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By: **Delegate Arnick**  
Introduced and read first time: February 3, 1998  
Assigned to: Commerce and Government Matters

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: March 3, 1998

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CHAPTER \_\_\_\_\_

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)

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

3 **Article - Financial Institutions**

4 1-101.

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

7 3-801.

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

10 (2) "CAPITAL STOCK" INCLUDES BOTH COMMON AND PREFERRED  
11 STOCK.

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

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

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

21 (6) "NATIONAL BANKING ASSOCIATION" HAS THE MEANING STATED IN §  
22 1-101(O) OF THIS ARTICLE.

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

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

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

30 (3) PURSUANT TO REGULATIONS ADOPTED BY THE COMMISSIONER, ANY  
31 INTERESTED PERSON MAY REQUEST THAT THE COMMISSIONER CONDUCT A  
32 HEARING REGARDING THE CONVERSION.

33 [(c)] (D) The consenting stockholders of the [national banking association]  
34 CONVERTING INSTITUTION shall sign, acknowledge, and file articles of incorporation.

1 The articles shall state that the conversion has been approved by the stockholders in  
2 the manner required by federal law.

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

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

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

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

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

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

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