

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1735
Economic Matters

(Delegates Moe and D. Davis)

Finance

Branching by Banks

This emergency bill prohibits a banking institution or an out-of-state bank from establishing or maintaining a branch in Maryland on the premises or property of an affiliate if the affiliate engages in “commercial activities.” Under the bill, commercial activities are activities in which a bank holding company, a financial holding company, a national bank, or a national bank financial subsidiary may not engage under federal law. By altering the reference to the definition of a “bank” under federal law, the bill expands the definition of a bank under Maryland law to include most branches of an industrial loan company (ILC).

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Commissioner of Financial Regulation.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A banking institution or out-of-state bank may establish a branch in the State by: (1) opening a new branch; (2) purchasing an existing branch from a bank or insured depository institution; or (3) converting former headquarters or retaining former branches following a purchase of, or merger or consolidation with, a bank or insured depository institution.

An out-of-state bank that wishes to establish a branch in Maryland must qualify to do business in the State as a foreign corporation and, within 15 days of filing a branch application with the appropriate bank supervisor, must provide the commissioner with a copy of the branch application.

Whether and under what circumstances a banking institution or out-of-state bank maintains a branch on the property or premises of an affiliate is not currently regulated by statute.

Background: An ILC is a state-chartered financial institution. Currently, an ILC charter is authorized under the laws of Utah, California, Nevada, Hawaii, Colorado, Minnesota, and Indiana. An ILC's deposits may be eligible for insurance from the Federal Deposit Insurance Corporation. However, ILCs are not subject to the federal Bank Holding Company Act (BHCA) or supervision by the Federal Reserve System. An ILC may be owned by a variety of entities, including entities that would be ineligible to own a bank under the BHCA.

Additional Information

Prior Introductions: None.

Cross File: SB 1093 (Senator Astle) – Finance.

Information Source(s): Department of Labor, Licensing, and Regulation; Federal Deposit Insurance Corporation; Department of Legislative Services

Fiscal Note History: First Reader - March 22, 2006
mll/ljm Revised - House Third Reader - April 6, 2006

Analysis by: T. Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510