

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1136

(Chair, Economic Matters Committee)(By Request -  
Departmental - Labor, Licensing and Regulation)

Economic Matters

Finance

---

**Financial Institutions - Supervision and Reorganization**

---

This departmental bill requires a nondepository trust company to pledge securities or deliver a surety bond to the Commissioner of Financial Regulation to defray the costs of receivership. Under the bill, a receiver may appoint any clerks, agents, counsel, employees, and assistants and further retain officers and employees of the nondepository trust company to carry out the receivership. The bill authorizes the commissioner to take immediate possession of a nondepository trust company in the event of insolvency. The bill further establishes procedures for a federal mutual savings bank to convert to a Maryland-chartered savings bank and requires the payment of specified filing and examination fees.

---

**Fiscal Summary**

**State Effect:** Potential minimal increase in special fund revenues collected from the conversion of federal mutual savings banks to State-chartered institutions. The bill's requirements can be handled within the existing budgeted resources of the Office of the Commissioner of Financial Regulation within the Department of Labor, Licensing, and Regulation (DLLR).

**Local Effect:** None.

**Small Business Effect:** The Office of the Commissioner of Financial Regulation within DLLR has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

---

## Analysis

**Bill Summary:** The bill requires a nondepository trust company to pledge securities or a surety bond in an amount set by the commissioner, up to \$3,000,000, to defray costs of a potential receivership. If a nondepository trust company pledges securities, the securities must be held at an approved institution. The commissioner may specify the types of securities pledged, and any fees associated with holding pledged securities are the responsibility of the nondepository trust company.

Alternatively, if a nondepository trust company purchases a surety bond, the bond must be issued by a company that is authorized to do business in the State, and has a rating in one of the three highest grades as determined by a national rating service. The bill prohibits a nondepository trust company from obtaining a surety bond from any affiliate.

All necessary and reasonable expenses incurred by the commissioner that are court approved and related to the possession of a nondepository trust company, including costs associated with the receivership, reorganization, or liquidation of the nondepository trust company are paid from the assets, the sale of the securities pledged, or recovery against a surety bond delivered under the bill. Any proceeds of a sale of pledged securities that remain after required payments have been made are considered assets of the nondepository trust company.

A federal mutual savings bank may convert into a Maryland-chartered savings bank as long as the converting institution meets the requirements set forth in the Financial Institutions Article for the incorporation of a savings bank and pays a \$7,000 filing fee and a \$3,000 examination fee. The bill allows any interested person to request that the commissioner conduct a hearing regarding the conversion. The board of directors of the converting institution has to sign, acknowledge, and file articles of incorporation, which must state that the conversion has been approved by a vote of the converting institution's members or by the institution's board of directors. The new savings bank resulting from the conversion is considered the same business and corporate entity as prior to the conversion and has all of the rights, powers, and duties of the prior entity.

Unless the construction would be unreasonable, any reference to the converting institution in any writing must be interpreted as a reference to the new savings bank. If a converting institution has assets or engages in business activities that do not conform to the law governing savings banks, the commissioner may allow a reasonable time for the new savings bank to conform to that law.

**Current Law:** The board of directors of any banking institution may place the institution, including its property, records, and business, in the hands of the commissioner by posting on the front door of each banking office of the institution a notice that states:

“This institution is in the hands of the Maryland Commissioner of Financial Regulation.” The banking institution must immediately notify the commissioner of its action and the commissioner must immediately take possession of the institution.

If the commissioner finds that the capital stock account of any commercial bank is impaired because of a loss or for any other reason, the commissioner may require the bank to correct the impairment. If the commercial bank fails to correct the impairment within three months after the board receives the notice, the commissioner may take possession of the bank, including its property, records, and business.

If the reserves of any commercial bank fall below specified amounts, (1) the commercial bank may not increase its loans or discounts until the deficiency is corrected, except by discounting or buying drafts payable on sight or upon demand; and (2) the commissioner must require the bank to correct the deficiency. If the commercial bank fails to correct the deficiency within 30 days from receiving notice, the commissioner may take possession of the commercial bank, including its property, records, and business.

**Background:** The Commissioner of Financial Regulation advises that the bill grants the office the express authority to take immediate actions where emergency conditions threaten the continued safe and sound operations of a nondepository trust company. The bill authorizes the commissioner to appoint any agents, counsel, employees, and assistants and to retain any officers or employees needed to effectively undertake a receivership. In addition, the bill creates a process to allow a federal mutual savings bank to convert to a State-chartered savings bank. In January 2010, Madison Bank of Maryland has taken the initial steps of applying to the Federal Deposit Insurance Corporation to convert from a federally chartered savings bank to a State-chartered savings bank.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2010  
wj/ljm Revised - House Third Reader - March 31, 2010

Analysis by: Jason F. Weintraub

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

## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Financial Institutions – Supervision and Reorganization

BILL NUMBER: HB 1136

PREPARED BY: Department of Labor, Licensing and Regulation

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.