

Department of Legislative Services  
Maryland General Assembly  
2017 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 718  
Economic Matters

(Delegate Carey)

Finance

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Financial Institutions - Qualifications of Directors of Commercial Banks -  
Residency

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This bill reduces the percentage of the directors of a commercial bank who are required to be residents of the State from a majority to at least 30%.

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Fiscal Summary

**State Effect:** None. The bill pertains exclusively to private-sector activities.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:** The business and affairs of a commercial bank must be managed by a board of directors. Each bank must have at least 5, but may not have more than 30, directors.

After the initial issuance of capital stock by a commercial bank, each of its directors must own, in good faith and of record, unencumbered shares of the capital stock of (1) the commercial bank or (2) a corporation that owns more than 80% of the capital stock of the commercial bank. The unencumbered capital stock owned by the director must total at least (1) \$500 or (2) \$250, if the commercial bank is a State bank that has \$50,000 or less in capital stock. To determine the amount of capital stock owned by a director, based on the value of the stock on the date of purchase or on the date the director took office (whichever is greater), any one or more of the following may be considered: (1) aggregate

par value; (2) aggregate shareholder's equity; or (3) aggregate fair market value. Debt instruments of the commercial bank or corporation may not be considered.

A majority of the directors of a commercial bank must be residents of the State.

**Background:** The Office of the Commissioner of Financial Regulation of the Department of Labor, Licensing, and Regulation is responsible for chartering and supervising Maryland State-chartered banks, credit unions, and trust companies. According to the Office of the Commissioner, there are 39 State-chartered banks and 8 State-chartered credit unions in Maryland. The Commissioner of Financial Regulation regulates all banks chartered by the State of Maryland.

National banks, which are often distinguished by the words "national," "national association," or the initials "N.A.," are regulated by the Office of the Comptroller of the Currency (OCC), which is an independent bureau of the U.S. Department of the Treasury. The OCC charters, regulates, and supervises all national banks and federal savings associations as well as federal branches and agencies of foreign banks.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 206 (Senator Feldman) - Finance.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Office of the Comptroller of the Currency, U.S. Department of the Treasury; Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2017  
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