

SENATE BILL 114

Unofficial Copy
II

1999 Regular Session
(91r0674)

ENROLLED BILL

-- Finance/Commerce and Government Matters --

Introduced by **The President (Task Force to Study Bank Charter
Modernization)**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Financial Institutions - Bank Charter Modernization and Other Banking**
3 **Law Reforms**

4 FOR the purpose of consolidating certain laws relating to real estate appraisal
5 policies; repealing the requirement that commercial banks file a list of
6 stockholders with the Commissioner of Financial Regulation; allowing banking
7 institution directors to serve staggered terms; repealing the requirement that a
8 copy of a trust company's common trust plan be filed with the Commissioner;
9 repealing certain obsolete requirements relating to bills payable that limit the
10 borrowing authority and flexibility of State-chartered banks in comparison to
11 national banks; altering requirements regarding the filing of a copy of a bank's
12 Community Reinvestment Act statement with the Commissioner; altering
13 provisions relating to the amount of real property and furnishings that a
14 banking institution may buy and hold, relative to paid-in capital and surplus;
15 expanding the scope of the provisions of law relating to authorized additional
16 banking activities and bank-related services to allow the Commissioner greater

1 power and flexibility to approve, for State-chartered banks, any activities that
2 are allowed for national banks; and generally relating to modifications of State
3 laws relating to bank charters and the powers, duties, and responsibilities of
4 bank regulators and officials.

5 BY repealing

6 Article - Financial Institutions
7 Section 3-313, 3-405, 3-406, 3-603, 4-505, and 4-506
8 Annotated Code of Maryland
9 (1998 Replacement Volume and 1998 Supplement)

10 BY adding to

11 Article - Financial Institutions
12 Section 1-208, 3-405, and 4-505
13 Annotated Code of Maryland
14 (1998 Replacement Volume and 1998 Supplement)

15 BY repealing and reenacting, with amendments,

16 Article - Financial Institutions
17 Section 2-110, 3-508, 5-206.1, 5-503, and 5-504
18 Annotated Code of Maryland
19 (1998 Replacement Volume and 1998 Supplement)

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

22

Article - Financial Institutions

23 1-208.

24 (A) THE DIRECTORS AND OFFICERS OF A FINANCIAL INSTITUTION SHALL
25 DEVELOP AND IMPLEMENT WRITTEN:

26 (1) POLICIES GOVERNING REAL ESTATE APPRAISAL; AND

27 (2) PROCEDURES GOVERNING THE HIRING AND PERFORMANCE OF REAL
28 ESTATE APPRAISERS.

29 (B) THE PROCEDURES REQUIRED UNDER SUBSECTION (A)(2) OF THIS SECTION
30 SHALL SET FORTH SPECIFIC FACTORS TO BE CONSIDERED BY THE FINANCIAL
31 INSTITUTION'S DIRECTORS AND OFFICERS, INCLUDING:

32 (1) WHETHER THE APPRAISER IS LICENSED OR CERTIFIED UNDER THE
33 BUSINESS OCCUPATIONS AND PROFESSIONS ARTICLE; AND

34 (2) THE REAL ESTATE APPRAISER'S:

1 (I) PROFESSIONAL EDUCATION; AND

2 (II) EXPERIENCE IN REAL ESTATE APPRAISING.

3 (C) PRIOR TO IMPLEMENTATION, A FINANCIAL INSTITUTION SHALL SUBMIT
4 ITS REAL ESTATE APPRAISAL POLICIES AND PROCEDURES TO THE COMMISSIONER
5 FOR REVIEW AND APPROVAL.

6 2-110.

7 (a) The Commissioner and Deputy Commissioner shall devote full time to
8 their duties.

9 (b) The Commissioner and Deputy Commissioner may not:

10 (1) Be an officer or director of any State banking institution or national
11 banking association, or in any entity engaged in the business of making loans; or

12 (2) Engage in any other business relating to banks and financial
13 institutions or lending.

14 [(c) Directors and officers of financial institutions shall develop and
15 implement, by December 31, 1989, written:

16 (1) Real estate appraisal policies; and

17 (2) Procedures pertaining to the hiring and performance of real estate
18 appraisers.

19 (d) The procedures required under subsection (c)(2) of this section shall set
20 forth specific factors to be considered by the financial institution's directors and
21 officers, including but not limited to:

22 (1) Whether the appraiser is licensed or certified under the Business
23 Occupations and Professions Article; and

24 (2) The real estate appraiser's:

25 (i) Professional education; and

26 (ii) Experience in real estate appraising.

27 (e) Real estate appraisal policies and procedures shall be submitted by the
28 financial institutions to the Commissioner for review and approval.]

29 [3-313.

30 (a) Each commercial bank shall report to the Commissioner on its
31 stockholders:

32 (1) At least once a year, at the time that the Commissioner specifies; and

1 (2) At any other time that the Commissioner considers necessary.

2 (b) Each report made under this section shall:

3 (1) List the names and residence addresses of the stockholders of the
4 commercial bank and the amount of stock each holds; and

5 (2) Be signed and verified by an officer of the commercial bank.]

6 [3-405.

7 (a) The stockholders of a commercial bank shall elect directors at each annual
8 meeting of the stockholders.

9 (b) If the election of the directors is not held at the annual meeting, an election
10 may be held at a later meeting called for that purpose. Notice of the later meeting
11 shall be given as the bylaws provide.]

12 3-405.

13 (A) UNTIL SUCCESSORS ARE ELECTED AND QUALIFY, THE BOARD OF
14 DIRECTORS OF A COMMERCIAL BANK CONSISTS OF THE INDIVIDUALS NAMED AS
15 DIRECTORS IN THE ARTICLES OF INCORPORATION.

16 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AT
17 EACH ANNUAL MEETING OF STOCKHOLDERS, THE STOCKHOLDERS SHALL ELECT
18 DIRECTORS TO HOLD OFFICE UNTIL THE EARLIER OF:

19 (I) THE NEXT ANNUAL MEETING OF STOCKHOLDERS AND UNTIL
20 THEIR SUCCESSORS ARE ELECTED AND QUALIFY; OR

21 (II) THE TIME PROVIDED IN THE TERMS OF ANY CLASS OR SERIES
22 OF STOCK PURSUANT TO WHICH THE DIRECTORS ARE ELECTED.

23 (2) (I) SUBJECT TO SUBPARAGRAPHS (II) AND (III) OF THIS
24 PARAGRAPH, IF THE DIRECTORS ARE DIVIDED INTO CLASSES, THE TERM OF OFFICE
25 MAY BE PROVIDED IN THE BYLAWS.

26 (II) THE TERM OF OFFICE OF A DIRECTOR MAY NOT BE LONGER
27 THAN 5 YEARS OR, IN THE CASE OF AN INITIAL OR SUBSTITUTE DIRECTOR, SHORTER
28 THAN THE PERIOD BETWEEN ANNUAL MEETINGS.

29 (III) THE TERM OF OFFICE OF AT LEAST ONE CLASS OF DIRECTORS
30 SHALL EXPIRE EACH YEAR.

31 [3-406.

32 A director of a commercial bank serves until the next annual meeting of the
33 stockholders and until a successor is elected and qualifies.]

1 3-508.

2 (a) A copy of the fund plan and any amendments to it shall be filed[;

3 (1) With the Commissioner, as a public record; and

4 (2) At] AT the principal banking office of the trust company, where it
5 shall be available during regular business hours for inspection by any cofiduciary or
6 person who has an interest in a participating account.

7 (b) On a reasonable request, a copy of the fund plan shall be provided to any
8 cofiduciary or person who has an interest in a participating account.

9 [3-603.

10 Unless the Commissioner gives written approval for an extension of time, a
11 commercial bank may not carry for more than 90 days a total of bills payable and
12 rediscounts that exceeds the unimpaired capital and surplus of the commercial
13 bank.]

14 [4-505.

15 The members of a savings bank or the stockholders of a subsidiary savings bank
16 shall elect directors at each annual meeting of the members.]

17 4-505.

18 (A) UNTIL SUCCESSORS ARE ELECTED AND QUALIFY, THE BOARD OF
19 DIRECTORS OF A SAVINGS BANK CONSISTS OF THE INDIVIDUALS NAMED AS
20 DIRECTORS IN THE ARTICLES OF INCORPORATION.

21 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AT
22 EACH ANNUAL MEETING OF THE MEMBERS OF A SAVINGS BANK OR THE
23 STOCKHOLDERS OF A SUBSIDIARY SAVINGS BANK, THE MEMBERS OR
24 STOCKHOLDERS SHALL ELECT DIRECTORS TO HOLD OFFICE UNTIL THE NEXT
25 ANNUAL MEETING AND UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFY.

26 (2) (I) SUBJECT TO SUBPARAGRAPHS (II) AND (III) OF THIS
27 PARAGRAPH, IF THE DIRECTORS ARE DIVIDED INTO CLASSES, THE TERM OF OFFICE
28 MAY BE PROVIDED IN THE BYLAWS.

29 (II) THE TERM OF OFFICE OF A DIRECTOR MAY NOT BE LONGER
30 THAN 5 YEARS OR, IN THE CASE OF AN INITIAL OR SUBSTITUTE DIRECTOR, SHORTER
31 THAN THE PERIOD BETWEEN ANNUAL MEETINGS.

32 (III) THE TERM OF OFFICE OF AT LEAST ONE CLASS OF DIRECTORS
33 SHALL EXPIRE EACH YEAR.

1 [4-506.

2 A director of a savings bank serves until the next annual meeting of the
3 members and until a successor is elected and qualifies.]

4 5-206.1.

5 (a) Within 30 days of [adoption] RECEIPT, a national banking association
6 located in the State, a banking institution, or an other-state bank that maintains a
7 branch in this State shall submit to the Commissioner a copy of [its most recently
8 adopted federal Community Reinvestment Act statement.

9 (b) Within 30 days of receipt, the association, institution, or bank shall submit
10 to the Commissioner a copy of] the public portion of its most recent Community
11 Reinvestment Act performance evaluation prepared by the federal regulatory agency
12 that examines the association, institution, or bank, together with a copy of any
13 written response to the evaluation prepared by the association, institution, or bank
14 for its public Community Reinvestment Act file.

15 [(c)] (B) (1) Upon request, the Commissioner shall make available to the
16 public a copy of the documents submitted under this section.

17 (2) The Commissioner may charge a reasonable fee to a person
18 requesting a copy to help defray the costs of providing copies of the documents to the
19 public.

20 5-503.

21 (a) A banking institution may buy and hold real property only as provided in
22 this section.

23 (b) (1) Subject to the limitations in paragraph (3) of this subsection, a
24 banking institution may buy or hold any real property that is necessary for the
25 convenient transaction of its business.

26 (2) In addition to its offices, this property may include:

27 (i) A parking lot that the banking institution provides, with or
28 without charge, primarily for the use of its customers; and

29 (ii) Any rental space that is located in the bank building or on
30 adjoining land.

31 (3) [A] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION,
32 A banking institution may not invest in its bank building and furnishings more than
33 an amount that equals 50 percent of its unimpaired capital and surplus or guaranty
34 fund [unless, under conditions that the Commissioner sets, the Commissioner
35 authorizes a greater amount].

1 (4) IF A BANKING INSTITUTION IS RATED CAMELS 1 OR 2 AND REMAINS
2 WELL CAPITALIZED IN ACCORDANCE WITH THE REQUIREMENTS OF THE FEDERAL
3 DEPOSIT INSURANCE ACT, IT MAY INVEST IN ITS BANK BUILDING AND FURNISHINGS
4 AN AMOUNT EQUIVALENT TO 75 PERCENT OF ITS:

5 (I) UNIMPAIRED CAPITAL, SURPLUS, AND UNDIVIDED PROFITS; OR

6 (II) GUARANTY FUND AND UNDIVIDED PROFITS.

7 (c) (1) Subject to the limitations in paragraphs (2) and (3) of this subsection,
8 a banking institution may hold any real property that the banking institution
9 acquires:

10 (i) In satisfaction of a debt contracted in the course of its business;
11 or

12 (ii) At sale on a judgment, decree, or mortgage foreclosure under a
13 security that it holds.

14 (2) At a sale, a banking institution may not bid more than the amount of
15 money that is necessary to satisfy the secured debts and costs.

16 (3) A banking institution:

17 (i) May not hold property acquired under this subsection for more
18 than:

19 1. 8 years; and

20 2. Under conditions that the Commissioner sets, 2 additional
21 years; and

22 (ii) Within 1 year after that period, shall:

23 1. Sell the property; or

24 2. Reduce the value of the property on its books to a value
25 that the Commissioner approves.

26 5-504.

27 (a) Notwithstanding any other provision of [Titles 1 through 5 of this article]
28 THE LAWS OR REGULATIONS OF THIS STATE, if the Commissioner approves, banking
29 institutions may engage in any additional [banking activity or bank-related service]
30 ACTIVITY, SERVICE, OR OTHER PRACTICE in which, under federal law, national
31 banking associations may engage.

32 (b) The Commissioner may [approve an additional activity or bank-related
33 service] GRANT AN APPROVAL UNDER THIS SECTION only if:

34 (1) The Commissioner determines that approval is:

1 (i) Reasonably required to protect the welfare of the general
2 economy of this State and of banking institutions; ~~and~~ OR

3 (ii) Not detrimental to the public interest or to banking
4 institutions; and

5 (2) The approval imposes the same conditions that federal law requires
6 or permits as to national banking associations.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 October 1, 1999.