of State of the name of the resulting institution,
(c) applicable fees payable to the department in connection with the articles and with the conduct of the investigation required by section 1706, and

(d) as soon as available, proof of publication of the advertisement required by section 1705.

Section 1704. Articles of Conversion

The articles of conversion shall be signed by two duly authorized officers of the national bank or interstate bank under its seal and shall contain:

(a) its name and the name of the resulting institution,

(b) the location and post office address of its principal place of business,

(c) the votes by which the plan of conversion was adopted and the time, place and notice of each meeting in connection with such adoption,

(d) the names and addresses of the first directors of the resulting institution,

(e) the provisions required in articles of incorporation of a new institution by clauses (iii), (iv), (v), (viii) and (ix) of subsection 1004(b) of this act, and

(f) the plan of conversion.

Section 1705. Advertisement

(a) The national bank or interstate bank shall advertise its intention to deliver, or the delivery of, articles of conversion to the department once in each newspaper in which such advertisement is required to be published in accordance with section 109 of this act.

(b) The advertisement shall appear prior to, or within seven days after, the date of delivery of the articles of conversion to the department and shall set forth briefly:

(i) the names of the national bank or interstate bank and the resulting institution,

(ii) the location and post office address of its principal place of business,

(iii) a statement that articles of conversion are to be, or have been delivered under the provisions of this act,

(iv) the purpose or purposes of the resulting institution, and

(v) the date of delivery of the articles of conversion to the department.
Section 1706. Approval of Conversion by Department

(a) Upon receipt of an application for approval of a conversion the department shall conduct such investigation as it may deem necessary to ascertain whether:

(i) the articles of conversion and supporting items satisfy the requirements of this act,

(ii) the plan adequately protects the interests of depositors, other than creditors and shareholders, and

(iii) the requirements for a conversion under all applicable laws have been satisfied and the resulting institution would satisfy the requirements of this act applicable to it.

(b) Within thirty days after receipt of the application, the Department of Banking shall approve or disapprove the application on the basis of its investigation. If the Department of Banking shall approve the application, it shall deliver the articles of conversion with its written approval to the Department of State and notify the national bank or interstate bank of its action. If the Department of Banking shall disapprove the application it shall give written notice to the national bank or interstate bank of its disapproval and a statement in detail of the reasons for its decision.

Section 1707. Issuance of Certificate of Conversion

If all the taxes, fees and charges required by law shall have been paid and if the name of the resulting institution continues to be reserved or is available on the records of the Department of State, the receipt of the articles of conversion by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of conversion as of the date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall immediately issue to the resulting institution a certificate of conversion with the approved articles of conversion attached thereto and shall make and retain a copy of such certificate and articles.

Section 1708. Effect of Filing of Articles of Conversion in Department of State and of Certificate of Conversion

(a) Effective date- As of the filing of the articles of conversion in the Department of State, the conversion shall become effective.

(b) Conclusiveness of certificate- The certificate of conversion shall be conclusive evidence of the performance of all conditions required by this act for conversion of a national bank or interstate bank into an institution, except as against the Commonwealth.

(c) Corporate succession- When a conversion becomes effective, the existence of the national bank or interstate bank shall continue in the resulting institution which shall have, without further act or deed, all the property, rights, powers, duties and obligations of the national bank.
(d) Articles of resulting institution- The articles of the resulting institution shall be the provisions stated in the articles of conversion.

(e) Authorized business- The resulting institution shall have the authority to engage only in such business and exercise only such powers as it would have upon original incorporation under this act and shall be subject to the same prohibitions and limitations as it would be subject to upon original incorporation.

(f) Liabilities- No liability of the national bank or interstate bank or of its shareholders, directors or officers shall be affected, nor shall any lien on any property of the national bank or interstate bank be impaired, by the conversion. Any claim existing or action pending by or against the national bank or interstate bank may be prosecuted to judgment as if the conversion had not taken place or the resulting institution may be substituted in its place.

Section 1709. Authority for Conversion of Institution Into National Bank

(a) An institution may convert into a national bank upon:

(i) authorization by and compliance with the laws of the United States, and

(ii) adoption of a plan of conversion by the affirmative vote of at least:

(A) a majority of its directors, and

(B) the holders of two-thirds of each class of its shares at a meeting held upon not less than ten days' notice to all shareholders- subject to the condition that at the time of the transaction, the laws of the United States shall authorize a national bank located in this Commonwealth, without approval by the Comptroller of the Currency of the United States, to convert into an institution under limitations and conditions no more restrictive than those contained in this chapter with respect to conversion of an institution into a national bank.

(b) An institution which converts into a national bank shall:

(i) notify the department of the proposed conversion,

(ii) provide such evidence of the adoption of the plan of conversion as the department may request,

(iii) notify the department of any abandonment or disapproval of the plan, and

(iv) file with the Department of Banking and with the Department of State a certificate of the approval of the conversion by the Comptroller of the Currency of the United States.
Section 1710. Rights of Dissenting Shareholders of Converting National Bank or Interstate Bank

If a shareholder of a national bank or interstate bank which converts into an institution shall object to the plan of conversion and shall comply with the requirements of applicable laws of the United States or the laws of the jurisdiction under which the interstate bank exists, the resulting institution shall be liable for the value of his shares as determined in accordance with such laws of the United States or the laws of the jurisdiction under which the interstate bank exists. If the laws of the United States do not provide rights of dissenting shareholders or requirements for the exercise of such rights and the valuation of shares, such shareholder shall be entitled to the rights and remedies of a dissenting shareholder under, and subject to compliance with, the provisions of section 1222 of this act.

Section 1711. Succession to Fiduciary Accounts and Appointments; Application for Appointment of New Fiduciary

The provisions of section 1608 of this act shall apply to a resulting institution or resulting national bank or interstate bank after a conversion with the same effect as though such institution or national bank or interstate bank were a party to a plan of merger or consolidation, and the conversion were a merger or consolidation, within the provisions of that section.

CHAPTER 18
VOLUNTARY AND INVOLUNTARY DISSOLUTION; DISTRIBUTION OF ASSETS UPON INSOLVENCY

Section 1801. Application of Chapter

This chapter shall apply to, and the word "institution" in this chapter shall mean, a bank, a stock savings bank, a bank and trust company and a trust company for the purpose of all of the provisions of this chapter and also a mutual savings bank and a private bank for the purpose of sections 1808 and 1809 of this chapter.

Section 1802. Voluntary Dissolution Prior to Commencement of Business

(a) Articles of dissolution- An institution which has not transacted any business for which a certificate of authorization is required under this act may propose to dissolve by a vote of the holders of two-thirds of its shares and by delivering to the department articles of dissolution which shall be executed by two duly authorized officers or shareholders and which shall contain:

(i) the date of incorporation of the institution,

(ii) a statement that it has not transacted any business for which a certificate of authorization is required under this act,

(iii) a statement that all liabilities of the institution have been paid or provided for,
(iv) a statement that all amounts received on account of capital, surplus and expense fund, less amounts disbursed for expenses, have been returned to the persons entitled thereto, and

(v) the number of shares entitled to vote on the dissolution and the number of shares voted for and against it respectively.

(b) Action by Department of Banking- The articles of dissolution shall be delivered to the department together with any applicable filing fee. If the Department of Banking is satisfied that the institution has not conducted any business for which a certificate of authorization is required under this act and if it finds that the articles of dissolution satisfy the requirements of this act, it shall deliver them with its written approval to the Department of State and notify the institution of its action. If the Department of Banking shall disapprove the articles of dissolution, it shall give written notice to the institution of its disapproval and a statement in detail of the reasons for its decision.

Section 1803. Election for Voluntary Dissolution After Commencement of Business

(a) Adoption and approval- An institution which has commenced business may elect to dissolve voluntarily upon:

(i) adoption by the vote required of its shareholders under subsection (b) of this section of:

(A) a plan of dissolution involving both a provision for assumption of its liabilities by another institution or national bank and a provision for continuance of its business if such assumption of its liabilities is not effected, or

(B) any other plan of dissolution providing for full payment of its liabilities, and

(ii) approval by the department of the plan of dissolution after application for approval thereof in a manner prescribed by the department.

(b) Required vote- Adoption of the plan by the shareholders of the institution shall require the affirmative vote of the shareholders entitled to cast at least two-thirds of the votes which all shareholders are entitled to cast on the plan and, if any class of shareholders is entitled to vote on the plan as a class, of the holders of at least two-thirds of the outstanding shares of such class, at a meeting held upon not less than ten days’ notice to all shareholders.

(c) Approval by department- Upon receipt of an application for approval of a plan of dissolution, the department shall conduct such investigation as it may deem necessary to determine whether:

(i) the plan satisfies the requirements of this act,

(ii) the plan adequately protects the interests of depositors, other creditors and shareholders, and

(iii) if the plan involves an assumption of liabilities by another institution, such assumption would be consistent with adequate and sound banking and in the public interest on the basis of factors substantially similar to those set forth in subsection 1604(a)(iv).

Within sixty days after receipt of the application, the department shall approve or disapprove the application on the basis of its investigation and shall immediately give to the institution written
notice of its decision, and in the event of disapproval, a statement in detail of the reasons for its decision.

Section 1804. Certificate of Election for Voluntary Dissolution

(a) Contents of certificate- Immediately after the adoption and approval of a plan of dissolution under section 1803 of this act or, if the plan provides for continuance of the business of the institution unless an assumption of its liabilities becomes effective, immediately after such assumption becomes effective, the institution shall deliver to the department, together with applicable fees payable to the department, a certificate of election to dissolve which shall be signed by two of its duly authorized officers and which shall contain:

(i) the name of the institution,

(ii) the location and post office address of its principal place of business,

(iii) the name and address of its officers and directors, and

(iv) the number of shares entitled to vote on the plan of dissolution and the number of shares voted for and against the plan, respectively, and, if the shares of any class are entitled to vote as a class, the number of shares of such class and the number of shares of all other classes voted for or against the plan, respectively.

(b) Filing of certificate- If the Department of Banking has approved the plan of dissolution and if the certificate satisfies the requirements of this act, it shall deliver the certificate with its written approval to the Department of State which, upon payment of applicable fees and charges, shall issue to the institution the approved certificate of election to dissolve and shall make and retain a copy thereof.

(c) Effect of certificate- Upon the issuance of an approved certificate of an election to dissolve, the institution shall cease to carry on its business except insofar as may be necessary for the proper winding up thereof but its corporate existence shall continue until issuance of a certificate of dissolution under this act.

Section 1805. Winding Up in Voluntary Dissolution Proceedings

(a) Authority of board- The board of directors shall have full power to wind up and settle the affairs of an institution in voluntary dissolution proceedings.

(b) Notices- Within thirty days after the issuance of an approved certificate of election to dissolve, the institution shall give notice of its dissolution:

(i) by mail to each depositor and creditor (except those as to whom the liability of the institution has been assumed by another institution or national bank pursuant to the plan), including a statement of the amount shown by the books of the institution to be due to such depositor or
creditor and a demand that any claim for a greater amount be filed with the institution before a specified date at least sixty days after the date of the notice,

(ii) by mail to each lessee of a safe-deposit box and each customer for whom property is held in safe-deposit (except those as to whom the liability of the institution has been assumed by another institution or national bank pursuant to the plan), including a demand that all property held in a safe-deposit box or held in safe-deposit by the institution be withdrawn by the person entitled thereto before a specified date at least sixty days after the date of the notice,

(iii) by mail to each person interested in funds held in a fiduciary account or other representative capacity,

(iv) by a conspicuous posting at each office of the institution, and

(v) by such publication as the department may prescribe.

(c) Fiduciary accounts- As soon as feasible after the issuance of an approved certificate of election to dissolve, the institution shall resign all fiduciary appointments and take such action as may be necessary to settle its fiduciary accounts.

(d) Payment of claims- All claims of depositors and creditors shall be paid promptly after the date specified in the notice given under subsection (b)(i) of this section. Unearned portions of rentals for safe-deposit boxes shall be rebated to the lessees thereof.

(e) Unclaimed property- Safe-deposit boxes whose contents have not been removed after the date specified in the notice given under subsection (b)(ii) of this section shall be opened under the supervision of the department and the contents placed in sealed packages which, together with unclaimed property held by the institution in safe-deposit, shall be transmitted to the Department of Revenue to be converted into cash and paid into the State Treasury, without escheat. After payment of amounts due to all known depositors and creditors, unclaimed amounts due to depositors and creditors shall be paid through the Department of Revenue into the State Treasury, without escheat.

(f) Distributions to shareholders- Assets remaining after the performance of all obligations of the institution under subsections (c), (d) and (e) of this section shall be distributed to its shareholders according to their respective rights and preferences. Partial distributions to shareholders may be made prior to such time only if, and to the extent, approved by the department.

(g) Reports and examinations- During the course of dissolution proceedings the institution shall make such reports as the department may require and the institution shall continue to be subject to the provisions of this act concerning examinations of institutions until completion of the dissolution of the institution.

(h) Possession by department- If at any time during the course of dissolution proceedings the department finds that the assets of the institution will not be sufficient to discharge its obligations, the department may then or at any time thereafter take possession of the business
and property of the institution and complete the dissolution in accordance with the provisions of the Department of Banking Code.

Section 1806. Articles of Dissolution

(a) Contents- When all the liabilities of the institution have been discharged and all of its remaining assets have been distributed to its shareholders pursuant to section 1805, articles of dissolution shall be signed by two duly authorized officers of the institution and shall contain:

(i) the name of the institution and the post office address of its principal place of business,

(ii) a statement that the institution has previously delivered a certificate of election to dissolve to the Department of Banking and the date on which the approved certificate was filed in the Department of State,

(iii) a statement that all liabilities of the institution have been discharged and that the remaining assets of the institution have been distributed to its shareholders, and

(iv) a statement that there are no suits pending against the institution.

(b) Action by Department of Banking- The articles of dissolution shall be delivered to the department together with any applicable filing fee. If the Department of Banking finds that the articles satisfy the requirements of this act, it shall deliver them with its written approval to the Department of State.

Section 1807. Certificate of Dissolution

If all applicable fees, charges and taxes required by law have been paid, the receipt of articles of dissolution by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of dissolution as of the date and time of receipt. The Department of State shall immediately issue to the institution a certificate of dissolution as of the date and time of filing with the approved articles of dissolution attached thereto and shall make and retain a copy of such certificate and articles. Upon the filing of the articles of dissolution, the existence of the institution shall cease.

Section 1808. Involuntary Dissolution

(a) Issuance of certificate of dissolution by department- In the event that:

(i) a certificate of authorization has not been issued to a newly incorporated institution within one year after the date of its incorporation or such longer time as the department may allow for satisfaction of conditions precedent to the issuance of a certificate,

(ii) pursuant to the Department of Banking Code, the assets of the institution have been liquidated or, after the department has taken possession, have been returned to the institution for liquidation or to liquidating trustees or others, or
(iii) the department shall find, after notice to the institution and a hearing if requested by the institution, that the institution has not exercised any of its powers under its articles, or in the case of a private bank under its certificate of authorization, for any continuous period of two years, the department shall issue under its seal a certificate of dissolution reciting the applicable facts and stating that the certificate of authorization of the institution and, in the case of an incorporated institution, its articles have been forfeited by reason of such facts and shall file the certificate in the Department of State.

(b) Effect of certificate- Upon filing of the certificate of dissolution in the Department of State all rights of the institution under its certificate of authorization shall cease and in the case of an incorporated institution, its existence shall cease.

Section 1809. Distribution of Assets upon Insolvency

In the distribution of the assets of an institution which is liquidated or dissolved, whether under this act or under the Department of Banking Code or by any other method, the order of payment of liabilities of the institution in the event that its assets are insufficient to pay in full all its liabilities for which claims are duly made shall be:

(a) First, the payment of costs and expenses of administration of the liquidation or dissolution,

(b) Second, the payment of claims which are given priority by applicable statutes and, if the assets are insufficient for the payment in full of all such claims, in the order provided by such statutes or, in the absence of contrary provisions, pro rata,

(c) Third, the payment of all other claims pro rata, exclusive of claims on subordinated securities of a mutual savings bank or capital securities of any other institution, and

(d) Fourth, the payment of such subordinated securities or capital securities.

CHAPTER 19
PRIVATE BANKS

Section 1901. Application of Chapter

This chapter shall apply to a private bank.

Section 1902. Continuation of and Changes in Existing Private Banks

(a) Continuation- Any individual or partnership lawfully engaged upon the effective date of this act in conducting the business of a private bank may continue to do so but no new private bank shall hereafter be established.

(b) Admission of new partners in a private bank- A partnership which owns and operates a private bank may admit a new partner, and an individual private banker may form a partnership
for conducting the private bank with one or more other individuals, but if any new partner is a limited partner, or if he takes part in the conduct of the business of the private bank, it shall procure a new certificate of authorization.

(c) Death or withdrawal of partner in a private bank- Neither the death nor withdrawal of a partner in a private bank shall change its status if one or more of the remaining partners elect to continue its business and assume all of its obligations, but if the deceased or withdrawing partner had taken part in the conduct of the business or if its net worth is reduced as a result of such death or withdrawal the private bank shall procure a new certificate of authorization.

(d) Death of individual private banker- In case of the death of a private banker who had conducted a private bank individually, his personal representative shall forthwith liquidate the private bank following the order of distribution established by section 1809, unless the department shall take possession of the private bank and the Secretary of Banking, as receiver, shall liquidate it. If the personal representative shall not begin or continue the liquidation promptly and in a reasonable manner the department shall take possession from the personal representative and the secretary shall liquidate the private bank.

Section 1903. Application for Certificate of Authorization

(a) Signature- Every private bank which is required to obtain a new certificate of authorization shall file a written application with the department, which shall be signed in duplicate originals:

(i) in the case of a private bank owned and operated by an individual, by him, and

(ii) in the case of a private bank owned and operated by a partnership, by not less than two of the partners and also, in the case of a private bank filing an application by reason of the admission of a new partner or partners, by the partner or partners being admitted.

(b) Contents- The application shall be in the form prescribed by the department, and shall set forth:

(i) the name of the private bank;

(ii) the location of the place or places of business of the private bank;

(iii) the full name, residence, post-office address and citizenship of the individual applicant or of each partner of the applicant and the names and post-office addresses of the officers or agents in active charge of the business of the private bank;

(iv) the statement that, in the case of a private bank owned by an individual, he is a resident of Pennsylvania, and in the case of a private bank owned by a partnership, at least one partner is or is about to become a resident of Pennsylvania;

(v) in the case of a partnership, the partnership agreement, or a statement that the liability of each partner is unlimited;
(vi) a detailed statement of the resources, liabilities, and net worth of the private bank; and

(vii) any other information bearing upon its financial condition, which the department shall prescribe.

Section 1904. Issuance of Certificate of Authorization or Rejection of Application

(a) Issuance of certificate- The department shall, immediately upon receipt of the application of a private bank, conduct such investigation as it may deem necessary to ascertain the financial condition and responsibility of the private bank, and the reliability of any new partner or partners being admitted. If it shall find that the provisions of this act have been complied with, that the financial condition and responsibility of the private bank is such as to warrant a continuance of the business and that it approves any new partner or partners, it shall retain and file one of the duplicate originals of the application, and shall issue a certificate of authorization, empowering the private bank to continue in business. The other duplicate original and the certificate of authorization shall be sent by the department to the private bank. The certificate shall at all times be conspicuously posted in the place of business of the private bank in view of its customers.

(b) Appeal from rejection- If the department shall reject the application, it shall forthwith return it to the private bank, stating in detail its reasons for doing so.

(c) Failure to apply for certificate- If a private bank does not file an application for a certificate of authorization as required by this chapter, or if it does so and its application is finally rejected, the private bank shall forthwith cease transacting any banking business and shall at once liquidate its assets, following the order of distribution established by section 1809. If the private bank does not begin or continue such liquidation promptly and in a reasonable manner, the department shall take possession and the Secretary of Banking as receiver shall liquidate the private bank.

Section 1905. Reserve Against Deposits

No certificate of authorization shall be granted to a private bank unless it shall have a reserve fund for deposits in an amount at least equal to that required by this act for an incorporated bank. The entire amount of such reserve fund shall be at all times maintained in the manner provided by this act for an incorporated bank.

Section 1906. Segregation of Assets

All assets of a private bank shall be segregated and kept apart from the property and assets of the owner or owners of the private bank in their individual capacities. All such assets shall be carried in the name of the private bank or in the name of a nominee of the private bank. If its name is the same as that of the individual owner, or, in the case of a partnership, of any of the owners thereof, all assets of the private bank shall be carried in such name, with the addition of the descriptive words "private bank." In such case all deeds, mortgages, assignments, contracts
and agreements shall be received, taken or entered into in the name of the private bank with the addition of the descriptive words "private bank."

Section 1907. Exclusion from Financial Records of Loans to Owners of Private Bank and Certain Investments

No loan made by a private bank, directly or indirectly, to the owner or owners thereof, or to any person with whom the owner or any of the owners of such private bank is associated as partner or member of an unincorporated association, or to any corporation twenty-five percent of more of the capital of which is owned legally or equitably by the owners of the private bank, and no investment made in any business conducted by any such partnership, unincorporated association or corporation shall be included as an asset upon the books or other records or in any statement of the financial condition of the private bank, except to the extent of the value of a mortgage upon real property which complies with the requirements of this act or the market value of collateral which secures such loan.

Section 1908. Powers of Private Banks

(a) Extent of powers- Except as otherwise specifically provided in this act, a private bank shall have all of the powers of a natural person and, except for general corporate powers under this act, it shall also have all of the powers of a bank, but it shall be subject to the same restrictions and limitations as are imposed upon a bank by this act regarding direct leasing of personal property, indebtedness acquired from a single customer, real estate loans, loans secured by shares of corporate stock, pledges for deposits except as provided hereafter, bonds and suretyship, borrowings, preferential rates of interest and loans to and agreements for the payment of money of officers and employes. After December 31, 1980, each consumer deposit in a private bank at any office thereof in Pennsylvania shall be either:

(i) insured in such amounts as provided by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits;

(ii) insured in such amounts as provided by the Securities Investor Protection Corporation or by any other Federal agency authorized by law to insure cash held by securities brokers or dealers or members of a national securities exchange for the accounts of their customers;

(iii) insured by any State agency or private corporation authorized by law to insure deposits and approved by the department, in an amount equal to that set forth in subsection (d)(i);

(iv) secured by a pledge of assets as provided for by this act; or

(v) insured or secured by any combination of the above in a total amount equal to that set forth in subsection (d)(i). A consumer deposit shall be a deposit of one or more individuals other than one in which any beneficial interest is held by a corporation, partnership, association, joint venture or other organization operated for profit.
(b) Net worth as basis for limitations- Where any restriction or limitation is imposed upon a bank based upon a percentage of its capital and surplus, such percentage, in the case of a private bank, shall be computed upon its net worth. No such percentage restriction or limitation shall apply to the issuing, negotiating, buying, or underwriting of, primarily for the purpose of resale or distribution, or to the selling or distributing of, or to the dealing at wholesale or retail or through syndicate participation in, bonds, debentures, notes or other securities by any private bank which is registered as a dealer in securities under the laws of this Commonwealth and which has a net worth of not less than one hundred thousand dollars.

(c) Offices in other states and countries- A private bank, which, upon the effective date of this act, lawfully maintains one or more offices or places of business in any other state or foreign country may do and perform all such acts, and make all such loans, discounts, and investments at such offices or places of business as are permitted or required under the laws of such other state or foreign country, subject to such restrictions or limitations as may be imposed by the laws of such other state or foreign country.

(d) Pledge of assets to secure consumer deposits- A pledge of assets to secure consumer deposits shall comply with the following requirements:

(i) The amount of the pledge shall be equal to the aggregate amount of insurance which would from time to time be provided if the consumer deposits with the private bank were insured by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits.

(ii) The assets pledged shall consist of:
(A) United States coin and currency;
(B) obligations issued by or fully insured or guaranteed by the United States Government or any governmental agency thereof;
(C) obligations insured or guaranteed in part by the United States Government or any governmental agency thereof, at a value equal to the amount of the insurance or guaranty;
(D) obligations issued by or fully guaranteed by the International Bank for Reconstruction and Development or the Inter-American Development Bank;
(E) obligations of the Commonwealth of Puerto Rico;
(F) obligations of the Commonwealth of Pennsylvania, any political subdivision of the Commonwealth, any public body of the Commonwealth or any public body of any political subdivision of the Commonwealth which are not in default as to payments on principal or interest;
(G) obligations of other states and political subdivisions of other states which are not in default as to payments on principal or interest;
(H) obligations of any corporation or similar entity organized under the laws of the United States or any state which may be purchased by banks as investment securities under the provisions of this act, specifically not including common or preferred stock; or (I) any other securities that are marketable and approved by regulation of the department for the purpose of this section. Such assets shall be deposited, subject to an agreement approved by the department, with an incorporated depository located in the Commonwealth and authorized by section 105(a) to engage in the business of receiving money for deposit. Whenever the department shall
determine that the market value of such assets is less than the amount of the deposits which it secures, the private bank shall pledge additional assets having a market value not less than the amount of such deficiency. With subsequent notice to the department within three business days, the private bank may from time to time make substitutions of assets pledged so long as the value of the total assets pledged shall be equal to the aggregate amount required under clause (i), and subject to the right of the department to disapprove the inclusion of specific assets so substituted.

(iii) The assets pledged shall constitute a fund for the benefit of the owners of consumer deposits with the private bank in the same manner and to the same extent as deposit insurance benefits would be available if such consumer deposits were insured by the Federal Deposit Insurance Corporation or by any other Federal agency authorized by law to insure deposits, and other creditors of the private bank shall not have any rights whatsoever against such assets pledged.

(iv) After December 31, 1980, all passbooks, certificates of deposit and similar instruments issued as evidence of ownership for deposit accounts, which are not insured or covered by a pledge of assets, shall bear the legend "This Account is Not Insured" in such size and print as to be clearly legible or as may be prescribed by regulation of the department. A copy of this section and all amendments thereto shall be maintained in every private banking office and shall be available for review upon demand by any member of the public, and reference to this section shall appear in any solicitation of consumer deposits.

(v) After December 31, 1980, failure to conform to the requirements of this section shall prohibit a private bank from accepting further consumer deposits or creating new consumer deposit accounts.

Section 1910. Directors, Officers, Employes and Attorneys of Private Banks

(a) Board- The business and affairs of a private bank may be managed by a board of directors. The partnership agreement or the by-laws of such private bank may grant the board of directors such powers, prescribe such procedures, and impose such restrictions and limitations upon the board as the partners in the private bank may agree upon with respect to all matters that are dealt with as to incorporated institutions by chapter 14 of the act or which are normally provided for by the articles or by-laws of an incorporated institution.

(b) Officers- A private bank may have such officers, who shall have such functions and authority, as may be specified in its partnership agreement or by-laws.

(c) Bonds- Each officer and employe of a private bank and any director who is authorized to handle money or negotiable assets shall be bonded, and the private bank shall pay the cost of such bond. The form, amount and surety of such bonds shall be such as is approved by the governing body of the private bank but the department may require an additional amount or new or additional surety.

(d) Responsibility of directors and officers- Directors and officers of a private bank shall discharge the duties of their respective positions in good faith and with that diligence, care and skill which ordinarily prudent men would exercise under similar circumstances in like positions.
The directors and officers shall, at least once each year, have made, by certified public accountants selected by the institution and satisfactory to the department, an audit of the books and affairs of the institution. The department may by regulation establish minimum standards for audits and reports under this subsection.

Section 1911. Recording Powers of Attorney

A private bank shall, in the manner provided by section 1412 of this act with respect to incorporated institutions, designate the individual or individuals who are authorized to make entries of record affecting mortgages.

Section 1912. Prohibitions Applicable to Directors, Trustees, Officers, Employes and Attorneys

(a) No director, trustee, officer, employe or attorney of a private bank or of an affiliate of the private bank shall:

(i) receive anything of value for procuring or attempting to procure any loan from or investment by the private bank,

(ii) overdraw his deposit account in the private bank, or

(iii) purchase, or directly or indirectly be interested in the purchase, from the private bank for less than its face value of any promissory note or other evidence of indebtedness issued by the private bank.

(b) A violation of this section shall be subject to the penalty provisions of this act.

Section 1913. Conversion of Private Bank into Incorporated Institution

(a) Authority- A private bank may convert into a bank or a bank and trust company upon adoption of a plan of conversion by its owner or owners and approval of the department.

(b) Application for approval by department- The private bank shall make an application to the department for approval of the conversion in a manner similar to that prescribed for the conversion of a national bank into an institution by chapter 17 of this act, and shall deliver to the department the same documents and fees as a national bank must deliver. The articles of conversion of the private bank shall be signed by two of the partners in the private bank, if it is owned and operated by a partnership, otherwise by the individual private banker, and the private bank shall advertise in the manner required by section 1705 of this act.

(c) Approval by department- Upon receipt of the application the department shall conduct an investigation. It shall either approve or disapprove the application and notify the private bank, following as nearly as is feasible in either case the procedure prescribed when the applicant is a national bank.
(d) Certificate of conversion- If the Department of Banking shall approve the application, it shall deliver the articles of conversion with its written approval to the Department of State and notify the private bank of its action. If all the taxes, fees and charges required by law shall have been paid and if the name of the resulting institution continues to be reserved or is available on the records of the Department of State, the receipt of the articles of conversion by the Department of State with the written approval of the Department of Banking shall constitute filing of the articles of conversion as of the date and time of receipt or as of any later date and time specified by the Department of Banking. The Department of State shall immediately issue to the resulting institution a certificate of conversion with the approved articles of conversion attached thereto and shall make and retain a copy of such certificate and articles. As of the filing of the articles of conversion in the Department of State, the conversion shall become effective.

(e) Conclusiveness of certificate- The certificate of conversion shall be conclusive evidence of the performance of all conditions required by this act for conversion of a private bank into an incorporated institution, except as against the Commonwealth.

(f) Succession- When a conversion becomes effective, the resulting institution shall have, without further act or deed, all the property, rights, powers, duties and obligations of the private bank.

(g) Articles of resulting institution- The articles of the resulting institution shall be the provisions stated in the articles of conversion.

(h) Authorized business- The resulting institution shall have the authority to engage only in such business and exercise only such powers as it would have upon original incorporation under this act and shall be subject to the same prohibitions and limitations to which it would be subject upon original incorporation.

(i) Liabilities- No liability of the private bank or of its owners, partners, directors, or officers shall be affected, nor shall any lien on any property of the private bank be impaired by the conversion. In addition, the resulting institution shall be responsible for all of the liabilities of the private bank to the same extent as if such liabilities had been initially incurred by the resulting institution. Any claim existing or action pending by or against the private bank may be prosecuted to judgment against the owner or owners of the private bank as if the conversion had not taken place and also against the resulting institution, which may be added as a party defendant in any such action or may be substituted as defendant in place of the private bank.

Section 1914. Voluntary Dissolution of Private Bank

(a) Plan of dissolution- A private bank may elect to dissolve voluntarily upon:

(i) adoption by an individual private banker or the partners in a private bank of a plan of dissolution providing for the full payment of its liabilities, and

(ii) approval of such plan by the department after application for approval in a form prescribed by the department accompanied by a copy of the plan.
(b) Certificate of election for voluntary dissolution- Immediately after adoption and approval of a plan of dissolution, the private bank shall deliver to the department a certificate of dissolution which shall be signed by the individual private banker or by two of the partners and which shall contain:

(i) the name of the private bank,

(ii) the location and post office address of its principal place of business,

(iii) the name and address of the individual private banker or of each of the partners in the private bank, and

(iv) a statement of the manner in which the plan of dissolution was adopted.

(c) Filing of certificate- If the Department of Banking has approved the plan of dissolution and if the certificate satisfies the requirements of this act and if all applicable fees and charges have been paid, the department shall issue to the private bank the approved certificate of election to dissolve and shall make and retain a copy thereof.

(d) Effect of certificate- Upon the issuance of an approved certificate of an election to dissolve, the private bank shall cease to carry on its business except insofar as may be necessary for the proper winding up thereof.

(e) Winding up- The private bank shall give notices, pay claims, dispose of unclaimed property, and make reports to the department in the same manner as an incorporated institution in voluntary dissolution is required to do by section 1805 of this act.

(f) Possession by department- If during the course of dissolution proceedings it appears that the assets of the private bank will not be sufficient to discharge its liabilities, the department may take possession of the business and property of the institution and complete the dissolution in accordance with the provisions of the Department of Banking Code.

(g) Articles of dissolution- When all the liabilities of the private bank have been discharged and all its remaining assets have been distributed to the persons entitled thereto, articles of dissolution shall be signed by the individual private banker or by two of the partners and shall contain statements substantially similar to those required in articles of dissolution of an incorporated institution.

(h) Certificate of dissolution- The articles of dissolution shall be delivered to the department. If all applicable fees, charges and taxes required by law have been paid, the department shall immediately issue to the private bank a certificate of dissolution as of the date and time of filing with the approved articles of dissolution attached thereto and shall make and retain a copy of such certificate and articles. Upon the filing of the articles of dissolution, the existence of the private bank shall cease.
CHAPTER 20
PROVISIONS APPLICABLE TO DEPARTMENT OF BANKING

Section 2001. (Deleted).

Section 2002. (Deleted).

Section 2003. (Deleted).

Section 2004. Relationship of Institutions and Their Personnel with Officials and Employes of Department

(a) Loans and Gifts- Notwithstanding the provisions of section 1114-A of the act of May 15, 1933 (P.L. 565, No. 111), known as the “Department of Banking Code,” relating to conflicts of interests, and except as provided in subsection (d) of this section, an institution or any director, trustee, officer, employe or attorney thereof shall not grant or give to the Secretary of Banking, any official or employe of the department, any deputy receiver or any employe of the Secretary of Banking as receiver, none of whom shall receive, any sum of money or any property as a gift or loan or otherwise, directly or indirectly-subject to the penalty provisions of this act. This subsection shall not apply to loans to employes of the Department of Banking who function in a clerical or nondecision making capacity with regard to institutions, including but not limited to clerks, typists and stenographers.

(b) Interest in institutions-The Secretary of Banking, any official or employe of the department, any deputy receiver or any employe of the Secretary of Banking as receiver shall not hold any office or position in, have any direct or indirect pecuniary interest in, or directly or indirectly own shares or securities issued by, an institution, except that the Secretary of Banking may continue to own shares or securities issued by an institution which are owned by him on the date of his appointment and all shares or securities distributed by the institution and received by him on account of the shares or securities so owned-subject to the penalty provisions of this act.

(c) Disclosure of interest of Secretary of Banking-In the event of such ownership of shares or securities by the Secretary of Banking, he shall disclose the ownership, amount and date of acquisition of such shares or securities in writing to the Secretary of the Commonwealth immediately after his appointment and shall not during his term of office participate in any decision or take any action concerning an institution in which he owns such shares or securities other than actions or decisions generally applicable to institutions or classes of institutions. In the event of disqualification of the Secretary of Banking from participation in any decision or action for such reason, all authority vested in him by law shall for the purpose of such decision or action be exercised by the senior Deputy Secretary of Banking.

(d) Excepted transactions-The prohibitions of subsections (a) and (b) of this section shall not apply to either:

(i) a loan subject to the provisions of this act secured by a lien on the home of the Secretary of Banking, an official or employe of the department, a deputy receiver or an employe of the Secretary of Banking as receiver, or
(ii) a deposit account with an institution of any such individual.

Section 2005. (Deleted).

CHAPTER 21
PENALTIES AND CRIMINAL PROVISIONS

Section 2101. Application of Chapter

This chapter shall apply to all persons affected by this act and the word "institution" as used in this chapter shall mean an institution subject to this act.

Section 2102. Penalties and Criminal Provisions Applicable to Directors, Trustees, Officers, Employees and Attorneys of Institutions

(a) Violations of sections 1413, 1416, and 1912- A director, trustee, officer, employee or attorney of an institution who wilfully violates any of the provisions of sections 1413, 1416, or 1912 of this act shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment for a period not exceeding one year, or a fine not exceeding one thousand dollars ($1,000), or both; and shall be subject to a further fine of a sum equal to:

(i) the amount of money or the value of the property which he receives for procuring or attempting to procure a loan or investment by the institution, in the case of a violation of section 1413(a)(i) or of section 1912(a)(i);

(ii) the amount by which his deposit account in the institution is overdrawn, in the case of a violation of section 1912(a)(ii);

(iii) the face value of the promissory note or other evidence of indebtedness issued by the institution, in the case of a violation of section 1413(a)(iii) or section 1912(a)(iii); and

(iv) the amount of any profit which he receives on the transaction, in the case of a violation of section 1416.

(v) (Deleted).

(b) Violations of sections 107 and 1415- A director, trustee, officer or employee of an institution who wilfully violates the accounting rules stated in section 107, or who wilfully makes or receives a loan or acquires an agreement for the payment of money in violation of section 1415, shall be guilty of a misdemeanor and shall upon conviction thereof be subject to imprisonment for a period not exceeding one year or a fine not exceeding one thousand dollars ($1,000), or both. An individual committing a violation of section 1415 shall be subject to a further fine equal to the amount of the loan or the agreement for the payment of money on which a director,
trustee, officer or employe of the institution is liable, and shall be forever disqualified from acting as a director, trustee, officer or employe of any institution.

(d) Violations of section 1010(a)- If an institution transacts any business before receipt of a certificate of authorization in violation of section 1010(a), the directors or trustees and officers who willfully authorized or participated in such action, except a director or trustee who dissented therefrom and caused his dissent to be filed at the time in the department, or who, being absent at the time such action was authorized, filed his dissent upon hearing of the action, shall be severally liable for the debts and liabilities of the institution incurred prior to the receipt of the certificate of authorization.

Section 2103. Penalties Applicable to Institutions for Violation of Section 705

An institution which fails to give written notice to the department of a deficiency in its reserve fund as required by section 705 shall pay to the department a penalty of fifty dollars ($50) for each day that it does not give such notice after the time fixed by section 705 for the giving of such notice. The department may in its discretion relieve any institution from the payment of such penalty, in whole or in part, upon a showing to the department of good cause for the failure of the institution to give such notice. If an institution fails to pay a penalty from which it has not been thus relieved, the Department of Banking may through the Department of Justice maintain an action at law to recover it.

Section 2104. Penalties Applicable to Persons Subject to This Act

(a) Violations of sections 105, 106- Any person who wilfully engages in the business of receiving deposits or money for transmission, or who wilfully establishes a place of business for such purpose, in violation of section 105 and any person whom such person represents, and any corporation which wilfully acts in a fiduciary capacity in violation of section 106, shall be guilty of a felony and shall upon conviction thereof be subject, in the case of an individual, to imprisonment for a period not exceeding two years, or a fine not exceeding ten thousand dollars ($10,000) per violation, or both, and, in the case of any other person, to a fine not exceeding five hundred thousand dollars ($500,000).

(b) (Deleted).

Section 2105. Penalties Applicable to Persons for Violation of Section 112

(a) Criminal liability- Any person who acquires or proposes to acquire shares of an institution or of a corporation which controls an institution in violation of section 112 or who violates subsection (g) thereof shall be guilty of a misdemeanor and shall upon conviction thereof be subject, in the case of an individual, to imprisonment for a period not exceeding five years, or a fine not exceeding five thousand dollars ($5,000), or both, and, in the case of any other person, to a fine not exceeding fifty thousand dollars ($50,000).

(b) Civil liability- Any person who violates any provision of section 112 shall be liable to any institution or corporation or shareholder thereof damaged thereby and, in the discretion of the
court, for punitive damages. The provisions of section 112 shall be enforceable in any action or suit instituted by the department or by any such institution, corporation or shareholder to enjoin or restrain any violation or threatened violation of that section.

CHAPTER 22
EFFECTIVE DATE, REPEALERS AND TRANSITION PROVISIONS

Section 2201. Effective Date

This act shall take effect at 12:01 A.M. on the first Sunday of the month which is the second month after the month in which this act is approved.

Section 2202. Specific Repealers

Except as provided in section 2204, the following acts and parts of acts and all amendments thereof are hereby repealed to the extent specified:

(a) The act approved May 15, 1933 (P.L.624), entitled, as amended, "An act relating to the business of banking, and to the exercise of fiduciary powers by corporations; providing for the organization of corporations with fiduciary powers, and of banking corporations, with or without fiduciary powers, including the conversion of National banks into State banks, and for the licensing of private bankers and employees' mutual banking associations; defining the rights, powers, duties, liabilities, and immunities of such corporations, of existent corporations authorized to engage in a banking business, with or without fiduciary powers, of private bankers and employees' mutual banking associations, and of the officers, directors, trustees, shareholders, attorneys, and other employees of all such corporations, employees' mutual banking associations or private bankers, or of affiliated corporations, associations, or persons; restricting the exercise of banking powers by any other corporation, association, or person, and of fiduciary powers by any other corporation; conferring powers and imposing duties upon the courts, prothonotaries, recorders of deeds, and certain State departments, commissions, and officers; imposing penalties; and repealing certain acts and parts of acts", absolutely;

(b) Sections 301, 401 A, 401 C, 401 E, 402 B, 501 B, 501 C, 503 A, 503 C and 1011 A of the act approved May 15, 1933 (P.L.565), entitled "An act relating to the powers and duties of the Department of Banking and the Secretary of Banking in exercising supervision over, and taking possession of and conducting or liquidating the business and property of, corporations, associations, and persons receiving deposits or otherwise transacting a banking business, corporations acting as fiduciaries, and building and loan associations; providing for the payment of the expenses of the Department of Banking by supervised corporations, associations, or persons, and appropriating the Banking Department Fund; authorizing the Department of Banking, under certain circumstances, to examine corporations, associations, or persons affiliated, or having business transactions with supervised corporations, associations or persons; authorizing appeals to the Supreme Court, and prescribing and limiting the powers and duties of certain other courts and their prothonotaries, registers of wills, recorders of deeds, and certain State departments, commissions, and officers; authorizing certain local public officers and State
departments to collect fees for services rendered under this act; providing penalties; and repealing certain acts and parts of acts," as applicable to banks, bank and trust companies, trust companies, savings banks, private banks and employees' mutual banking associations, in the case of sections 401 A, C and E, 402 B, 503 A, 503 C and 1011 A of that act; as applicable to the Secretary of Banking, a deputy examiner, clerk or other employee of the Department of Banking, or a deputy receiver or other employee of the Secretary of Banking as receiver in relationships with banks, bank and trust companies, trust companies, savings banks, private banks and employees' mutual banking associations, in the case of sections 301 of that act; and as applicable to the Banking Board to the extent inconsistent with this act in the case of sections 501 B and 501 C;

(c) The act approved May 15, 1933 (P.L.796) entitled, as amended, "An act providing for the preservation of the records or photographic film reproductions, or photographic or photostatic copies thereof, of banks, bank and trust companies, trust companies, savings banks, private banks, employees' mutual banking associations, and national banking associations; providing that such photographic film reproductions or photographic or photostatic copies shall be admissible in evidence equally and with the same force and effect as the original records; providing a means for the final adjustment and settlement of depositors' accounts; and imposing penalties for violations", absolutely;

(d) The act approved August 21, 1953 (P.L.1253), entitled "An act authorizing minors to open and maintain bank accounts, and fixing the rights and duties of minors, the minors' parents or guardians, and the depository bank with respect thereto," absolutely; and

(e) As much of the last paragraph of section 1 of the act of June 8, 1923, (P.L.685), entitled "An act prescribing the fees for the office of Secretary of the Commonwealth", as authorizes or requires a determination by the Secretary of the Commonwealth that papers to be received or filed by him are in accordance with law, insofar as it relates to banks, bank and trust companies, trust companies, savings banks, private banks and employees' mutual banking associations.

(f) The act of May 31, 1893 (P.L.188, No.138) entitled, as amended, "An act designating the days and half days to be observed as legal holidays, and for the payment acceptance, and protesting of bills, notes, drafts, checks, and other negotiable paper on such days" is hereby repealed to the extent it provides for the designation of legal holidays with respect to banking institutions.

(g) All other acts and parts of acts inconsistent with section 113 are hereby repealed to the extent they provide for the designation of legal holidays with respect to banking institutions.

Section 2203. General Repealer

Except as provided in section 2204, all acts and parts of acts inconsistent with this act are hereby repealed.
Section 2204. Transition Provisions

(a) Transactions and proceedings commenced under or pursuant to statutes repealed by this act shall be terminated, completed or enforced pursuant to the provisions of such statutes which for such purpose shall remain in full force and effect as to such transactions and proceedings.

(b) Any agreement, transaction or relationship which was valid immediately prior to the effective date of this act and which continues after the effective date of this act shall remain valid although not in compliance with the provisions of this act, except that any affirmative action required by this act which may be legally taken in connection with such agreement, transaction or relationship shall be taken within such reasonable time after the effective date of this act as may be fixed by the department unless the requirement of such action would impair any vested right.