



Vermont...

Department of Banking, Insurance and Securities

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USE OF "BANK", "BANKING ASSOCIATION", OR "TRUST COMPANY" BY FINANCIAL SERVICES INSTITUTIONS

This bulletin explains the position of the Department of Banking, Insurance, and Securities on implementation of Title 8, V.S.A. Section 558, which provides:

A person, firm, association or corporation, except corporations reporting to and under the supervision of the commissioner, shall not advertise or put forth any sign as a bank, banking association or trust company, or in any way solicit or receive deposits or transact business as a bank, banking association or trust company, or use the words "bank", "banking association" or "trust company".....(emphasis added)

A question of identity has arisen: within the scope of Section 558, which are the "corporations reporting to and under the supervision of the Commissioner"? Those which report and operate under the supervision of the Commissioner may use the words "bank", "banking association" or "trust company" in marketing or business transactions. Those which do not so report and operate may not use these terms in the conduct of their marketing or business transactions in Vermont.

In addition to financial entities holding a bank charter, there are financial entities with banking family relationships so close as to be perceived as banks by the public. Such entities typically engage in one or more traditional banking activities and operate in conjunction with a bank of some sort. Conversely, there are those financial services organizations which are governed by unique laws and regulations and which should not be so perceived. Insurance companies, securities brokers/dealers, credit unions and state-chartered savings and loan associations are examples of financial services providers not closely identified with banks and not regulated as banks.

For the foregoing reasons, it is the Department's position that the following corporations are "corporations reporting to and under the supervision of the Commissioner" for the purposes of compliance with Section 558:

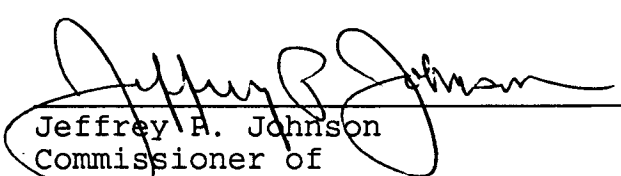
- * State chartered banks ("state banks") as defined in 8 VSA Section 2;

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- * Nationally chartered banks ("national banks") as defined by federal law or "federal savings banks" as defined by federal law, with their principal place of business in Vermont;
- * Those licensed lenders which are licensed under 8 VSA Chapter 73 and meet at least one (1) of the following criteria:
 - The licensed lender is a subsidiary of a "state bank", "national bank", or a "federal savings bank" or a subsidiary of a bank with its principal place of business in another state; or
 - The licensed lender is a subsidiary of a bank holding company as defined in 12 USC Section 1841 et seq.

Corporations not meeting one of the tests set forth above may not use the terms "bank", "banking association", or "trust company" in marketing or business transactions within Vermont.

Any corporation allowed to use the terms "bank", "banking corporation" or "trust company" under Section 558 and this Bulletin is expected to follow name origination or name change procedures as prescribed by applicable Vermont state laws.



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Banking, Insurance & Securities