

SB 458

PA 830 (Vetoed)

1971

Banks 7-12

(6)

House 3925-3931

(7)

Senate 2184-2185, 3401

(3)

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**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**BANKS**

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Rep. Ritter: I'd love a copy of your Blue Book.

Commissioner Hagan: Right there. Thank you, sir..

Chairman Buckley: We will now move into the regular schedule. The first bill listed is Senate Bill 1116 by Senator Ciarlone of the 10th District, AN ACT CONCERNING INTEREST ON SECURITY DEPOSITS. Those who would choose to address the Committee in favor of this bill please come forward.

SB-116 (Sen. Ciarlone) AN ACT CONCERNING INTEREST ON SECURITY DEPOSITS.

Chairman Buckley: An appropriate amount of time having passed, and no-one having come forward, I would ask if anyone is opposed to this bill, if you will come forward. Please keep in mind there are two chairs in front here.

Again seeing no-one come forward, we will declare the hearing closed on SB-1116 and move to Senate Bill 455, introduced by myself, an act concerning retail instalment sale contract requirements. All those who would like to speak in favor at this time.

SB-455 (Sen. Buckley) AN ACT CONCERNING RETAIL INSTALMENT SALE CONTRACT REQUIREMENTS.

Chairman Buckley: I see we're going to have a real long and lively hearing this afternoon. All those who would like to speak against SB-455. O.K., the hearing is closed on SB-455.

The next bill is one of three that were referred to before by Rep. Sullivan concerning interlocking directors. Since they generally concern the same subject as applied to different institutions, maybe we could save time and people hopping up and down by.....60 concerning interlocking directors or trustees as a group. The proponents generally are heard first. That will be the order. Anybody speaking in favor of these bills may come forward now.

SB-458 (Rep. Blake, Sen. Buckley) AN ACT PROHIBITING INTERLOCKING DIRECTORS OF STATE BANK AND TRUST COMPANIES AND OTHER FINANCIAL INSTITUTIONS.

SB-459 (Sen. Buckley, Rep. Blake) AN ACT PROHIBITING INTERLOCKING DIRECTORS AND TRUSTEES OF BUILDING OR SAVINGS AND LOAN ASSOCIATIONS AND OTHER FINANCIAL INSTITUTIONS.

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SB-460 (Sen. Buckley, Rep. Blake) AN ACT PROHIBITING  
INTERLOCKING TRUSTEES OR DIRECTORS OF SAVINGS BANKS  
AND OTHER FINANCIAL INSTITUTIONS.

Chairman Buckley: Seeing no-one come forward, I will ask for those people who are opposed to these bills if they choose to come forward at this time.

Mark Goodspeed, Chairman of Legislative Committee, The Savings Banks' Association of Connecticut: Senator Buckley, Dr. Blake, members of the Committee. I probably should have come up in between calls there because I'm, we're not opposed to the bill. The bill, as I understand it, actually three bills aimed at the three principal banking institutions of the state, I believe was originated as a Banking Department bill. We have, Savings Banks' Association has no objection. It is, of course, a full and complete prohibition on interlocks between all of the financial institutions of the state. We would like to submit for the consideration of the Committee a substitute which varies in two respects. The essence of our proposed substitute is identical and that is to say no person shall be an officer, employee, director or trustee of more than one state bank and trust company, national bank, savings bank, building or savings and loan association, Federal savings and loan association, credit union or Federal credit union having an office in this state. So it is, in effect, it incorporates the substance of the other three bills. The variation is first in the effective date and, secondly, an exception to take care of one exceptional case in the state, which I will mention. First, as to the effective date, the three bills - 458, 459 and 460 - I believe all state an effective date of, I lost it, July 1, '73, which means, in effect, a grandfather clause until that date and also means that new interlocking directorates can be created up until that time. Our suggestion is a slight variation, to make the bill effective immediately or October 1 so that no new interlocks can be created at once. But, so far as existing interlocks are concerned, we suggest a three-year grandfather clause, really on a practical basis, because there are many interlocks as we all know right now between various banking institutions. We think that, for a good many banks, commercial banks, savings banks and, perhaps, savings and loan associations as well, it would be desirable to allow a reasonable period of time for these institutions to rearrange the composition of their boards. And, so, our proposal is, therefore, to make it effective immediately as to all new appointments, but to provide for this three-year grace period for elimination of interlocks.

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Then, the other exception is to deal with the situation of the Chester Trust Company and the Chester Savings Bank. Mr. Robert Mitchell, Treasurer of both institutions, is here on my right and can explain precisely their situation. I believe I'm correct in saying that in that, those institutions the Board of Trustee and the Board of Directors are identical and I believe the same is true of all of the officers and employees and they operate in the identical premises. So our proposed substitute bill provides this one exception, that Section 1 of this act shall not prohibit a person from being an officer, employee, director or trustee of a state bank and trust company and savings bank which had the same home office on January 4, 1971. And I believe there is only one such case in the state. I think, otherwise, as Mr. Mitchell can perhaps elaborate on, it would really bring about the necessity for total dissolution of one or the other of those institutions. Thank you very much.

Chairman Buckley: A question from Dr. Blake?

Rep. Blake: Mr. Goodspeed, is this the bank that Claude Watrous is tied up with there?

Robert Mitchell, Treasurer, Chester Trust Company and Chester Savings Bank: Yes.

Rep. Healey: Simply as a technicality, I'm wondering whether or not the language should be enlarged to include the word "corporator", insofar as some of the savings banks have corporators, rather than trustees.

Mr. Goodspeed: Rep. Healey, I, my, my personal reaction would be to say it ought not to be necessary to do so. The corporators of a savings bank, generally speaking, they, of course, as you know, are the representative body, the body of individuals, citizens in a community who themselves elect the trustees. The corporators typically meet only once a year and basically that is their function - to elect the Board of Trustees. In many savings banks, you have a very large body of people - it can be anywhere from fifty to, I guess, one hundred and fifty - members of the community who are corporators and, as I say, their function is to elect - they are in effect the voting members of the, of the savings bank corporation, similar to the members of other non-stock corporations. Their function is to elect the trustees. The trustees are, of course, the actual governing body and that, of course, is where policy and direction takes place and the, I assume the

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thrust of the, the bills is to eliminate the interlocking relationship between the effective bodies that direct these institutions. If you were to carry the analogy, I suppose, to a conclusion, you might even say that a stockholder of a commercial bank would be prohibited from any interlock and I don't think it ought to be extended that far. But, again, this is something that certainly could be considered. We, speaking on behalf of the Savings Banks' Association, have no objection to this bill and certainly, if the Committee believes that it is desirable and should be adopted, we simply request that you consider these, this substitute with the proposed modifications.

Rep. Blake: Mr. Goodspeed, simply as a matter of information, it is my understanding that a corporator or a new corporator receives approximately \$10 a year for going to that one annual meeting. Is that more or less a general, general correctness of that statement?

Mr. Goodspeed: Dr. Blake, I'm not sure that the figure, I'm sure it must vary from bank to bank, but yes, I assume most banks do have some fee for, to, paid to the corporator for attendance at the annual meeting.

Chairman Buckley: Any other questions of Mr. Goodspeed?

Mr. Goodspeed: Oh, yes, thank you very much, gentlemen.

Robert D. Mitchell, Treasurer, Chester Savings Bank and Chester Trust Company: Mr. Chairman and members of the Committee, I want to state why I support the bill with the amendment exempting, in this case, one bank in this state. And the reason that I would request that, or ask for its consideration, is that this, these two institutions have served the community of Chester a hundred and sixty years combined, the last sixty of which have been in conjunction with one another. We have, aside from our bank in total that's the two institutions, the two institutions' total assets approximately \$15,000,000 - they're even less than that- and these banks would probably not be able to exist if the bill, as prepared, was approved, as we have only been able to exist due to the sharing of a facility, sharing of a bank building, sharing of employees and officers and even directors. Thank you.

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James Stapleton, Connecticut Bankers Association: We do not oppose the bills. We do have here a substitute bill which combines all three of them into one bill. We think we could do that without too much difficulty. There are a couple of gaps, we think, in the bills as submitted. For example, the bills as submitted do not appear to us to bar persons from serving as director of two different state banks and trust companies. The bills do not also make any exception for non-competing financial institutions. Our bill, substitute bill, which we will offer to the Committee, includes all of the financial institutions, limits a person to serving only on a single board, but it provides an exception where the institutions do not have offices or branches in the same town or towns in this state, essentially that they're not competing. And secondly, an exception for institutions which are subsidiary banks within the bank holding company definition, so that if they were related subsidiary banks, this prohibition wouldn't apply.

We do not object to the two additional suggestions made by the savings banks with respect to the Chester situation and the grandfather clause and, in general, we would be happy to co-operate with the Committee, with the Bank Department - which, I know, is interested in this legislation - and with the savings banks to try to come up with a single bill which would accomplish, I think, the general purposes which we probably can all agree on. I'll just leave this with the Chairman.

Chairman Buckley: Thank you.

Mr. Stapleton: Thank you, sir.

Arnold Watrous, Vice President, Chester Trust Company; Director, Chester Trust Company and Chester Savings Bank:

Mr. Mitchell has stated that these banks have operated as one unit in co-operation with one another for a period of sixty years. I would like to point out that the Chester Trust Company, with assets of \$3,000,000, would have difficulty, I believe, in maintaining its individual integrity under the act as now written. I would support the amendment as submitted. Thank you.

Chairman Buckley: Thank you, sir.

Horace Bush, President, Chester Savings Bank: I have acted as Secretary and Treasurer of both banks from 1938 until 1965. It has been my experience in operating through the years with interlocking directors that in no instance have I come across any action which I would consider detrimental to either bank. The

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directors with whom I've served have been conscientious in their service of both banks. They have had their directors' meetings at different times, but always fostered the interest of the bank which they were serving. I do feel that, inasmuch as in 1965 we increased the size of the savings bank, we doubled its size, to accommodate both banks.

Senator Buckley: Will you wait for half a minute while we change the record.

Mr. Bush: We did double the floor space of the bank after arranging a ten year lease with the Chester Trust Company for a substantial amount, which was fair to both banks, and under which condition the Banking Department approved the expenditure that was necessary on behalf of the savings bank to accomplish it. Under the circumstances, we could not well afford in a small town of less than 3,000 population to operate two independent banks in competition. Therefore, I, and if this interlocking directors were to affect us, I'm sure we could not operate and we would have to separate and we would be set up, I'm sure, for a takeover by a larger bank. Thank you.

Chairman Buckley: Thank you, sir. Anyone else concerning, in favor of the three bills that are now under discussion? Anybody who's opposed? Seeing no-one, maybe, I sat here wondering after Dr. Blake whispered to me how the Chester Bank and Trust Company and the Chester Savings Bank might be in the same witness chair when the demand deposit bill comes up.

The hearing will, therefore, be closed on SB-458, 459 and 460. We will proceed to Senate Bill 462, by Dr. Blake and myself, AN ACT CONCERNING THE APPLICATION OF TAX PAYMENTS.

SB-462 (Sen. Buckley, Rep. Blake) AN ACT CONCERNING THE APPLICATION OF TAX PAYMENTS.

Chairman Buckley: Those people who choose to speak in favor may now come forward.

Mr. Goodspeed: This bill is a very good and necessary bill. Perhaps many of the Committee will recall the situation that was created at the last session when Public Act 98 was passed. What it, what Public Act 98 said was that any tax payment received by a tax collector had to be applied to any outstanding delinquent tax of that taxpayer, regardless of the purpose of the payment.

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I rise in support of this bill which I introduced and I think it is an excellent bill.

MR. SPEAKER:

Representative Collins.

REPRESENTATIVE COLLINS:

I just want to clarify one of the sections here, under Section 20 there is the standard validating provision for any subdivision plan approved by a municipal agency which was not filed within 90 days as presently required by state statute. It would be my understanding and I hope it is a legislative intent that this only refers to maps which are on file in the land records now and not to any maps which were never filed.

MR. SPEAKER:

Gentleman from the 116th care to respond.

REPRESENTATIVE VOTTO:

That is my understanding.

MR. SPEAKER:

Further remarks. If not, all those in favor indicate by saying Aye. Opposed. The bill is passed.

CLERK:

Calendar 1106, Substitute for Senate Bill 0458 - An Act Concerning Interlocking Directors in Banking Institutions.

MR. SPEAKER:

Gentleman from the 87th.

REPRESENTATIVE HEALEY:

I move acceptance of the joint committees favorable report

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and passage of the bill in concurrence with the Senate.

MR. SPEAKER:

Will you remark.

REPRESENTATIVE HEALEY:

The Clerk has an amendment.

MR. SPEAKER:

Clerk will call House Amendment Schedule A.

CLERK:

House Amendment A offered by Mr. Blake of the 53rd.

MR. SPEAKER:

The gentleman care to outline the amendment.

REPRESENTATIVE HEALEY:

The bill is in your files in Section 1 provides a prohibition of interlocking directorship among, for practical purposes, for financial institutions. This would divide the banking community into three natural groupings, in other words, state bank and trust companies, savings and loan associations and the savings banks, and prohibit interlocking directors which jump across those natural lines. In other words, it would permit an individual to be an officer, director, employee of more than one savings bank or more than one savings and loan or more than one commercial bank. They could not cross as between the various types of organizations, the Section 3, having to do with bank holding companies no longer is necessary and is eliminated. I move the amendment.

MR. SPEAKER:

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Will you remark further on Amendment Schedule A.

Representative Erwin.

REPRESENTATIVE ERWIN:

I speak on behalf of the amendment. I think it is a giant step in the right direction. As you all know, we just went through, you might say was the battle of the banks in Connecticut, and I think this is a step in the proper direction to have the objects of our different banking systems kept wholly and these gentlemen can best serve that purpose by staying in one of the 3 main fields of Connecticut banking.

MR. SPEAKER:

Further remarks on Amendment Schedule A. Representative Cretella.

REPRESENTATIVE CRETELLA:

As a member of the Banking Committee, I rise in support of this amendment. It was a matter that was discussed in committee and I join in the remarks of previous speakers to the effect that it will benefit the banking industry as a whole. I urge adoption of the amendment.

MR. SPEAKER:

Further remarks on the amendment. If not, all those in favor indicate by saying Aye. Opposed. A is adopted and ruled technical. Gentleman from the 87th.

REPRESENTATIVE HEALEY:

I now move the passage of the bill as amended.

MR. SPEAKER:

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Would the gentleman care to yield, the gentleman from the 140th wishes to offer Amendment B.

Representative Ervin.

REPRESENTATIVE ERVIN:

I would ask the Clerk waive the reading of Schedule B and I will summarize it. Schedule B, I feel is a very substantial amendment in state banking but it is something that is deserved in this state. And in effect it says that no person who has reached the age of 72 years shall be an officer, employee, director or trustee of a state bank and trust company, national banking association, savings bank, building or savings and loan association or federal savings and loan associations, having an office in this state. The main purpose of this amendment is directed not certainly at employees or officers, because most of them are well retired by the age of 65 or 70, but it is aimed mainly at bank directors. Unfortunately in this state we have many banks, over 38% of savings banks have no limitations in their by-laws of their retirement age of these individuals and what has happened has been the plight of many smaller banks in our state retaining men who are now well in their 80's and more who stay on, not as an active member of the board of directors, but more less (inaudible). And unfortunately these banks are not getting modern or experienced businessmen in this directorship positions who can give to the depositors of these banks the proper guidance and the years ahead. Two years ago, in Banking Committee, we had similar

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bills to limit the retirement age of directors. At that time the banking department of Connecticut asked us not to make that a state law because they wanted to contact all the banks individually and try to have them do it on a voluntary basis. However, 2 years have gone by and again 38% in the savings bank field, they have not complied to this voluntary request of the banking department. I contacted them prior to my inserting this amendment and this bill and I asked them would they have any objection now that 2 years have gone by and they said absolutely not. In fact, we favor this part of the amendment. It is something that is best for the people and you can even state on the floor of the House that it is something the Connecticut Banking Department now needs. This is an amendment that I think is best for the people of Connecticut, I think it is an important amendment and one that we should pass today in this House.

REPRESENTATIVE HEALEY:

Speaking for Doctor Blake as Chairman of the Banks Committee and myself, we accept the amendment, we believe it improves the bill.

REPRESENTATIVE EDWARDS:

I would have to mildly object to the amendment on behalf of my distinguished and very gracious colleague from the 158th whose presence on any bank board would improve it.

MR. SPEAKER:

Representative Reinhold.

REPRESENTATIVE REINHOLD:

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A question to the proponent of Amendment B. Many savings banks, particularly those with branches have advisory committees. Are advisory committees included under this amendment.

REPRESENTATIVE ERVIN:

Through you, Mr. Speaker, no, they are not.

MR. SPEAKER:

Representative Lyons.

REPRESENTATIVE LYONS:

I rise to support the amendment and I merely like to point out that at one time I had submitted a bill that would do just this, although my bill mentioned the age 70.

MR. SPEAKER:

Representative Vicino.

REPRESENTATIVE VICINO:

This is a fine amendment and I think it moves in the proper direction as far as curing some of the yields that now exist with some of our boards of directors. However, I think the bill stops short of doing what I would like to see with the amendment. And that is to correct the self perpetuation of the boards of directors and trustees on state savings banks.

MR. SPEAKER:

Representative Camp.

REPRESENTATIVE CAMP:

I oppose the amendment. A magic age doesn't determine somebody's ability to serve any place. I will vote against it.

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MR. SPEAKER:

Further remarks on amendment schedule B. If not, all those in favor indicate by saying Aye. Opposed. B is adopted and ruled technical. Gentleman from the 87th.

REPRESENTATIVE HEALEY:

I now move the passage of the bill with both amendments.

MR. SPEAKER:

Will you remark.

REPRESENTATIVE HEALEY:

There are two exceptions which are spelled in the bill. One of them does permit (inaudible) officers or directors of the state bank and trust companies, savings bank, which share the identical office space. We do have one situation in Connecticut where this is the fact. A small savings bank and small bank and trust company, they share the same office, they share the same employees. If we were to put the split requirement in with respect to that bank, why both would be so small, they would be forced out of business. There further is a 3 year phase out period in order to permit an orderly implementation of the bill. I move the adoption of the bill as amended.

MR. SPEAKER:

Further remarks on the bill as amended. If not, all those in favor indicate by saying Aye. Opposed. The bill is passed.

CLERK:

Page 9, Calendar llll, Substitute for House Bill 5160 - An Act Concerning Membership of State Ambulance Commission.

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restriction of requiring the Compensation Commissioner having jurisdiction in a particular district involved to approve the waiver indicated in the present statute. The waiver described in the above outline is already in the statutes and this bill provides that any compensation commissioner may validate a waiver and he further is required to file, in writing, such a validation in the district where an employer is located.

THE CHAIR:

question on passage of the bill. Will you remark, if not, will you signify by saying Aye. The Ayes have it. The bill is passed.

THE CLERK

Calender No. 741, File No. 1052. Favorable report Joint Senate Committee on Banks and Regulated Activities. S.B. 458. An Act Concerning Reenlocking Directors in Banking Institutions.

SENATOR BUCKLEY:

Mr. President, move acceptance and passage.

THE CHAIR:

Will you remark.

SENATOR BUCKLEY:

Prevention to acting director, it's between any financial institutions in the State of Connecticut section (2) says a provision, a bank which has both savings and commercial departments in the same building and section (4) provides for a three year period of time for readjustment. Basically this bill goes

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a part of the way towards eliminating inter-locking directorship between banks and insurance companies and others. It takes Banks as the first step, but if I am back here in any further sessions of this assembly, we will attack the problem of inter-locking directory between other friendly institutions which are involved with banks and financing etc..

THE CAHIR:

The question is on passage. Will you remark further. If not, all those in favor of passage, signify by saying Aye. The Ayes have it. The bill is passed.

THE CLERK:

Calendar No. 741, File No. 818. Favorable report Joint Senate Committee on State and Urban Development on substitute H.B. 84. Resolution Providing for a Study by the Joint Standing Committee on State and Urban Development of State Public Works Practices.

SENATOR LIEBERMAN:

Mr. President, I move acceptance of the Joint Committees favorable report and passage of the bill.

THE CHAIR:

Will you remark:

SENATOR LIEBERMAN:

Mr. President, this resolution grows out of the resolution introduced in the legislature by Representative Gregorzek which was asking for a study of the practice of the Department of

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## THE SENATE AT 10:35 P.M., RECESSED

## AFTER RECESS

The Senate was called to order at 10:58 P.M., Senator DeNardis in the Chair.

## THE CHAIR:

If I may make this announcement, Senator Caldwell is about to list a long number of bills, by number. And it is extremely important that we have quiet in the Chamber, so there is no confusion as to the bills that he will list. I ask your cooperation.

## SENATOR CALDWELL:

Mr. President, I have a list of bills by numbers, to read. I move that we accept the joint committees favorable reports and acceptance of the bills, as follows: Cal. No. 1326, House Bill 7455, File 1256; File No. 1327, House Bill 7686, File 1349; Cal 1328, House Bill 7710, File 820; Cal 1329, House Bill 7744, File 1573, Cal. 1331, House Bill 7903, File 1284; C l. 1332, House Bill 7959, File 1292; Cal 1333, House Bill 7974, File 1382; Cal 1334, House Bill 8033, File 931; Cal 1335, House Bill 8182, File 979; C<sup>a</sup>l. 1336, House Bill 8228, File 1294; Cal. 1337, House Bill 8284, File 899; C l 1338, House Bill 8683, File 591; CAL. 1340, House Bill 8931 File 123; CAL. 1341, House Bill 8936, File 832; Cal. 1342, House Bill 8967, File 1072; Cal. 1343, House Bill 9025, File 953; Cal. 1345, House Bill 9229, File 1576; Cal. 1346, House Bill 9231, File 1451; CAL. 1347, House Bill 9327; File 704; Cal. 1348, House Bill 9251, File 1574, Cal. 1349, Senate Bill 825; C<sub>2</sub>l. 259, Senate Bill 989, File 291; Cal. 695, Senate Bill 1700, File 990; C l. 732, Senate Bill 458, File 1052; CAL. 139, House Bill 7447, File 104; CAL. 166, House Bill 6409, File 136; Cal. 1363, House Bill 9194, File 1634; C<sup>a</sup>l. 1364, House Bill 5231