

Federal Reserve Bank of Boston  
**BANK NOTES**

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## Mergers and Acquisition

BankFive, MHC of Fall River, MA, (\$601.9 million) acquired Luzo Community Bank of New Bedford, MA, (\$66.2 million) on July 13, 2007. With the acquisition, BankFive hopes to serve the business needs of southeastern Massachusetts' fishing community by providing larger lines of credit than previously had been available through Luzo alone. (Internal sources, 7/20/07; SNL M&A Weekly, 7/23/07)

On July 2, 2007, the merger between New York-based Bank of New York Co. Inc. and Pittsburgh-based Mellon Financial Corp. was completed. First announced in January 2007, the merger creates "The Bank of New York Mellon Corp.," the world's largest securities-servicing firm, with an estimated annual revenue of over \$12 billion. (SNL Bank & Thrift Daily, 7/03/07)

Boston Private Financial Holdings, Inc. (\$5.87 billion) of Boston, MA, completed acquisition of Charter Bank of Bellevue, WA, on July 1, 2007. (Internal sources, 7/06/07)

On July 1, 2007, the Institution for Savings in Newburyport and Its Vicinity, of Newburyport, MA, completed its merger with Ipswich Co-operative Bank of Ipswich, MA. The merger of equals creates a new company, the Institution for Savings, with over \$800 million in assets, which will be the third largest bank based in Essex County. (Internal sources, 7/06/07; Boston Globe, 7/05/07)

Butler Bank of Lowell, MA, completed its affiliation with Marlborough Co-operative Bank of Marlborough, MA, on July 2, 2007. Butler Bancorp will serve as the bank holding company for both banks; however, both Butler Bank and Marlborough Co-operative Bank will operate under their original names and charters. The partnership has over \$300 million in assets and six branches in Massachusetts and Maine. (Internal sources, 7/20/07; Butler Bank press release, 7/02/07)

Legacy Banks, a unit of Legacy Bancorp, Inc. of Pittsfield, MA, has agreed to acquire certain assets and to assume certain liabilities of five branches of First Niagara Bank of Lockport, NY. Pending regulatory approvals, the

deal is expected to be completed in the fourth quarter of 2007. (SNL Bank & Thrift Daily, 7/26/07)

State Street Bank and Trust Company of Boston, MA, (\$110.00 billion) completed its acquisition of Investors Bank & Trust Company of Boston, MA, (\$14.21 billion) on July 1, 2007. On the same day, the holding company for Investors Bank & Trust, Investors Financial Services Corp. of Boston, MA, closed.

By acquiring Investors Financial, State Street adds \$2.3 trillion to its assets under custody, which as of March 31, 2007, totaled an estimated \$14.3 trillion. (Internal sources, 7/06/07; SNL Bank & Thrift Weekly, Northeastern Edition, 7/09/07)

Triangle Credit Union of Nashua, NH, acquired Union Leader Employees Credit Union of Manchester, NH, on July 1, 2007. (Internal sources, 7/06/07)

## Conversions/Bank Holding Companies

On June 22, 2007, Medway Co-operative Bank of Medway, MA, became a member of the Federal Reserve System. (Internal sources, 6/29/07)

Charter Financial Corporation of Bellevue, WA, merged into Boston Private Financial Holdings, Inc. of Boston, MA, on July 1, 2008. (Internal sources, 7/06/07)

Danvers Bancorp Inc., of Danvers, MA, the mutual holding company of Danversbank (MHC), announced on June 19, 2007, its plans to convert to a stock holding company. Pending regulatory approval, Danvers Bancorp plans to begin its stock offering in the fourth quarter of 2007. (SNLI, 6/20/07; Danvers Bancorp press release, 6/19/07)

New England Bancshares, Inc. (\$284.2 million) of Enfield, CT, became a bank holding company on July 13, 2007, with its acquisition of First Valley Bancorp (\$184.9 million) of Bristol, CT. New England Bancshares is the holding company for Enfield Federal Savings and Loan Association, which now operates eight banking centers serving the communities of Enfield, Ellington, Manchester, Suffield, East Windsor, and Windsor Locks, CT. (Internal sources, 7/20/07; New England Bancshares press release; 7/13/07)

Ocean National Bank of Portsmouth, NH, converted from a national banking association bank to a New Hampshire trust company under the new name of “Ocean Bank” on June 29, 2007. On the same day, Ocean Bank converted from a member to a non-member of the Federal Reserve System. (Internal sources, 7/13/07)

## De Novos

On May 15, 2007, organizers of Optima Bank & Trust Co. of Portsmouth, NH, filed applications to open a state-chartered bank to serve coastal New Hampshire and the southern part of York County in Maine. The bank intends to focus on traditional retail products and services, such as real estate and commercial lending, and may offer investment services. Organizers hope to open the bank in the fall of 2007. (SNL Bank & Thrift Weekly, Northeastern Edition, 7/09/07)

Harbor Bank & Trust of Southport, CT, filed an application to form a state-chartered de novo on July 17, 2007. The private bank would serve high net-worth individuals, small- to medium-sized businesses and professionals, and non-profit enterprises within the Connecticut counties of Fairfield, Southport, and Westport.

## Branch Openings

Brookline Bank, a unit of Brookline Bancorp, Inc. of Brookline, MA, opened a full-service branch in Needham Heights, MA, on July 12, 2007. The opening marks Brookline Bank’s 17<sup>th</sup> branch. (SNL Bank & Thrift Weekly, Northeastern Edition, 7/16/07)

Butler Bank, a Co-operative Bank, of Lowell, MA, opened a branch at 16 North Main Street in Andover, MA, on June 1, 2007. (Internal sources, 7/20/07)

Danversbank of Danvers, MA, opened a branch at 584 Broadway in Saugus, MA, on July 5, 2007. (Internal sources, 7/20/07)

People’s United Bank of Bridgeport, CT, announced on June 19, 2007, that it opened a branch in Greenburgh, NY. The bank also announced its intention to open 15 more branches in New York’s Westchester County over the next three years, seven of which may be opened in 2007. (SNL Bank & Thrift Weekly, 7/23/07)

On June 25, 2007, Westfield Bank of Westfield, MA, opened a branch on East Main Street in Westfield, MA. The new branch will be open seven days a week. (SNL Bank & Thrift Weekly, 6/29/07)

## Federal Financial Regulatory Agencies Issue Statement on Enforcement of BSA/AML Requirements

The federal financial regulatory agencies, on July 19, 2007, issued an interagency policy to enforce specific anti-money laundering (AML) requirements of the Bank Secrecy Act (BSA).

The policy addresses the application of section 8(s) of the Federal Deposit Insurance Act, which generally requires each federal banking agency to issue a *cease and desist* order when a supervised institution is in violation of the requirements to establish and maintain a BSA/AML compliance program.

The policy was issued to promote a consistent approach for agency enforcement of BSA/AML requirements and to make standards more transparent to the industry. The policy does not require banks to take any new steps, nor does it require examiners to follow different procedures from those currently set forth in the FFIEC BSA/AML Examination Manual.

The agencies’ joint press release is available at: [www.federalreserve.gov/boarddocs/press/bcreg/2007/20070719/default.htm](http://www.federalreserve.gov/boarddocs/press/bcreg/2007/20070719/default.htm). The Federal Reserve Board also issued a Supervision and Regulation Letter (SR-Letter 07-10) that is available at: [www.federalreserve.gov/boarddocs/srletters/2007/SR0710.htm](http://www.federalreserve.gov/boarddocs/srletters/2007/SR0710.htm). (SR 07-10, 7/19/07; Interagency press release, 7/19/07)

## FDIC Issues Financial Institution Letter on Market Risk Capital

On July 18, 2007, the FDIC reminded banks that reporting a significant amount of trading assets on the balance sheet, or increasing the percentage of assets reported as trading assets, may subject a bank to the market risk capital requirements. These requirements generally are applicable to banks whose gross “trading activity” equals \$1 billion or more, or 10 percent or more of its total assets.

Market risk capital rules require banks to have certain risk measurement systems in place prior to conducting trading activity that meets the size criteria outlined above. Institutions that expect to exceed the threshold minimums should contact their FDIC Regional Office in advance to discuss plans and preparations for complying with the market risk capital requirements. The FDIC’s complete letter is available online at: [www.fdic.gov/news/news/financial/2007/fil07064.html](http://www.fdic.gov/news/news/financial/2007/fil07064.html). (FDIC Financial Institution Letter, 7/18/07)

## Amendments to Regulation E, "Electronic Fund Transfers"

On June 28, 2007, the Federal Reserve Board approved a final rule that exempts transactions of \$15 or less, made at an electronic terminal, from Regulation E's requirement that receipts be made available to consumers. The rule will facilitate consumers' ability to use debit cards in environments where making receipts available may not be practical or cost effective. The rule change becomes effective on August 6, 2007. (Federal Reserve press release, 6/28/07)

## Interagency Statement on Subprime Mortgage Lending

On July 10, 2007, the federal financial regulatory agencies issued a Statement on Subprime Mortgage Lending to address issues relating to certain adjustable-rate mortgage (ARM) products that can cause payment shock. The statement establishes prudent standards for safety and soundness, and consumer protection. The standards should be followed by banks to ensure that consumers, especially subprime borrowers, obtain loans they can

afford to repay and receive information that adequately describes product features.

For more information, please view the FDIC's letter to financial institutions, which includes a link to the agencies' press release. The letter is online at: [www.fdic.gov/news/news/financial/2007/fil07062.html](http://www.fdic.gov/news/news/financial/2007/fil07062.html). (FDIC Financial Institution Letter, 7/10/07)

## Proposed Revisions to Community Reinvestment Act's Interagency Questions and Answers

On July 11, 2007, the federal financial regulatory agencies published proposed revisions to the *Interagency Questions and Answers Regarding Community Reinvestment*. The proposed "Q&A" provides informal staff guidance on community reinvestment. Public comments are requested by September 10, 2007. The announcement, proposed revisions, and instructions for submitting comments are available online at: [www.federalreserve.gov/boarddocs/press/bcreg/2007/20070711/default.htm](http://www.federalreserve.gov/boarddocs/press/bcreg/2007/20070711/default.htm). (FDIC Financial Institution Letter, 7/11/07; Interagency press release, 7/11/07)



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