

Chapter 266

**(House Bill 718)**

AN ACT concerning

**Financial Institutions – Qualifications of Directors of Commercial  
Banks – Residency**

FOR the purpose of altering the percentage of the directors of a commercial bank who are required to be residents of the State; and generally relating to the qualifications of directors of commercial banks.

BY repealing and reenacting, with amendments,  
Article – Financial Institutions  
Section 3–403  
Annotated Code of Maryland  
(2011 Replacement Volume and 2016 Supplement)

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

**Article – Financial Institutions**

3–403.

(a) (1) After the initial issuance of capital stock by a commercial bank, each of its directors shall own in good faith and of record unencumbered shares of the capital stock of:

(i) The commercial bank; or

(ii) A corporation that owns more than 80 percent of the capital stock of the commercial bank.

(2) The unencumbered capital stock owned by the director shall be in the amount of at least:

(i) \$500; or

(ii) \$250, if the commercial bank is a State bank that has \$50,000 or less in capital stock.

(3) To determine the amount of capital stock owned by a director:

(i) Based on the value of the stock on the date of purchase or on the date the director took office, whichever is greater, any 1 or more of the following may be considered:

1. Aggregate par value in the amount required under either paragraph (2)(i) or (ii) of this subsection;

2. Aggregate shareholder's equity in the amount required under either paragraph (2)(i) or (ii) of this subsection; or

3. Aggregate fair market value in the amount required under paragraph (2)(i) or (ii) of this subsection; and

(ii) Debt instruments of the commercial bank or corporation may not be considered.

(b) [A majority] **AT LEAST 30%** of the directors of a commercial bank shall be residents of this State.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2017.

**Approved by the Governor, April 18, 2017.**