
By: **Delegate Arnick**

Introduced and read first time: February 3, 1998

Assigned to: Commerce and Government Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions - Conversion of Federal Stock Savings and Loan**
3 **Associations and Federal Stock Savings Banks to State-Chartered**
4 **Commercial Banks**

5 FOR the purpose of authorizing a federal stock savings and loan association or a
6 federal stock savings bank to convert to a state-chartered commercial bank
7 under certain circumstances; providing for the procedures, stockholder consent,
8 legal status, and timing of conformance concerning the conversion of a federal
9 stock savings and loan association or a federal stock savings bank to a
10 state-chartered commercial bank under certain circumstances; defining certain
11 terms; and generally relating to the conversion of federal stock savings and loan
12 associations and federal stock savings banks to state-chartered commercial
13 banks.

14 BY repealing and reenacting, without amendments,
15 Article - Financial Institutions
16 Section 1-101(o)
17 Annotated Code of Maryland
18 (1998 Replacement Volume)

19 BY repealing and reenacting, with amendments,
20 Article - Financial Institutions
21 Section 3-801
22 Annotated Code of Maryland
23 (1998 Replacement Volume)

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

1

Article - Financial Institutions

2 1-101.

3 (o) "National banking association" means an institution that is incorporated
4 under federal law as a bank.

5 3-801.

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

8 (2) "CAPITAL STOCK" INCLUDES BOTH COMMON AND PREFERRED
9 STOCK.

10 (3) "CONVERTING INSTITUTION" MEANS A NATIONAL BANKING
11 ASSOCIATION, A FEDERAL STOCK SAVINGS AND LOAN ASSOCIATION, OR A FEDERAL
12 STOCK SAVINGS BANK.

13 (4) "FEDERAL STOCK SAVINGS AND LOAN ASSOCIATION" MEANS AN
14 INSTITUTION THAT IS INCORPORATED UNDER FEDERAL LAW AS A SAVINGS AND
15 LOAN ASSOCIATION THAT HAS AUTHORITY TO ISSUE CAPITAL STOCK.

16 (5) "FEDERAL STOCK SAVINGS BANK" MEANS AN INSTITUTION THAT IS
17 INCORPORATED UNDER FEDERAL LAW AS A SAVINGS BANK THAT HAS AUTHORITY TO
18 ISSUE CAPITAL STOCK.

19 (6) "NATIONAL BANKING ASSOCIATION" HAS THE MEANING STATED IN §
20 1-101(O) OF THIS ARTICLE.

21 [(a)] (B) A [national banking association] CONVERTING INSTITUTION that is
22 located in this State may convert into a commercial bank as provided by federal law
23 and this section.

24 [(b)] (C) (1) The [national banking association] CONVERTING INSTITUTION
25 shall meet the requirements of this title for incorporation of a commercial bank.

26 (2) The procedures for incorporation may be modified as required by the
27 difference between incorporation and conversion.

28 [(c)] (D) The consenting stockholders of the [national banking association]
29 CONVERTING INSTITUTION shall sign, acknowledge, and file articles of incorporation.
30 The articles shall state that the conversion has been approved by the stockholders in
31 the manner required by federal law.

32 [(d)] (E) The requirement for cash payment for stock may be met by
33 exchanging shares of the new commercial bank for those of the [national banking
34 association] CONVERTING INSTITUTION valued at not more than fair cash market
35 value.

1 [(e)] (F) (1) The new commercial bank shall be considered the same
2 business and corporate entity as the [national banking association] CONVERTING
3 INSTITUTION and, except as limited by this article or by its charter or bylaws, has all
4 of the rights, powers, and duties of the [national banking association] CONVERTING
5 INSTITUTION.

6 (2) The [national banking association's] CONVERTING INSTITUTION'S
7 rights, franchises, and interests in any property become the property of the new
8 commercial bank, subject to the liabilities of the [national banking association]
9 CONVERTING INSTITUTION that exist at the time of the conversion.

10 [(f)] (G) (1) Unless this construction would be unreasonable, any reference
11 to the [national banking association] CONVERTING INSTITUTION in any writing,
12 whether executed or taking effect before or after the conversion, shall be interpreted
13 as a reference to the new commercial bank.

14 (2) The new commercial bank may use the name of the [national
15 banking association] CONVERTING INSTITUTION if it can do any act more
16 conveniently under that name.

17 [(g)] (H) If a [national banking association] CONVERTING INSTITUTION has
18 assets or engages in business activities that do not conform to the law governing
19 commercial banks, the Commissioner may allow a reasonable time for the new
20 commercial bank to conform to that law.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 1998.