



CONNECTICUT BANK MERGERS AND CONSOLIDATIONS

By: Michelle Kirby, Senior Legislative Attorney

DEFINITIONS:

"Constituent Final Bank" – a Connecticut bank that has a final certificate of authority to start business ([CGS § 36a-125\(a\)](#)).

"Constituent Temporary Bank" – a Connecticut bank that has a temporary certificate of authority but does not have a final certificate of authority to start business ([CGS § 36a-125\(a\)](#)).

ISSUE

Factors the banking commissioner must consider when determining whether to approve the merger or consolidation of Connecticut banks.

SUMMARY

A merger or consolidation of two or more Connecticut banks is contingent on the banking commissioner's approval. When a bank applies for such approval, it must also submit a copy of the merger or consolidation agreement, which must be certified by the secretaries of the respective "constituent final banks" and certified

by the agents for the organizers of the respective "constituent temporary bank" (see sidebar).

Generally speaking, the commissioner must consider whether the (1) merger or consolidation will promote public convenience; (2) benefits to the public clearly outweigh possible adverse effects, such as decreased or unfair competition; and (3) terms of the agreement are reasonable, lawful, and sound public policy.

MERGERS AND CONSOLIDATIONS

Specific Factors the Commissioner Must Consider

Before the commissioner may approve a bank merger or consolidation, he must determine that the:

1. investment and lending policies of the constituent banks, or the proposed investment and lending policies of the resulting bank, are consistent with safe and sound banking practices and will benefit the state's economy;



2. services or proposed services of the resulting bank are consistent with safe and sound banking practices and will benefit the state's economy;
3. constituent banks have sufficient capital to ensure, and agree to ensure, that the resulting bank will comply with applicable minimum capital requirements;
4. constituent banks have sufficient managerial resources to operate the resulting bank safely and soundly; and
5. proposed merger or consolidation will not substantially lessen competition in the state's banking industry.

The law prohibits the commissioner from approving the merger or consolidation if:

1. it involves the acquisition of a bank that has not existed and continuously operated for at least five years, unless he waives this requirement;
2. the resulting merged or consolidated bank would control at least 30% of the total amount of deposits in insured depository institutions in the state, unless he permits a greater percentage of deposits; or
3. the current or proposed anti-money-laundering programs, policies, and procedures are inadequate or the constituent banks have failed to comply with related laws and regulations ([CGS § 36a-125](#)).

Public Notice, Comment, and Inspection

Unless exempt by the commissioner, the applicant for the merger or consolidation must submit a plan showing that the resulting bank will provide adequate services to meet the banking needs of all community residents, including low-income and moderate-income residents, to the extent permitted by its charter. The Banking Department must publish the plan in its weekly bulletin to give the public notice and an opportunity to comment on and inspect it. Also, the applicant must advertise the plan in a newspaper that has substantial circulation in the area, including a statement that the inspection and comment period will last for 30 days from the date of publication ([CGS § 36a-34](#)).

Commissioner's Evaluation and Findings

In order to grant approval, the commissioner must find that, based on the most recent applicable performance evaluation and any related information he requires, the banks have (1) complied with certain laws, including the federal Community Reinvestment Act and applicable consumer protection laws, and (2) with exceptions, received an outstanding overall rating on their most recent applicable community reinvestment performance evaluation ([CGS § 36a-34](#)).

The commissioner may not make a finding until the 30-day period expires. In making the finding, the commissioner must, unless clearly inapplicable, consider, among other factors, whether the plan identifies specific unmet credit and consumer banking needs in the local community and specifies how the needs will be satisfied.

The commissioner may not grant approval if the

1. transaction would result in a monopoly, or further any combination or conspiracy to monopolize or attempt to monopolize the business of banking in the state or
2. effect of the proposed transaction may substantially lessen competition, or would tend to create a monopoly, or would be in restraint of trade, with some exceptions ([CGS § 36a-34](#)).

Approval

Any merger or consolidation approved by the commissioner must specify whether the resulting bank must operate as a bank and trust company, a capital stock or mutual savings bank, or savings and loan association ([CGS § 36a-125\(a\)](#)).

Once the commissioner has approved a merger or consolidation, a copy of the agreement and a copy of the commissioner's approval must be filed in the Office of the Secretary of the State. The resulting bank is not allowed to start business unless its insurable accounts and deposits are insured by the Federal Deposit Insurance Corporation ([CGS § 36a-125](#)).

MK:bs