

SENATE BILL 408

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II

2004 Regular Session  
4r1827  
CF 4r1828

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By: **Senator Klausmeier**

Introduced and read first time: February 5, 2004

Assigned to: Finance

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A BILL ENTITLED

1 AN ACT concerning

2 **Banking Institutions - Savings Banks**

3 FOR the purpose of authorizing a savings bank to have any banking institution in  
4 this State, any other bank in this State, or any State or federal savings and loan  
5 association in this State merge into the savings bank if the Commissioner, after  
6 receiving the advice of the Banking Board, gives written consent to the  
7 transaction; requiring a plan of reorganization of a savings bank to provide that  
8 as a result of the reorganization, the mutual holding company shall hold more  
9 than a certain percentage of the stock of the subsidiary savings bank;  
10 prohibiting the Commissioner of Financial Regulation in the Department of  
11 Labor, Licensing, and Regulation from approving an application for  
12 reorganization unless the Commissioner determines that if the reorganization is  
13 pursuant to an acquisition by the mutual holding company of all the stock of a  
14 savings and loan association, then certain conditions are met; requiring that a  
15 mutual holding company hold more than a certain percentage of the stock of a  
16 subsidiary savings bank or savings and loan association; requiring the articles  
17 of incorporation of a subsidiary savings bank to include a statement that more  
18 than a certain percentage of the shares of capital stock issued be held by the  
19 mutual holding company; altering a certain definition; and generally relating to  
20 savings banks.

21 BY repealing and reenacting, with amendments,  
22 Article - Financial Institutions  
23 Section 4-101(d), 4-701(b), 4-802(c), 4-803(e), 4-804(c), and 4-902(b)  
24 Annotated Code of Maryland  
25 (2003 Replacement Volume)

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

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**Article - Financial Institutions**

2 4-101.

3 (d) "Mutual holding company" means the corporation which holds [all the  
4 shares] MORE THAN 50% OF THE STOCK of a subsidiary savings bank pursuant to a  
5 reorganization under Subtitle 8 of this title.

6 4-701.

7 (b) (1) A savings bank may consolidate with, merge into, or transfer its  
8 assets to any banking institution in this State, any other bank in this State, or any  
9 State or federal savings and loan association in this State if the Commissioner, after  
10 receiving the advice of the Banking Board, gives written consent to the transaction.

11 (2) A SAVINGS BANK MAY HAVE ANY BANKING INSTITUTION IN THIS  
12 STATE, ANY OTHER BANK IN THIS STATE, OR ANY STATE OR FEDERAL SAVINGS AND  
13 LOAN ASSOCIATION IN THIS STATE MERGE INTO THE SAVINGS BANK IF THE  
14 COMMISSIONER, AFTER RECEIVING THE ADVICE OF THE BANKING BOARD, GIVES  
15 WRITTEN CONSENT TO THE TRANSACTION.

16 4-802.

17 (c) The plan of reorganization shall provide that:

18 (1) A subsidiary savings bank shall be incorporated pursuant to Subtitle  
19 9 of this title;

20 (2) The savings bank shall transfer a substantial part of its assets to the  
21 subsidiary savings bank and the subsidiary savings bank shall assume a substantial  
22 part of the savings bank's liabilities, including all depository liabilities;

23 (3) As a result of the reorganization of the savings bank into a mutual  
24 holding company, the mutual holding company shall hold [all] MORE THAN 50% of the  
25 stock of the subsidiary savings bank; and

26 (4) After transfer and assumption, persons with prior corresponding  
27 rights as depositors or creditors against a savings bank shall have the same rights  
28 with respect to the mutual holding company and the subsidiary savings bank.

29 4-803.

30 (e) Within 3 months after the application for approval of reorganization is  
31 filed for examination, the Commissioner shall approve or reject the application. The  
32 Commissioner may not approve the application unless the Commissioner determines:

33 (1) That the plan of reorganization is:

34 (i) Reasonably required to protect the welfare of the general  
35 economy of this State;

1 (ii) Not detrimental to the public interest or the savings bank; and

2 (iii) In compliance with the regulations and conditions that the  
3 Commissioner adopts;

4 (2) That IF the reorganization is pursuant to an acquisition by the  
5 mutual holding company of all the stock of a savings and loan association [and that]:

6 (i) Exigent circumstances exist that make the acquisition  
7 necessary to maintain the viability or prevent the probable failure of the savings and  
8 loan association acquired; and

9 (ii) The mutual holding company agrees to obtain federal insurance  
10 for the deposits of the acquired savings and loan within the time limitation imposed  
11 by the Commissioner;

12 (3) That immediately before the reorganization, the depositors of the  
13 savings bank are entitled to deposits in the subsidiary savings bank of like amounts,  
14 interest rates, and other terms, without interruption of interest;

15 (4) That all deposits continue to be insured by the Federal Deposit  
16 Insurance Corporation up to the maximum amount provided by law; and

17 (5) That the applicant has met all the requirements of this subtitle and  
18 Subtitle 9 of this title.

19 4-804.

20 (c) A mutual holding company shall hold [all] MORE THAN 50% OF the stock of  
21 a subsidiary savings bank or savings and loan association acquired pursuant to this  
22 subtitle.

23 4-902.

24 (b) The articles of incorporation shall include:

25 (1) The name and address of each incorporator;

26 (2) A statement that each incorporator is 18 years old or older, a resident  
27 of this State, and a citizen of the United States;

28 (3) A statement that the incorporators are associated to form a  
29 subsidiary savings bank under this subtitle;

30 (4) The name of the subsidiary savings bank, which may not be similar  
31 in any material respect to the name of any other bank or trust company in this State,  
32 except that the name of the subsidiary savings bank may be similar to the name of a  
33 savings bank reorganized pursuant to this title that is affiliated with the subsidiary  
34 savings bank;

1           (5)       The municipal area and county where the principal banking office of  
2 the subsidiary savings bank is to be located;

3           (6)       The number of directors and the names and residence addresses of  
4 those who will serve as directors until their successors are elected and qualify; and

5           (7)       A statement that [all] MORE THAN 50% OF the shares of capital stock  
6 issued shall be held by the mutual holding company.

7       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
8 June 1, 2004.