

HOUSE BILL 1403

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By: **Delegate Mosby**

Introduced and read first time: February 7, 2020

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – State Banks – Investing in For-Profit Correctional**
3 **Facilities – Prohibited**

4 FOR the purpose of prohibiting certain State banks and credit unions from providing
5 financing for or investing in certain securities of an institution, a company, or a
6 subsidiary that owns a private correctional facility or contracts as a private
7 contractor or vendor for the ownership, operation, or management of a State
8 correctional facility or local correctional facility; defining certain terms; and
9 generally relating to investments by financial institutions.

10 BY repealing and reenacting, without amendments,
11 Article – Financial Institutions
12 Section 1–101(a) and (d) and 6–101(a) and (d)
13 Annotated Code of Maryland
14 (2011 Replacement Volume and 2019 Supplement)

15 BY adding to
16 Article – Financial Institutions
17 Section 5–503.1
18 Annotated Code of Maryland
19 (2011 Replacement Volume and 2019 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article – Financial Institutions
22 Section 6–705
23 Annotated Code of Maryland
24 (2011 Replacement Volume and 2019 Supplement)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
26 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Financial Institutions

1-101.

(a) In this article, unless the context clearly requires otherwise, the following words have the meanings indicated.

(d) “Banking institution” means an institution that is incorporated under the laws of this State as a State bank, trust company, or savings bank.

5-503.1.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “CORRECTIONAL FACILITY” HAS THE MEANING STATED IN § 1-101 OF THE CORRECTIONAL SERVICES ARTICLE.

(3) “LOCAL CORRECTIONAL FACILITY” HAS THE MEANING STATED IN § 1-101 OF THE CORRECTIONAL SERVICES ARTICLE.

(4) “STATE CORRECTIONAL FACILITY” HAS THE MEANING STATED IN § 1-101 OF THE CORRECTIONAL SERVICES ARTICLE.

(B) A BANKING INSTITUTION INCORPORATED UNDER THE LAWS OF THIS STATE AS A STATE BANK MAY NOT PROVIDE FINANCING FOR OR INVEST IN THE STOCKS, SECURITIES, OR OTHER OBLIGATIONS OF AN INSTITUTION, A COMPANY, OR A SUBSIDIARY THAT OWNS A CORRECTIONAL FACILITY OR CONTRACTS AS A PRIVATE CONTRACTOR OR VENDOR FOR THE OWNERSHIP, OPERATION, OR MANAGEMENT OF A STATE CORRECTIONAL FACILITY OR A LOCAL CORRECTIONAL FACILITY.

6-101.

(a) In this title the following words have the meanings indicated.

(d) “Credit union” means a cooperative, nonprofit financial institution organized under this title to conduct business in the State.

6-705.

(a) [The] **EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE** assets of a credit union that are not committed for loans may be invested in:

(1) General obligations of or obligations guaranteed by the United States;

1 (2) Deposits, loans, shares, or stock of any federal reserve bank, federal
2 home loan bank, or any central liquidity facility established under state or federal law;

3 (3) Securities, obligations, or other instruments of or issued by or fully
4 guaranteed as to principal and interest by the federal government or a unit of the federal
5 government;

6 (4) General obligations of a state or a federal territory or political
7 subdivision, provided that the general obligation is rated in one of the three highest rating
8 categories of a nationally recognized statistical rating organization as determined by the
9 Commissioner;

10 (5) Deposits or federal funds of any financial institution that has federal
11 deposit insurance;

12 (6) Shares or deposits of other credit unions;

13 (7) Mutual funds that invest solely in investments permissible for direct
14 investment by the credit union;

15 (8) Repurchase transactions secured by investments permissible for direct
16 investment by the credit union; or

17 (9) Any other investment that the Commissioner approves.

18 (b) (1) Subject to the provisions of paragraph (2) of this subsection, in addition
19 to the investments authorized under subsection (a) of this section, a credit union may
20 request authority from the Commissioner to make other investments, including
21 investments authorized under the federal Credit Union Act or regulations of the National
22 Credit Union Administration, on an ongoing basis.

23 (2) To obtain the Commissioner's approval for additional investment
24 authority under paragraph (1) of this subsection, a credit union shall submit to the
25 Commissioner an investment policy.

26 (c) (1) (i) **IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**
27 **MEANINGS INDICATED.**

28 (ii) **“CORRECTIONAL FACILITY” HAS THE MEANING STATED IN §**
29 **1–101 OF THE CORRECTIONAL SERVICES ARTICLE.**

30 (iii) **“LOCAL CORRECTIONAL FACILITY” HAS THE MEANING**
31 **STATED IN § 1–101 OF THE CORRECTIONAL SERVICES ARTICLE.**

32 (iv) **“STATE CORRECTIONAL FACILITY” HAS THE MEANING**
33 **STATED IN § 1–101 OF THE CORRECTIONAL SERVICES ARTICLE.**

1 **(2) THE ASSETS OF A CREDIT UNION CHARTERED AND PRIMARILY**
2 **REGULATED BY THE STATE THAT ARE NOT COMMITTED FOR LOANS MAY NOT**
3 **PROVIDE FINANCING FOR OR INVEST IN THE STOCKS, SECURITIES, OR OTHER**
4 **OBLIGATIONS OF AN INSTITUTION, A COMPANY, OR A SUBSIDIARY THAT OWNS A**
5 **CORRECTIONAL FACILITY OR CONTRACTS AS A PRIVATE CONTRACTOR OR VENDOR**
6 **FOR THE OWNERSHIP, OPERATION, OR MANAGEMENT OF A STATE CORRECTIONAL**
7 **FACILITY OR A LOCAL CORRECTIONAL FACILITY.**

8 **[(c)] (D)** The Commissioner may review the investment policies of the credit
9 union and order changes.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 2020.