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Maryland
DEPARTMENT OF LABOR

LEGISLATIVE OFFICE
45 CALVERT STREET
ANNAPOLIS, MD 21401
(410) 260-6076

Senate Bill 14

Date:	January 22, 2020
Committee:	Senate Finance
Bill Title:	Financial Institutions – State Banks, Trust Companies, and Savings Banks – Incorporators
Re:	**Letter of Support**

Senate Bill 14 (SB 14) promotes the chartering of new Maryland banks, simplifies incorporator requirements, and removes restrictions on altering directorships.

Current Maryland law requires all incorporators of Maryland banks to be adult citizens of the United States and of Maryland – no less than five (5) incorporators for banks, and no less than fifteen (15) incorporators for savings banks. These requirements are a deterrent to the chartering of new Maryland banks and are more restrictive than those of many states, including our neighboring states. Examples of requirements in other states include: CA 1; CT 1; DC 1; VA 1; NC 1; PA 3; DE 3; WV 5 (3 instate).

Maryland has seen a 43% reduction in state-chartered banks in just over a decade, from 56 in 2007 to 32 in 2019. SB 14 simplifies the incorporation process by decreasing the total number of incorporators needed to charter a new Maryland bank. For banks and savings banks alike, the required number of incorporators would be no less than three (3) adults, all who must be residents of the United States, and one (1) who must be a citizen of Maryland. This proposal encourages competition by aligning the incorporation process for Maryland banks with those of neighboring states.

SB 14 also clarifies the authority of a Maryland bank's board of directors – specifically the authority to alter and/or change the board's total number of directorships. Current law provides that the number of bank directors must be between five (5) and thirty (30), as set forth in the bank's charter or bylaws, and only permits stockholders to authorize the appointment of an additional two (2) directorships (within the 5 to 30 limitation) at any given annual meeting.

Maryland General Corporation Law expressly permits a Maryland corporation to adjust or alter its board whenever authorized by its charter and/or bylaws (a common practice). The bank provisions in the Financial Institutions Article do not address a bank board's authority to reset, increase, or decrease its number of directorships. This discrepancy creates uncertainty for local banks and their advisors.

SB 14 aligns the bank provisions with Maryland General Corporation Law, thereby clarifying that a bank may, too, alter its number of directors **subject to the charter and/or bylaws**. Thus, this bill will increase corporate flexibility and further promote efficient and effective governance structures.

For these reasons, the Department respectfully requests a favorable report from the Committee on SB14.

Maryland Consumer Rights Coalition_unf_SB14

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Position: UNF

Testimony to the Senate Finance Committee
SB 14 : Financial Institutions - State Banks, Trust Companies, and Savings Banks - Incorporators
Position: Unfavorable

January 22, 2020

The Honorable Delores Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are writing today in opposition of bill SB 14.

Through our organizational work, we witness the impact financial institutions have on low-and moderate-income (LMI) communities. We have seen financial institutions forgo significant investment in LMI communities and have noted a distressing lack of representation and diversity within these institutions' staffing, programming, and products. The state should aim to increase the diversity and representation of those incorporating a bank in order to address the current issue of underrepresentation. However, this bill reduces the number of incorporators and number of required Maryland citizens required to incorporate, and therefore reduces the opportunity to increase representation, further removing the administrative body from the constituents these institutions are meant to serve.

At a time where there is national level concern over reductions in bank regulations, the state should not take further steps to reduce administrative oversight. The Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) have issued a notice of proposed rulemaking that would considerably weaken regulations implementing the Community Reinvestment Act (CRA), a law designed to combat redlining by requiring banks to affirmatively and continually meet community needs for credit and banking services in LMI communities. [1] With this national level weakening of CRA, financial institutions face

[1] https://ncrc.org/initial-ncrc-analysis-of-the-fdic-and-occ-notice-of-proposed-rulemaking-concerning-the-community-reinvestment-act/

fewer regulations governing their investment in LMI communities. In a climate with fewer bank regulations, MCRC is concerned with the weakening of administrative oversight. We oppose SB 14 and urge an unfavorable report.

Best,

Marceline White
Executive Director