Federal Reserve Bank of Boston

BANK NOTES

• Edited by Anne M. McElroy •
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Mergers and Acquisitions

Boston Private Financial Holdings, Inc. of Boston, MA, announced on March 31, 2009, that it will sell two of its units to the units' respective management teams. **Boston Private Value Investors, Inc.** of Concord, NH, will be sold to its management team and will be renamed **Granite Investment Advisors**. In addition, Boston Private announced the sale of its 76% interest in **Sand Hill Advisors LLC** of Palo Alto, CA, to its management team. No terms were disclosed for either deal. *(SNL Bank & Thrift Daily, 4/01/01; Boston Private Financial press releases, 3/31/09)*

Fidelity National Information Services (FIS) of Jacksonville, FL, has agreed to acquire of Milwaukee, WI, according to a statement issued by the two companies on April 1, 2009. The deal will be **Metavante Technologies Inc.** structured as a tax-free reorganization with Metavante being merged with and into a newly formed subsidiary of FIS.

The combined company will have approximately $4.8 billion of debt outstanding at closing, including $1.45 billion of debt to be incurred and assumed in connection with the acquisition. The transaction, subject to regulatory and shareholder approval, is expected to close in the third quarter of 2009. *(SNL Bank & Thrift Daily, 4/02/09)*

Legacy Banks of Pittsfield, MA, purchased certain assets and assumed certain liabilities of one branch of **People's United Bank** of Bridgeport, CT. The transferred branch is located in Haydenville, MA. *(Internal sources, 3/20/09)*

Old National Bancorp of Evansville, IN, completed its acquisition of the Indiana branch network of **Citizens Financial Group, Inc.** of Providence, RI, according to forms filed on March 20, 2009. The network consists of 65 **Charter One** retail branches that had been owned by Citizens. According to the companies' original announcement in November 2008, the transaction value was $15.9 million. *(SNL Bank & Thrift Weekly, Northeastern Edition, 3/30/09 and 12/01/08.)*

Conversions

On March 23, 2009, **Campello Bancorp** of Brockton, MA, announced the termination of its mutual-to-stock conversion and the associated public offering. The company said that it would revisit the decision when market conditions for conversion offerings improve. *(SNL Bank & Thrift Weekly, 3/24/09)*

Federal Reserve Board Requests Public Comment on Proposed Changes to the Methodology for Calculating the Private Sector Adjustment Factor

On March 31, 2009, the Federal Reserve Board requested public comment on proposed changes to the methodology for calculating the imputed costs, collectively known as the private sector adjustment factor (PSAF), that are considered when setting fees and measuring cost recovery for certain Federal Reserve Bank payment services provided to depository institutions (DIs). The comment period ends on May 29, 2009.

The Board requests comment on its proposal to replace the current correspondent bank model underlying the PSAF calculation with a model based on elements derived from publicly traded firms more broadly. The Board is considering a new methodology because the recent implementation of the payment of interest on DI required reserve balances and excess balances held at Reserve Banks and the subsequent reduction in clearing balances held at Reserve Banks have changed the priced services balance sheet to more closely reflect publicly traded firms more generally rather than correspondent banks. Any change to the methodology could be effective as early as the 2010 pricing process.

The Monetary Control Act of 1980 requires the Federal Reserve to set fees for the services it provides to depository institutions at a level sufficient to recover, over the long run, the actual costs of providing these services, as well as the imputed costs and profits. The PSAF is an allowance for imputed costs, including financing costs, return on equity capital, taxes, and certain other expenses that are not explicitly incurred by the Reserve Banks but would be incurred by a private business firm providing the services.

The methodology underlying the PSAF is reviewed periodically to ensure that it is appropriate and relevant in light of changes that may have occurred in Reserve Bank priced-services activities, accounting standards, finance theory, and regulatory and business practices.

For more information on the proposal and instructions to file comments, please visit www.federalreserve.gov/newsevents/press/other/20090331a.htm. *(Reserve Board press release, 3/31/09)*

Deposit Insurance Assessments Final Rule on Assessments; Amended FDIC Restoration Plan; Interim Rule on Emergency Special Assessment

On February, 27, 2009, the FDIC Board of Directors:

(1) Adopted a final rule modifying the risk-based assessment system and setting initial base assessment rates beginning April 1, 2009;

(2) Due to extraordinary circumstances, amended the Restoration Plan established October 7, 2008, extending to seven years the time within which the reserve ratio must be returned to 1.15 percent; and

(3) Adopted an interim rule with request for comments imposing an emergency 20 basis point special assessment on June 30, 2009, which will be collected on September 30, 2009, and possible additional special assessments of up to 10 basis points thereafter to prevent the reserve ratio from falling to a level that would adversely affect public confidence or to a level close to zero or negative.

For more information, please view the FDIC's letter to financial institutions at www.fdic.gov/news/news/financial/2009/fil09012.html. *(FDIC FIL-12-2009, 3/02/09)*

Proposed Changes to Regulation Z (Truth in Lending)

On March 11, 2009, the Federal Reserve Board proposed amendments to Regulation Z (Truth in Lending) that would revise the disclosure requirements for private education loans.

The amendments implement provisions of the Higher Education Opportunity Act (HEOA), which was signed into law on August 14, 2008. Under the amendments, creditors that extend private education loans would provide disclosures about loan terms and features on or with the loan application and would also have to disclose information about federal student loan programs that may offer less costly alternatives. Additional disclosures would have to be provided when the loan is approved and when the loan is consummated. The Board also proposed model disclosure forms that creditors could use to comply with the new requirements.

The new disclosure requirements would apply to loans made expressly for postsecondary educational expenses but would not apply where educational expenses are funded by credit card advances, or real-estate-secured loans.

In addition, the proposal does not apply to education loans made, insured, or guaranteed by the federal government, which are subject to disclosure rules issued by the Department of Education.

More information is available online at www.federalreserve.gov/newsevents/press/bcreg/20090311a.htm. *(Reserve Bank press release, 3/11/09)*

Statement of the Role of the Federal Reserve in Preserving Financial and Monetary Stability

On March 23, 2009, the US Department of the Treasury and the Federal Reserve Board issued a joint statement on the role of the Federal Reserve. The statement noted that the Federal Reserve should play a central role, in cooperation with the Treasury and other agencies, in preventing and managing financial crises.

While the Federal Reserve has traditionally collaborated with other agencies in efforts to preserve financial security, the Federal Reserve alone is responsible for maintaining monetary stability. The statement noted the Treasury's and the Federal Reserve's agreement on the following broad points:

1) Treasury-Federal Reserve cooperation in improving the functioning of credit markets and fostering financial stability.

2) The Federal Reserve is to avoid credit risk and credit allocation.

3) The need to preserve monetary stability.

4) The need for a comprehensive resolution regime for systemically critical financial institutions.

The full text of the joint statement is available at www.federalreserve.gov/newsevents/press/monetary/20090323b.htm. *(Joint statement, 3/23/09)*

FDIC Launches Legacy Loans Program

The Federal Deposit Insurance Corporation (FDIC) on March 26, 2009, announced the opening of the public comment period for the Legacy Loans Program (LLP). The FDIC and the Department of the Treasury recently announced the LLP, which will remove troubled loans and other assets from FDIC-insured institutions and attract private capital to purchase the loans.

The program is intended to boost private demand for distressed assets that are currently held by banks and facilitate market-priced sales of troubled assets. It is necessary because uncertainty about the value of these assets makes it difficult for banks to raise capital and secure stable funding to support lending to households and businesses.

The LLP will combine an FDIC guarantee of debt financing with equity capital from the private sector and the Treasury. The partnerships will purchase assets from banks and place them into what will be known as Public-Private Investment Funds (PPIF). Institutions of all sizes will be eligible to participate in the LLP to sell assets. It is expected that a range of investors will participate. The program will particularly encourage the participation of individuals, mutual funds, pension plans, insurance companies and other long-term investors. Investors will be pre-qualified by the FDIC to participate in auctions.

The FDIC will play an ongoing reporting, oversight and accounting role. In addition, the FDIC will structure the debt that the selling bank will take back when the legacy loans are sold. Participant banks may then resell the debt into the market.

For more information, please visit www.fdic.gov/llp/index.html. *(FDIC press release, 3/26/09)*

Reserve Board Delays Implementation of the Effective Date of New Limits on Certain Securities and Other Restricted Core Capital

The Federal Reserve Board on March 17, 2009, announced the adoption of a final rule that delays until March 31, 2011, the effective date of new limits on the inclusion of trust preferred securities and other restricted core capital elements in tier 1 capital of bank holding companies (BHCs). This action is being taken in light of continued stress in financial markets and the efforts of BHCs to increase their overall capital levels.

These new limits were scheduled to take effect on March 31, 2009, pursuant to a final rule adopted by the Board on March 10, 2005. The delay will further the ability of the Federal banking agencies and the U.S. Department of the Treasury, to respond to the current financial situation.

More details are available at www.federalreserve.gov/newsevents/press bcreg/20090317a.htm. *(Board press release, 3/17/09)*

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