Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 15 (Chair, Finance Committee)(By Request - Departmental - Labor)

Finance Economic Matters

Financial Institutions - Commissioner of Financial Regulation - Banking Institution Powers

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This departmental bill modifies the process for (and circumstances under which) a banking institution may engage in any additional activity, service, or other practice that is already authorized for national banking associations. The bill repeals an existing requirement that banking institutions file an application with (and receive the approval of) the Office of the Commissioner of Financial Regulation (OCFR). Instead, the bill allows a banking institution to undertake an action within 45 calendar days after filing a notice of intention to do so with OCFR (assuming OCFR does not reject or modify the proposal under the terms specified by the bill).

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: The Maryland Department of Labor has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: A banking institution must provide OCFR with written notice at least 45 calendar days before engaging in any activity, service, or other practice authorized under federal law. The notice required must include a description of the proposed activity, service, or other practice, including (1) the specific authority used and (2) any condition that federal law requires (or allows) with respect to national banking associations.

The banking institution may begin to perform the activity, service, or other practice on the first business day after the 45th calendar day from the date OCFR receives the required notice unless OCFR (1) specifies a different date or (2) prohibits the activity, service, or other practice.

OCFR may extend the 45-day period under the bill if it determines that the banking institution's notice requires additional information or additional time for analysis. OCFR may prohibit a banking institution from performing the activity, service, or other practice described in the required notice if it determines that performing the activity, service, or other practice would (1) adversely affect the safety and soundness of the banking institution; (2) be detrimental to the welfare of the general economy of the State; or (3) be detrimental to the public interest or to banking institutions.

Current Law/Background: If OCFR approves, banking institutions may engage in any additional activity, service, or other practice in which, under federal law, national banking associations may engage. OCFR may grant an approval only if:

- OCFR determines that approval is (1) reasonably required to protect the welfare of the general economy of the State and of banking institutions or (2) not detrimental to the public interest or to banking institutions; and

- the approval imposes the same conditions that federal law requires or permits as to national banking associations.

OCFR advises that the bill's changes are intended to simplify the process that State banks must follow in order to undertake an activity authorized for federally chartered banks. The changes are also intended to ease the processing burden on OCFR (as an application and response from OCFR would no longer be needed to allow a proposed new activity).

OCFR notes, however, that after reviewing a notification, it would still have the ability to block any action deemed detrimental to the public interest (or to the interests of the institution) in order to protect the welfare of the State or its economy. OCFR further notes that most (if not all) states have similar parity laws. Examples of banking activities that have been approved in the past include opening on Sundays, providing debt cancellation products, and operating a courier service.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - January 20, 2020
rh/mcr Third Reader - March 16, 2020
Revised - Amendment(s) - March 16, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Financial Institutions - Commissioner of Financial Regulation - Banking Institution Powers

BILL NUMBER: SB 15

PREPARED BY: Joseph Cunningham, Director of Legislative Response & Special Projects

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

_X_ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This legislation will have a positive impact on the state's banking community as it replaces the administrative burden on state banks of preparing and submitting an application with a prior notice provision allowing state banks to more quickly and efficiently obtain approval of requests and respond to competitive issues. The new process will not diminish the regulatory powers of the Commissioner.