
By: **Senator Dorman**
Introduced and read first time: February 2, 2001
Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Banking Institutions - Eligibility for Designation as a Depository - Basic**
3 **Banking Accounts**

4 FOR the purpose of requiring the Commissioner of Financial Regulation to certify a
5 banking institution as eligible for designation by the Treasurer as a depository
6 for State money if the banking institution offers or maintains at each branch of
7 the banking institution in the State basic banking accounts and the banking
8 institution certifies that the banking institution will continue to offer or
9 maintain basic banking accounts under certain circumstances; providing for the
10 term of eligibility for designation as a depository under certain circumstances;
11 requiring the Commissioner to provide the Treasurer with a list of certified
12 banking institutions under certain circumstances; establishing certain rules,
13 conditions, and terms applicable to a basic banking account; requiring a banking
14 institution to make certain disclosures to an applicant for a basic banking
15 account; authorizing a banking institution to impose certain requirements on an
16 applicant for or account holder of a basic banking account; requiring an
17 applicant for or account holder of a basic banking account to comply with a
18 certain agreement subject to a certain penalty; authorizing a banking
19 institution to submit an application to the Commissioner for approval to
20 increase certain charges for a basic banking account under certain
21 circumstances; prohibiting the Treasurer from designating a financial
22 institution as a certain depository unless the Commissioner certifies the
23 eligibility for the designation of the financial institution under certain
24 circumstances; defining certain terms; and generally relating to the eligibility of
25 banking institutions for designation as depositories and the establishment and
26 operation of basic banking accounts.

27 BY adding to
28 Article - Financial Institutions
29 Section 12-901 through 12-907, inclusive, to be under the new subtitle "Subtitle
30 9. Basic Banking Accounts"
31 Annotated Code of Maryland
32 (1998 Replacement Volume and 2000 Supplement)

33 BY repealing and reenacting, without amendments,

1 Article - State Finance and Procurement
2 Section 6-205
3 Annotated Code of Maryland
4 (1995 Replacement Volume and 2000 Supplement)

5 BY repealing and reenacting, with amendments,
6 Article - State Finance and Procurement
7 Section 6-206
8 Annotated Code of Maryland
9 (1995 Replacement Volume and 2000 Supplement)

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

12 **Article - Financial Institutions**

13 **SUBTITLE 9. BASIC BANKING ACCOUNTS.**

14 12-901.

15 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
16 INDICATED.

17 (B) "ACCOUNT HOLDER" MEANS AN INDIVIDUAL WHO HOLDS A BASIC
18 BANKING ACCOUNT.

19 (C) "BANKING INSTITUTION" MEANS:

20 (1) A FOREIGN BANK;

21 (2) AN OUT-OF-STATE BANK;

22 (3) A SAVINGS AND LOAN ASSOCIATION FORMED UNDER TITLE 9 OF THIS
23 ARTICLE;

24 (4) A COMMERCIAL BANK FORMED UNDER TITLE 3 OF THIS ARTICLE; OR

25 (5) A SAVINGS BANK FORMED UNDER TITLE 4 OF THIS ARTICLE.

26 (D) "BASIC BANKING ACCOUNT" MEANS A CONSUMER TRANSACTION
27 ACCOUNT OFFERED BY A BANKING INSTITUTION THAT COMPLIES WITH THE
28 PROVISIONS OF THIS SUBTITLE.

29 (E) (1) "BRANCH" MEANS AN OFFICE OF A BANKING INSTITUTION THAT IS
30 OPEN TO THE PUBLIC AND AT WHICH DEPOSITS ARE RECEIVED, CHECKS ARE PAID,
31 OR MONEY IS LENT.

32 (2) "BRANCH" INCLUDES A MOBILE BRANCH OR OTHER
33 SPECIAL-PURPOSE FACILITY THAT PERFORMS A FUNCTION OF A BRANCH.

1 (3) "BRANCH" DOES NOT INCLUDE AN AUTOMATED TELLER MACHINE AS
2 DEFINED IN § 1-401 OF THIS ARTICLE.

3 (F) "CONSUMER TRANSACTION ACCOUNT" MEANS:

4 (1) A DEMAND DEPOSIT ACCOUNT;

5 (2) A NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNT; OR

6 (3) AN ACCOUNT USED PRIMARILY FOR PERSONAL, FAMILY, OR
7 HOUSEHOLD PURPOSES.

8 (G) "OUT-OF-STATE BANK" MEANS:

9 (1) A NATIONAL BANKING ASSOCIATION WITH ITS MAIN OFFICE IN A
10 STATE OTHER THAN THIS STATE; OR

11 (2) AN OTHER-STATE BANK.

12 (H) "PERIODIC CYCLE" MEANS THE PERIOD COVERED BY THE BANKING
13 INSTITUTION'S REGULAR CONSUMER TRANSACTION ACCOUNT STATEMENT.

14 (I) "WITHDRAWAL TRANSACTION" MEANS A WITHDRAWAL FROM A
15 CONSUMER TRANSACTION ACCOUNT BY MEANS OF:

16 (1) A WITHDRAWAL SLIP;

17 (2) A CHECK;

18 (3) A NEGOTIABLE ORDER; OR

19 (4) AN AUTOMATED TELLER MACHINE.

20 12-902.

21 THIS SUBTITLE APPLIES ONLY TO A BANKING INSTITUTION THAT OFFERS A
22 CONSUMER TRANSACTION ACCOUNT TO THE GENERAL PUBLIC.

23 12-903.

24 (A) AT THE REQUEST OF A BANKING INSTITUTION, THE COMMISSIONER
25 SHALL CERTIFY THE BANKING INSTITUTION AS ELIGIBLE FOR DESIGNATION BY THE
26 TREASURER AS A DEPOSITARY FOR STATE MONEY UNDER §§ 6-205 AND 6-206 OF THE
27 STATE FINANCE AND PROCUREMENT ARTICLE IF, AT THE TIME OF APPLICATION TO
28 THE COMMISSIONER, THE BANKING INSTITUTION:

29 (1) OFFERS OR MAINTAINS AT EACH BRANCH OF THE BANKING
30 INSTITUTION IN THE STATE BASIC BANKING ACCOUNTS IN ACCORDANCE WITH THE
31 PROVISIONS OF THIS SUBTITLE; AND

1 (2) CERTIFIES TO THE COMMISSIONER THAT THE BANKING
2 INSTITUTION WILL CONTINUE TO OFFER OR MAINTAIN BASIC BANKING ACCOUNTS
3 THROUGHOUT THE PERIOD OF ELIGIBILITY.

4 (B) A BANKING INSTITUTION SEEKING CERTIFICATION OF ELIGIBILITY FROM
5 THE COMMISSIONER UNDER THIS SECTION SHALL PROVIDE ALL RECORDS AND
6 EVIDENCE THAT THE COMMISSIONER REQUIRES.

7 (C) (1) A PERIOD OF CERTIFIED ELIGIBILITY UNDER THIS SECTION
8 COMMENCES ON JANUARY 1 AND IS VALID FOR 1 YEAR.

9 (2) THE COMMISSIONER MAY NOT ACCEPT APPLICATIONS FOR
10 CERTIFICATION OF ELIGIBILITY AFTER SEPTEMBER 1 FOR THE FOLLOWING YEAR.

11 (D) ON OR BEFORE DECEMBER 1 OF EACH YEAR, THE COMMISSIONER SHALL
12 PROVIDE THE TREASURER WITH A LIST OF BANKING INSTITUTIONS CERTIFIED AS
13 ELIGIBLE TO BE DEPOSITARIES OF STATE MONEY FOR THE FOLLOWING YEAR.

14 12-904.

15 (A) THE FOLLOWING RULES, CONDITIONS, AND TERMS APPLY TO A BASIC
16 BANKING ACCOUNT OFFERED BY A BANKING INSTITUTION UNDER THIS SUBTITLE:

17 (1) THE BANKING INSTITUTION MAY NOT REQUIRE AN INITIAL DEPOSIT
18 AMOUNT THAT EXCEEDS \$25 TO OPEN THE ACCOUNT;

19 (2) THE BANKING INSTITUTION MAY NOT REQUIRE A MINIMUM
20 AVERAGE BALANCE TO MAINTAIN THE ACCOUNT;

21 (3) THE PERIODIC CYCLE OF THE ACCOUNT IS FROM 28 TO 31 DAYS;

22 (4) THE BANKING INSTITUTION MAY NOT CHARGE MORE THAN \$3 PER
23 PERIODIC CYCLE TO MAINTAIN THE ACCOUNT;

24 (5) AN ACCOUNT HOLDER MAY PERFORM A MINIMUM OF EIGHT
25 WITHDRAWAL TRANSACTIONS DURING A PERIODIC CYCLE WITHOUT INCURRING AN
26 ADDITIONAL CHARGE FOR WITHDRAWAL TRANSACTIONS;

27 (6) A WITHDRAWAL TRANSACTION IS CONSIDERED PERFORMED WHEN
28 THE WITHDRAWAL TRANSACTION IS RECORDED ON THE BOOKS OF THE BANKING
29 INSTITUTION OF THE ACCOUNT HOLDER, AND NOT NECESSARILY THE DATE THE
30 ACCOUNT HOLDER PERFORMED THE TRANSACTION;

31 (7) EXCEPT AS PROVIDED IN ITEM (8) OF THIS SUBSECTION, AN
32 ACCOUNT HOLDER MAY MAKE UNLIMITED DEPOSITS TO THE ACCOUNT WITHOUT
33 INCURRING AN ADDITIONAL CHARGE;

34 (8) THE BANKING INSTITUTION MAY CHARGE AN ACCOUNT HOLDER
35 FOR TRANSACTIONS AT AUTOMATED TELLER MACHINES NOT OPERATED BY THE
36 BANKING INSTITUTION AND OTHER FEES AND CHARGES FOR BANKING SERVICES

1 NOT SPECIFICALLY PROVIDED FOR BY THIS SUBTITLE, PROVIDED THAT THE FEES
2 AND CHARGES IMPOSED BY THE BANKING INSTITUTION DO NOT EXCEED THE
3 AMOUNTS CHARGED BY THE BANKING INSTITUTION TO THE HOLDERS OF OTHER
4 CONSUMER TRANSACTION ACCOUNTS IN THE BANKING INSTITUTION FOR SIMILAR
5 TRANSACTIONS; AND

6 (9) EVERY STATEMENT ISSUED TO AN ACCOUNT HOLDER AT THE END
7 OF A PERIODIC CYCLE SHALL INCLUDE A CONSPICUOUS NOTICE STATING:

8 (I) THE MAXIMUM NUMBER OF WITHDRAWAL TRANSACTIONS AN
9 ACCOUNT HOLDER MAY PERFORM DURING A PERIODIC CYCLE WITHOUT INCURRING
10 AN ADDITIONAL CHARGE;

11 (II) THE CONSEQUENCES OF AND ANY FEE CHARGED FOR
12 EXCEEDING THE MAXIMUM STATED UNDER ITEM (I) OF THIS PARAGRAPH;

13 (III) THAT A WITHDRAWAL TRANSACTION IS CONSIDERED
14 PERFORMED WHEN THE WITHDRAWAL TRANSACTION IS RECORDED ON THE BOOKS
15 OF THE BANKING INSTITUTION OF THE ACCOUNT HOLDER; AND

16 (IV) THE FEE CHARGED, IF ANY, FOR A TRANSACTION PERFORMED
17 BY AN ACCOUNT HOLDER AT AN AUTOMATED TELLER MACHINE NOT OPERATED BY
18 THE BANKING INSTITUTION.

19 (B) EXCEPT AS PROVIDED IN THIS SUBTITLE, A BASIC BANKING ACCOUNT
20 OFFERED BY A BANKING INSTITUTION UNDER THIS SUBTITLE IS SUBJECT TO THE
21 RULES, CONDITIONS, AND TERMS OF OTHER CONSUMER TRANSACTION ACCOUNTS
22 OFFERED BY THE BANKING INSTITUTION.

23 12-905.

24 (A) BEFORE OPENING A BASIC BANKING ACCOUNT, A BANKING INSTITUTION
25 SHALL PROVIDE THE APPLICANT WITH:

26 (1) A WRITTEN DISCLOSURE THAT STATES:

27 (I) THE INITIAL DEPOSIT AMOUNT REQUIRED TO OPEN THE
28 ACCOUNT;

29 (II) THAT THERE IS NO MINIMUM BALANCE REQUIRED TO
30 MAINTAIN THE ACCOUNT;

31 (III) THE LENGTH OF THE PERIODIC CYCLE;

32 (IV) THE CHARGE PER PERIODIC CYCLE FOR MAINTAINING THE
33 ACCOUNT;

34 (V) THE MAXIMUM NUMBER OF WITHDRAWAL TRANSACTIONS AN
35 ACCOUNT HOLDER MAY PERFORM DURING A PERIODIC CYCLE WITHOUT INCURRING
36 AN ADDITIONAL CHARGE FOR WITHDRAWAL TRANSACTIONS;

1 (VI) THAT A WITHDRAWAL TRANSACTION IS CONSIDERED
2 PERFORMED WHEN THE WITHDRAWAL TRANSACTION IS RECORDED ON THE BOOKS
3 OF THE BANKING INSTITUTION OF THE ACCOUNT HOLDER, AND NOT NECESSARILY
4 THE DATE THE ACCOUNT HOLDER PERFORMED THE TRANSACTION;

5 (VII) THAT THE ACCOUNT HOLDER MAY MAKE AN UNLIMITED
6 NUMBER OF DEPOSITS WITHOUT INCURRING AN ADDITIONAL CHARGE;

7 (VIII) THE FEE CHARGED, IF ANY, FOR A TRANSACTION PERFORMED
8 BY AN ACCOUNT HOLDER AT AN AUTOMATED TELLER MACHINE NOT OPERATED BY
9 THE BANKING INSTITUTION;

10 (IX) OTHER FEES AND CHARGES THAT MAY BE IMPOSED ON THE
11 ACCOUNT HOLDER INCLUDING CHARGES FOR DISHONORED ITEMS, CERTIFICATION
12 OF CHECKS, AND PRINTING OF CHECKS; AND

13 (X) OTHER DISCLOSURES CUSTOMARILY MADE IN CONNECTION
14 WITH THE OPENING OF OTHER CONSUMER TRANSACTION ACCOUNTS BY THE
15 BANKING INSTITUTION; AND

16 (2) ON A SEPARATE SHEET OF PAPER, A COPY OF THE FOLLOWING
17 NOTICE AND ACKNOWLEDGMENT TO BE SIGNED BY THE APPLICANT:

18 "NOTICE AND ACKNOWLEDGMENT

19 I UNDERSTAND THAT I MAY MAKE ONLY ____ (NUMBER) WITHDRAWALS DURING
20 EACH PERIODIC CYCLE OF ____ (NUMBER) DAYS WITHOUT INCURRING ADDITIONAL
21 SERVICE CHARGES AND THAT OTHER FEES SUCH AS "BOUNCED CHECK" FEES, "STOP
22 PAYMENT" FEES, OR FEES FOR USING ELECTRONIC FACILITIES NOT OPERATED BY
23 MY BANKING INSTITUTION MAY ALSO BE CHARGED TO MY ACCOUNT, AS
24 APPLICABLE."

25 (B) A COPY OF THE SIGNED NOTICE AND ACKNOWLEDGMENT REQUIRED
26 UNDER SUBSECTION (A)(2) OF THIS SECTION SHALL BE:

27 (1) GIVEN TO THE ACCOUNT HOLDER WHEN THE ACCOUNT IS OPENED;
28 AND

29 (2) MAINTAINED BY THE BANKING INSTITUTION FOR A MINIMUM OF 3
30 YEARS.

31 12-906.

32 (A) AS A CONDITION FOR OPENING OR MAINTAINING A BASIC BANKING
33 ACCOUNT, A BANKING INSTITUTION MAY REQUIRE AN APPLICANT OR AN ACCOUNT
34 HOLDER:

35 (1) TO BE A RESIDENT OF THE STATE;

1 (2) TO PROVIDE THE SAME INFORMATION REQUIRED OF APPLICANTS
2 FOR OR HOLDERS OF OTHER CONSUMER TRANSACTION ACCOUNTS AT THE BANKING
3 INSTITUTION; AND

4 (3) TO ARRANGE FOR DIRECT DEPOSIT TO THE BANKING INSTITUTION,
5 IF DIRECT DEPOSIT IS AVAILABLE TO THE APPLICANT OR ACCOUNT HOLDER, OF
6 RECURRING PAYMENTS, INCLUDING:

7 (I) SOCIAL SECURITY PAYMENTS;

8 (II) WAGES OR SALARY;

9 (III) PENSION PAYMENTS; OR

10 (IV) OTHER RECURRING PAYMENTS THE BANKING INSTITUTION
11 CONSIDERS APPROPRIATE.

12 (B) (1) AS A CONDITION FOR OPENING OR MAINTAINING A BASIC BANKING
13 ACCOUNT, AN APPLICANT OR AN ACCOUNT HOLDER SHALL AGREE NOT TO MAINTAIN
14 ANOTHER CONSUMER TRANSACTION ACCOUNT EXCEPT AS PROVIDED IN
15 PARAGRAPH (2) OF THIS SUBSECTION.

16 (2) AN ACCOUNT HOLDER MAY:

17 (I) MAINTAIN AN ACCOUNT IDENTIFIED AS A BURIAL FUND
18 ACCOUNT; OR

19 (II) HOLD ANOTHER CONSUMER TRANSACTION ACCOUNT FOR UP
20 TO 60 DAYS AFTER THE DATE A BASIC BANKING ACCOUNT IS OPENED.

21 (3) THE AGREEMENT REQUIRED UNDER PARAGRAPH (1) OF THIS
22 SUBSECTION SHALL BE IN WRITING AND SIGNED BY THE APPLICANT OR ACCOUNT
23 HOLDER.

24 (4) AN ACCOUNT HOLDER WHO VIOLATES THE AGREEMENT REQUIRED
25 UNDER PARAGRAPH (1) OF THIS SUBSECTION IS SUBJECT TO A FINE NOT EXCEEDING
26 \$500.

27 12-907.

28 (A) IF A BANKING INSTITUTION DETERMINES THAT THE CHARGES THE
29 BANKING INSTITUTION IS AUTHORIZED TO IMPOSE ON THE ACCOUNT HOLDER OF A
30 BASIC BANKING ACCOUNT ARE LESS THAN THE ACTUAL COST TO THE BANKING
31 INSTITUTION OF PROVIDING A BASIC BANKING ACCOUNT, THE BANKING
32 INSTITUTION MAY SUBMIT AN APPLICATION TO THE COMMISSIONER FOR APPROVAL
33 TO INCREASE THE CHARGES TO AN AMOUNT THAT IS NO GREATER THAN THE
34 ACTUAL COSTS.

35 (B) IN REVIEWING AN APPLICATION FOR APPROVAL OF AN INCREASE IN
36 CHARGES, THE COMMISSIONER SHALL CONSIDER:

1 (1) WHETHER THE ACTUAL COST TO THE BANKING INSTITUTION OF
2 PROVIDING A BASIC BANKING ACCOUNT IS CUSTOMARY AND REASONABLE GIVEN
3 THE SIZE AND LOCATION OF THE BANKING INSTITUTION; AND

4 (2) WHETHER THE METHODOLOGY USED TO DETERMINE THE ACTUAL
5 COST TO THE BANKING INSTITUTION IS INDEPENDENTLY VERIFIABLE.

6 **Article - State Finance and Procurement**

7 6-205.

8 (a) Subject to the limitations in this subtitle and in any other law, the
9 Treasurer may designate any financial institution as a depository for State money.

10 (b) The Treasurer may designate foreign banks and similar institutions as
11 depositories for the purpose of conducting State government activities outside the
12 United States. The deposits in such institutions may not exceed the amount
13 appropriated in the budget for conducting State government activities outside the
14 United States.

15 6-206.

16 The Treasurer may not designate a financial institution or a foreign institution
17 as a depository unless:

18 (1) the Governor approves the designation; AND

19 (2) FOR A FINANCIAL INSTITUTION, THE COMMISSIONER OF FINANCIAL
20 REGULATION CERTIFIES THE ELIGIBILITY FOR THE DESIGNATION OF THE
21 FINANCIAL INSTITUTION UNDER § 12-903 OF THE FINANCIAL INSTITUTIONS
22 ARTICLE.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 July 1, 2001.