



HB 250 - Financial Institutions - Third-Party Service Providers - Examinations

Committee: House Economic Matters Committee

Date: January 23, 2024

Position: Favorable with Amendments

The Maryland Bankers Association (MBA) **SUPPORTS HB 250 WITH AMENDMENTS.** This legislation authorizes the Commissioner of Financial Regulation to conduct examinations on third-party service providers who provide services on behalf of an institution licensed or chartered by the Office of Financial Regulation. Amending this legislation to conform examination standards with those under the federal Bank Service Company Act (BCSA) will provide uniformity to banks undergoing examinations by their respective regulators.

Maryland banks and their vendors are subject to the federal BCSA. The BCSA requires banks to notify their federal banking regulator, in writing, of contracts or relationships with businesses that provide services on their behalf. The services covered by the Act include check and deposit sorting and posting, computation and posting of interest, preparation and mailing of checks or statements, and other clerical, bookkeeping, accounting, statistical, or similar functions, including data processing, internet banking, and mobile banking services. The BCSA subjects these service providers to regulation and examination by the federal banking agencies to the same extent as if the services were being performed by the depository institution.

Because Maryland banks and their service providers are already heavily regulated in this arena under federal law, it is our hope that amendments can be worked out with the Commissioner of Financial Regulation that would have this new Maryland law follow those requirements.

Accordingly, MBA urges issuance of a **FAVORABLE** report on HB 250 **WITH AMENDMENTS**.

The Maryland Bankers Association (MBA) represents FDIC-insured community, regional, and national banks, employing more than 26,000 Marylanders and holding more than \$209 billion in deposits in over 1,200 branches across our State. The Maryland banking industry serves customers across the State and provides an array of financial services including residential mortgage lending, business banking, estates and trust services, consumer banking, and more.