

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
Division of Banking
233 RICHMOND STREET
PROVIDENCE, RHODE ISLAND 02903

NOTICE OF PROPOSED REGULATIONS
AND NOTICE OF PUBLIC HEARING

Notice is hereby given, in accordance with R. I. Gen. Laws §§ 42-14-17 and 42-35-3, that the Director of the Department of Business Regulation (“Department”) proposes to promulgate the following Regulations:

Banking Regulation 1 – Mutual Holding Companies

Banking Regulation 2 – Mutual Financial Institutions and Mutual Bank Holding Companies Converting to Stock Form of Ownership

The Proposed Regulations provides requirements with respect to the reorganization of mutual financial institutions into mutual holding companies and the reorganization of mutual financial institutions and mutual bank holding companies into stock form, respectively.

Notice is also hereby given, in accordance with R. I. Gen. Laws § 42-35-2, that the Department of Business Regulation will hold a public hearing beginning at 10:00 a.m. on April 14, 2003, in the Main Hearing Room of the Department of Business Regulation, 233 Richmond Street, Providence, Rhode Island 02903, regarding the Proposed Regulations.

Copies of the Proposed Regulations are on file at the Department and copies may be obtained from the Legal Division, Department of Business Regulation, 233 Richmond Street, Providence, Rhode Island 02903 during normal working hours on regular business days or by mail upon request. The Proposed Regulations may also be obtained from the Department’s website www.dbr.state.ri.us.

In the development of the Proposed Regulations, consideration was given to overlapping approaches, overlap and duplication with other statutory and regulatory provisions and economic impact on small business and cities and towns.

All interested persons may submit their views, data or arguments regarding the Proposed Regulations, including information relating to alternative approaches, duplication or overlap with other state rules or regulations and the economic impact of the Proposed Regulations on small business and/or cities and towns, orally at the public hearing or in writing, either by delivering the same in person or United States mail with postage pre-paid thereon to the Department of Business Regulation, 233 Richmond Street, Providence, Rhode Island 02903 attention David St. Germain, Esq., Hearing Officer.

ALL WRITTEN SUBMISSION MUST BE RECEIVED NOT LATER THAN
APRIL 14, 2003 AT 10:00 A.M.

The hearing room is accessible to the handicapped. Individuals requesting interpreter services for the hearing impaired must notify the Office of Legal Counsel at (401) 222 5400 or TDD (401) 222 2999 not less than ninety-six (96) hours in advance of the hearing date.

Marilyn Shannon McConaghy
Director, Department of Business Regulation

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division Of Banking
233 Richmond Street, Suite 231
Providence, Rhode Island 02903



Banking Regulation 2
Mutual Financial Institutions And Mutual Holding Companies
Converting To Stock Form Of Ownership

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Section 1 **Authority**

This Regulation is promulgated pursuant to the authority granted in Sections 14 and 14.1 of Chapter 2 of Title 19 of the General Laws of Rhode Island.

Section 2 **Purpose**

The purpose of this Regulation is to set forth procedures to carry out the provisions of Sections 19-2-14 and 19-2-14.1 of the General Laws of Rhode Island entitled "Conversion to stock form of financial institution" and "Mutual holding companies", respectively. The actions and information required by this Regulation are hereby declared to be necessary and appropriate and in the public interest.

Section 3 *Definitions*

Unless otherwise provided by this Regulation or unless the context clearly requires otherwise, terms used in this Regulation shall have the same meaning as the terms as defined in Title 19.

(A) Board of Trustees: Board of trustees shall mean the governing body of the mutual savings bank, whether it be called the board of trustees or the board of directors. The terms board of trustees or board of directors, for purposes of this Regulation and R. I. Gen. Laws §§ 19-2-14 and 19-2-14.1 are interchangeable.

(B) Eligible Depositor: Eligible depositor, for purposes of this Regulation, shall mean a depositor holding qualifying deposits, as defined in the plan of conversion, as of a date designated in the plan of conversion which is not less than one (1) year prior to the date of adoption of the plan of conversion by the board of trustees. The plan of conversion may provide that any deposit accounts with total deposit balances of less than fifty dollars (\$50.00) shall not constitute a qualifying deposit.

Section 4 *Provisions*

(A) General

Any mutual savings bank or mutual holding company may convert to a stock form of ownership upon complying with the provisions of state law and this Regulation. The deposits of the converting institution must remain federally insured at all times.

(B) Application to Convert

To request approval from the Director to convert to a stock form of ownership, the board of trustees must file an application with the Director in such form and containing such

information as the Director requires to meet the requirements of R. I. Gen. Laws §§ 19-2-14 and 19-2-14.1 as the case may be, and this Regulation. Included with such application shall be a certification from, prepared by or caused to be prepared for, the board of trustees detailing the outcome of each vote as required by law. The certification shall contain the date or dates of the voting, the total votes cast, the total votes cast in favor of the conversion, the number of votes present at a meeting called for the purpose of voting on the conversion and the total number of votes cast by proxy.

(C) Contents of Application to Convert

The application to convert shall contain and include the plan of conversion, as adopted by the board of trustees. The application for conversion shall include, but not be limited to:

(1) A full appraisal of the value of the converting bank or holding company, prepared by an independent appraiser which includes a complete and detailed description of the methodology employed and sufficient support for the conclusions reached; and

(2) A business plan which includes a discussion of how the capital acquired through the conversion will be used.

(D) Factors to be Considered

The Director shall consider, among other things, the fairness of the plan of conversion to the eligible depositors of the converting institution. Factors considered by the Director to determine fairness may include, but are not limited to:

(1) the adequacy of the disclosure materials;

(2) the form of the proxy statement required for the vote of the depositors on the conversion;

(3) the adequacy and independence of the appraisal of the value of the converting institution;

(4) the pricing of the stock in relation to the pro forma value market value of the converting institution;

(5) the compensation or benefits to be obtained by officers, directors or trustees of the converting institution in connection with the conversion;

(6) the extent to which the application materials submitted to the Director conform with laws, rules or regulations of the federal deposit insurer of the converting institution and the various provisions of mutual-to-stock conversion regulations of the Office of Thrift Supervision as in effect at the time of submission of the application to the Director; and

(7) such other factors or information that the Director reasonably determines relevant to the conversion.

(E) Liquidation Account

The liquidation account established as part of the plan of conversion shall be maintained and recalculated, if necessary, consistent with the provisions relating to liquidation accounts established pursuant to mutual-to-stock conversion regulations of the Office of Thrift Supervision as in effect at the time of liquidation.

Section 5 Severability

If any provision of this Regulation or the application thereof to any person or circumstances is held invalid or unconstitutional, the invalidity or unconstitutionality shall not affect other provisions or applications of this Regulation which can be given effect without the invalid or unconstitutional provision or application, and to this end the provisions of this Regulation are severable.

Section 6 **Effective Date**

This Regulation shall be effective twenty (20) days from the date of filing with the Secretary of State.

Effective date: April _____, 2003.

Predecessor Regulation Banking Regulation 98-214 effective August 9, 1998 and refilled on December 19, 2001 is simultaneously repealed on the effective date of this Regulation.