

SENATE BILL 975

L6, I1, P1

0lr2614
CF 0lr2688

By: **Senators Hershey and Kagan**

Introduced and read first time: February 3, 2020

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Governmental Entities – Authorization to Bank With Credit Unions**

3 FOR the purpose of authorizing certain governmental entities or their authorized agents
4 to deposit certain money in a credit union under certain circumstances; authorizing
5 a credit union to act as a fiscal agent for and receive deposits from certain
6 governmental entities; authorizing a financial institution to use as a certain
7 custodian certain credit unions; requiring a credit union that is a depository for State
8 money to submit to a certain regulator a certain report; making conforming changes;
9 altering certain definitions; and generally relating to governmental entities and
10 credit unions.

11 BY repealing and reenacting, with amendments,
12 Article – Financial Institutions
13 Section 6–312
14 Annotated Code of Maryland
15 (2011 Replacement Volume and 2019 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article – Local Government
18 Section 17–101
19 Annotated Code of Maryland
20 (2013 Volume and 2019 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – State Finance and Procurement
23 Section 6–201, 6–209, and 6–210
24 Annotated Code of Maryland
25 (2015 Replacement Volume and 2019 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 **Article – Financial Institutions**

2 6–312.

3 In addition to the powers set forth elsewhere in this title, a credit union may:

4 (1) Receive the shares and deposits of its members;

5 (2) **ACT AS A FISCAL AGENT FOR AND RECEIVE DEPOSITS FROM THE**
 6 **FEDERAL GOVERNMENT, THE STATE, OR ANY AGENCY OR POLITICAL SUBDIVISION**
 7 **OF THE FEDERAL GOVERNMENT OR THE STATE;**

8 **(3)** Lend money to its members;

9 **[(3)] (4)** Invest funds as provided in this title; and

10 **[(4)] (5)** Undertake other activities that:

11 (i) Are consistent with this title;

12 (ii) Relate to its purposes; and

13 (iii) Are authorized by its bylaws.

14 **Article – Local Government**

15 17–101.

16 (a) In this section, “State financial institution” means an institution that:

17 (1) has a branch in the State that takes deposits; and

18 (2) is:

19 (i) a bank incorporated under the laws of any state or the United
 20 States;

21 (ii) a trust company or savings bank incorporated under the laws of
 22 the State; **[or]**

23 (iii) a savings and loan association incorporated under the laws of the
 24 State or the United States; **OR**

25 **(IV) A CREDIT UNION INCORPORATED UNDER THE LAWS OF ANY**
 26 **STATE OR THE UNITED STATES.**

1 (b) This section applies to the following governmental entities:

2 (1) the governing body of each county;

3 (2) the governing body of each municipality;

4 (3) each county board of education, including the Baltimore City Board of
5 School Commissioners;

6 (4) each road, drainage, improvement, construction, or soil conservation
7 district or commission;

8 (5) the Upper Potomac River Commission; and

9 (6) any other political subdivision or body politic and corporate of the State.

10 (c) Subject to Subtitle 2 of this title and notwithstanding any provision of local
11 law or ordinance, a governmental entity or its authorized agent:

12 (1) in accordance with § 6–222 of the State Finance and Procurement
13 Article may:

14 (i) invest and reinvest in obligations or repurchase agreements all
15 unexpended money in any fund or account of which the governmental entity or its
16 authorized agent has custody or control; and

17 (ii) sell, redeem, or exchange an investment or reinvestment made
18 under this item; or

19 (2) may deposit unexpended money in:

20 (i) an interest-bearing time deposit account or savings account at a
21 federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured
22 savings and loan association in the State; or

23 (ii) the Local Government Investment Pool established under §
24 17–302 of this title.

25 (d) Except as provided in subsections (e) and (f) of this section, a governmental
26 entity or its authorized agent may deposit unexpended money in a federally insured bank,
27 **FEDERALLY INSURED CREDIT UNION**, or federally insured savings and loan association
28 under subsection (b)(2)(i) of this section only if the bank or savings and loan association
29 gives as security for the deposit collateral of a type specified in § 6–202 of the State Finance
30 and Procurement Article.

31 (e) A governmental entity or its authorized agent may deposit unexpended money

1 in a federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured
2 savings and loan association without the security required under subsection (d) of this
3 section if:

4 (1) the money is initially deposited in a State financial institution chosen
5 by the depositor;

6 (2) the State financial institution arranges for the further deposit of the
7 money into one or more certificates of deposit in an amount not exceeding the applicable
8 Federal Deposit Insurance Corporation **OR NATIONAL CREDIT UNION SHARE**
9 **INSURANCE FUND** maximum insurance coverage limit, issued by one or more federally
10 insured banks, **FEDERALLY INSURED CREDIT UNIONS**, or federally insured savings and
11 loan associations for the account of the depositor;

12 (3) when the money is deposited and the certificates of deposit are issued,
13 the State financial institution receives deposits from customers **OR MEMBERS** of other
14 banks, **CREDIT UNIONS**, or savings and loan associations in an amount at least equal to
15 the amount of money initially deposited by the depositor;

16 (4) each certificate of deposit issued for the depositor's account is insured
17 by the Federal Deposit Insurance Corporation **OR NATIONAL CREDIT UNION SHARE**
18 **INSURANCE FUND** for 100% of the principal of and accrued interest on the certificate of
19 deposit; and

20 (5) the State financial institution acts as custodian for the depositor with
21 respect to the certificates of deposit issued for the depositor's account.

22 (f) A governmental entity or its authorized agent may deposit unexpended money
23 in a federally insured bank, **FEDERALLY INSURED CREDIT UNION**, or federally insured
24 savings and loan association without the security required under subsection (d) of this
25 section if:

26 (1) the money is initially placed for deposit with a State financial
27 institution chosen by the depositor to arrange for the redeposit of the money through a
28 deposit placement program that meets the requirements under this subsection;

29 (2) on or after the date that the money of the governmental entity is
30 received, the State financial institution:

31 (i) arranges for the redeposit of the money into one or more deposit
32 accounts, each in an amount of not more than the applicable Federal Deposit Insurance
33 Corporation **OR NATIONAL CREDIT UNION SHARE INSURANCE FUND** maximum
34 insurance coverage limit, in one or more federally insured banks or federally insured
35 savings and loan associations for the account of the depositor; and

36 (ii) acts as custodian for the depositor with respect to the money

1 deposited into the accounts;

2 (3) any money of a governmental entity deposited into a State financial
3 institution in accordance with this subsection and held by that State financial institution
4 at the close of a business day that is in excess of the amount insured by the Federal Deposit
5 Insurance Corporation is secured in accordance with this title;

6 (4) the full amount of the money of the governmental entity redeposited by
7 the State financial institution into deposit accounts in federally insured banks,
8 **FEDERALLY INSURED CREDIT UNIONS**, or federally insured savings and loan
9 associations under this subsection is insured by the Federal Deposit Insurance Corporation
10 **OR NATIONAL CREDIT UNION SHARE INSURANCE FUND**; and

11 (5) on the same date that the money of the governmental entity is
12 redeposited under this subsection, the State financial institution receives an amount of
13 deposits from customers **OR MEMBERS** of other banks, **CREDIT UNIONS**, or savings and
14 loans in accordance with the deposit placement program that is at least equal to the amount
15 of the money of the governmental entity redeposited by the State financial institution.

16 (g) (1) The interest or income from an investment or deposit made under this
17 section:

18 (i) shall be credited to the fund from which the investment or
19 deposit was made; and

20 (ii) may be invested or deposited as provided in this section.

21 (2) Notwithstanding paragraph (1) of this subsection, if the money invested
22 or deposited under this section is from a fund that contains the proceeds of the issuance of
23 bonds or other obligations, the issuer may use the interest or income from the investment
24 or deposit to repay the principal of or interest on the bonds or other obligations.

25 (h) A governmental entity or its authorized agent may withdraw or alter an
26 investment or deposit made under this section:

27 (1) to meet the requirements for which the money is held; or

28 (2) for reinvestment in accordance with this section.

29 **Article – State Finance and Procurement**

30 6–201.

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

32 (b) “Banking institution” means an institution that is incorporated under the
33 laws of the State as a State bank, **CREDIT UNION**, trust company, or savings bank.

1 (c) “Collateral” means collateral that is listed under § 6–202 of this subtitle.

2 (d) “Deposit insurance” means insurance by:

3 (1) the Federal Deposit Insurance Corporation; [or]

4 (2) **THE NATIONAL CREDIT UNION SHARE INSURANCE FUND; OR**

5 (3) the Resolution Trust Corporation created under § 21A of the Federal
6 Home Loan Bank Act (12 U.S.C. § 1441a.).

7 (e) “Financial institution” means:

8 (1) any [banking] institution **THAT IS INCORPORATED UNDER THE**
9 **LAWS OF THIS STATE AS A BANK OR CREDIT UNION;**

10 (2) any national banking association;

11 (3) an institution that is incorporated under the laws of any other state as
12 a bank **OR CREDIT UNION;** and

13 (4) an institution that is incorporated under the laws of this State or of the
14 United States as a savings and loan association.

15 (f) “National banking association” means an institution that is incorporated
16 under federal law as a bank.

17 (g) “State money” for purposes of §§ 6–209 and 6–210 of this subtitle includes
18 money in a bank account maintained under the control of an employee or official of the clerk
19 of the court or register of wills.

20 6–209.

21 (a) State money on deposit with a financial institution shall be secured by:

22 (1) deposit insurance; or

23 (2) collateral as required by this section.

24 (b) (1) The collateral for State money on deposit with a financial institution:

25 (i) must have, at all times, a market value that equals or exceeds
26 the State money that is on deposit with the financial institution and is not covered by
27 deposit insurance; and

1 (ii) must be approved by the Treasurer.

2 (2) If the collateral is a surety bond under § 6–202 of this subtitle:

3 (i) the surety bond shall be in a form and amount acceptable to the
4 Treasurer as determined by the Treasurer from time to time; and

5 (ii) the financial institution that provides the surety bond as
6 collateral shall immediately notify the Treasurer if the rating assigned to the issuing
7 insurance company by any rating agency, found acceptable to the Treasurer under § 6–202
8 of this subtitle, is withdrawn or downgraded, in which event the financial institution shall
9 immediately provide the Treasurer with substitute collateral permitted under § 6–202 of
10 this subtitle.

11 (3) Subject to the requirements of this subsection, a financial institution
12 may change its collateral from time to time.

13 (c) (1) A custodian shall hold the collateral under this section for the benefit
14 of the State.

15 (2) A financial institution may use as a custodian:

16 (i) any banking institution that is approved by the Commissioner of
17 Financial Regulation to conduct commercial banking business in the State;

18 (ii) a federal reserve bank; [or]

19 (iii) any national banking association that is approved by the
20 Comptroller of the Currency to conduct banking business in the State; OR

21 **(IV) ANY CREDIT UNION THAT IS APPROVED TO CONDUCT**
22 **BUSINESS IN THE STATE.**

23 (3) A financial institution may not be approved as custodian for the
24 collateral of a depository unless the assets of the financial institution equal or exceed 200%
25 of the value of the collateral to be held for the depository.

26 6–210.

27 (a) (1) On request of the Treasurer, a depository for State money shall submit
28 to the Treasurer or a designee of the Treasurer a report that states:

29 (i) the total amount of State money on deposit with the depository;

30 (ii) the total amount of collateral and deposit insurance for the
31 money; and

1 (iii) the market value of the collateral for the money.

2 (2) Each national banking association that is a depository for State money
3 shall submit to the Comptroller of the Currency each report for which the Comptroller asks.

4 (3) Each banking institution that is a depository for State money shall
5 submit to the Commissioner of Financial Regulation each report for which the
6 Commissioner asks.

7 (4) Each other bank **OR CREDIT UNION** that is a depository for State
8 money shall submit to the [banking authority] **PRIMARY REGULATOR** for the state where
9 the bank **OR CREDIT UNION** has its principal office each report for which the [banking
10 authority] **PRIMARY REGULATOR** of that state asks.

11 (b) On request of the Treasurer a custodian shall submit to the Treasurer or a
12 designee of the Treasurer a report that states the total amount of collateral that a
13 depository has with the custodian.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 October 1, 2020.