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By: **Delegates Moe and D. Davis**

Rules suspended

Introduced and read first time: March 16, 2006

Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **Branching by Banks**

3 FOR the purpose of prohibiting a banking institution or out-of-state bank from  
4 establishing or maintaining a branch in this State on the premises or property of  
5 an affiliate if the affiliate engages in commercial activities; defining certain  
6 terms; altering the definition of a certain term; and generally relating to  
7 branching by banks.

8 BY repealing and reenacting, with amendments,  
9 Article - Financial Institutions  
10 Section 5-1001 and 5-1003  
11 Annotated Code of Maryland  
12 (2003 Replacement Volume and 2005 Supplement)

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

15 **Article - Financial Institutions**

16 5-1001.

17 (a) In this subtitle the following words have the meanings indicated.

18 (B) "AFFILIATE" MEANS ANY COMPANY THAT CONTROLS, IS CONTROLLED BY,  
19 OR IS UNDER COMMON CONTROL WITH ANOTHER COMPANY.

20 [(b)] (C) "Bank" has the meaning stated [in § 2(c) of the federal Bank Holding  
21 Company Act] IN THE FEDERAL DEPOSIT INSURANCE ACT, 12 U.S.C. § 1813(A)(1).

22 [(c)] (D) "Bank supervisory agency" means:

23 (1) The Office of the Comptroller of the Currency, the Federal Deposit  
24 Insurance Corporation, the Board of Governors of the Federal Reserve System, or any  
25 successor to these agencies; or

1 (2) An agency of another state with primary responsibility for chartering  
2 and supervising banks.

3 [(d)] (E) (1) "Branch" means a bank office open to the public at which  
4 deposits are received, checks are paid, or money is lent.

5 (2) "Branch" includes a mobile branch or other special-purpose facility  
6 that performs a function of a branch.

7 (3) "Branch" does not include an automated teller machine as defined in  
8 § 1-401 of this article.

9 (F) "COMMERCIAL ACTIVITIES" MEANS ACTIVITIES IN WHICH A BANK  
10 HOLDING COMPANY, A FINANCIAL HOLDING COMPANY, A NATIONAL BANK, OR A  
11 NATIONAL BANK FINANCIAL SUBSIDIARY MAY NOT ENGAGE UNDER FEDERAL LAW.

12 [(e)] (G) "De novo branch" means a branch of an out-of-state bank or banking  
13 institution that:

14 (1) Is originally established by the out-of-state bank or banking  
15 institution as a branch; and

16 (2) Does not become a branch of the out-of-state bank or banking  
17 institution as a result of:

18 (i) The acquisition by the out-of-state bank or banking institution  
19 of an insured depository institution or a branch of an insured depository institution;  
20 or

21 (ii) The conversion, merger, or consolidation of an insured  
22 depository institution or a branch of an insured depository institution.

23 [(f)] (H) "Home state" means:

24 (1) As to a national banking association, the state in which its main  
25 office is located; and

26 (2) As to a state-chartered bank, the state by which it is chartered.

27 [(g)] (I) "Home state regulator" means the agency in a bank's home state with  
28 primary responsibility for chartering and regulating banks.

29 [(h)] (J) "Host state" means a state, other than the home state of a bank, in  
30 which the bank maintains or seeks to establish a branch.

31 [(i)] (K) "Insured depository institution" means any financial institution the  
32 deposits of which are insured by the Federal Deposit Insurance Corporation.

33 [(j)] (L) "National banking association" means a bank chartered under the  
34 National Bank Act.

1 [(k)] (M) "Other-state bank" means a bank chartered and primarily regulated  
2 by another state.

3 [(l)] (N) "Out-of-state bank" means:

4 (1) A national banking association with its main office in a state other  
5 than this State; or

6 (2) An other-state bank.

7 5-1003.

8 (A) A banking institution or an out-of-state bank may establish a branch in  
9 this State by:

10 (1) Opening a de novo branch;

11 (2) Purchasing an existing branch from a bank or an insured depository  
12 institution; or

13 (3) Converting former headquarters or retaining former branches  
14 following:

15 (i) The purchase of all or substantially all of the assets of a bank or  
16 an insured depository institution; or

17 (ii) A merger or a consolidation with a bank or an insured  
18 depository institution.

19 (B) A BANKING INSTITUTION OR AN OUT-OF-STATE BANK MAY NOT  
20 ESTABLISH OR MAINTAIN A BRANCH IN THIS STATE ON THE PREMISES OR PROPERTY  
21 OF AN AFFILIATE IF THE AFFILIATE ENGAGES IN COMMERCIAL ACTIVITIES.

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
23 June 1, 2006.