

SENATE BILL 206

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By: **Senator Feldman**

Introduced and read first time: January 19, 2017

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Qualifications of Directors of Commercial**
3 **Banks – Residency**

4 FOR the purpose of altering the percentage of the directors of a commercial bank who are
5 required to be residents of the State; and generally relating to the qualifications of
6 directors of commercial banks.

7 BY repealing and reenacting, with amendments,
8 Article – Financial Institutions
9 Section 3–403
10 Annotated Code of Maryland
11 (2011 Replacement Volume and 2016 Supplement)

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

14 **Article – Financial Institutions**

15 3–403.

16 (a) (1) After the initial issuance of capital stock by a commercial bank, each of
17 its directors shall own in good faith and of record unencumbered shares of the capital stock
18 of:

19 (i) The commercial bank; or

20 (ii) A corporation that owns more than 80 percent of the capital stock
21 of the commercial bank.

22 (2) The unencumbered capital stock owned by the director shall be in the
23 amount of at least:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) \$500; or

2 (ii) \$250, if the commercial bank is a State bank that has \$50,000 or
3 less in capital stock.

4 (3) To determine the amount of capital stock owned by a director:

5 (i) Based on the value of the stock on the date of purchase or on the
6 date the director took office, whichever is greater, any 1 or more of the following may be
7 considered:

8 1. Aggregate par value in the amount required under either
9 paragraph (2)(i) or (ii) of this subsection;

10 2. Aggregate shareholder's equity in the amount required
11 under either paragraph (2)(i) or (ii) of this subsection; or

12 3. Aggregate fair market value in the amount required under
13 paragraph (2)(i) or (ii) of this subsection; and

14 (ii) Debt instruments of the commercial bank or corporation may not
15 be considered.

16 (b) [A majority] **AT LEAST 30%** of the directors of a commercial bank shall be
17 residents of this State.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2017.