

SENATE BILL 114

Unofficial Copy
II

1999 Regular Session
9lr0674
CF 9lr0428

By: **The President (Task Force to Study Bank Charter Modernization)**

Introduced and read first time: January 22, 1999

Assigned to: Finance

A BILL ENTITLED

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

21 BY repealing
22 Article - Financial Institutions
23 Section 3-313, 3-405, 3-406, 3-603, 4-505, and 4-506
24 Annotated Code of Maryland
25 (1998 Replacement Volume and 1998 Supplement)

26 BY adding to
27 Article - Financial Institutions
28 Section 1-208, 3-405, and 4-505
29 Annotated Code of Maryland
30 (1998 Replacement Volume and 1998 Supplement)

31 BY repealing and reenacting, with amendments,

1 Article - Financial Institutions
2 Section 2-110, 3-508, 5-206.1, 5-503, and 5-504
3 Annotated Code of Maryland
4 (1998 Replacement Volume and 1998 Supplement)

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

7 **Article - Financial Institutions**

8 1-208.

9 (A) THE DIRECTORS AND OFFICERS OF A FINANCIAL INSTITUTION SHALL
10 DEVELOP AND IMPLEMENT WRITTEN:

11 (1) POLICIES GOVERNING REAL ESTATE APPRAISAL; AND

12 (2) PROCEDURES GOVERNING THE HIRING AND PERFORMANCE OF REAL
13 ESTATE APPRAISERS.

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

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

19 (2) THE REAL ESTATE APPRAISER'S:

20 (I) PROFESSIONAL EDUCATION; AND

21 (II) EXPERIENCE IN REAL ESTATE APPRAISING.

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

25 2-110.

26 (a) The Commissioner and Deputy Commissioner shall devote full time to
27 their duties.

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

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

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

1 (c) Directors and officers of financial institutions shall develop and
2 implement, by December 31, 1989, written:

3 (1) Real estate appraisal policies; and

4 (2) Procedures pertaining to the hiring and performance of real estate
5 appraisers.

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

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

11 (2) The real estate appraiser's:

12 (i) Professional education; and

13 (ii) Experience in real estate appraising.

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

16 [3-313.

17 (a) Each commercial bank shall report to the Commissioner on its
18 stockholders:

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

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

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

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

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

25 [3-405.

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

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

1 3-405.

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

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

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

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

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

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

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

20 [3-406.

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

23 3-508.

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

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

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

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

31 [3-603.

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

1 [4-505.

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

4 4-505.

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

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

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

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

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

21 [4-506.

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

24 5-206.1.

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

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

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

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

4 5-503.

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

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

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

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

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

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

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

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

25 (II) GUARANTY FUND AND UNDIVIDED PROFITS.

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

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

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

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

35 (3) A banking institution:

- 1 (i) May not hold property acquired under this subsection for more
2 than:
- 3 1. 8 years; and
- 4 2. Under conditions that the Commissioner sets, 2 additional
5 years; and
- 6 (ii) Within 1 year after that period, shall:
- 7 1. Sell the property; or
- 8 2. Reduce the value of the property on its books to a value
9 that the Commissioner approves.

10 5-504.

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

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

18 (1) The Commissioner determines that approval is:

19 (i) Reasonably required to protect the welfare of the general
20 economy of this State and of banking institutions; and

21 (ii) Not detrimental to the public interest or to banking
22 institutions; and

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

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