

**CHAPTER 593**

**(House Bill 1226)**

AN ACT concerning

**Financial Institutions – Capital Stock and Surplus Requirements**

FOR the purpose of clarifying the circumstances under which a banking institution may increase or decrease its capital stock; requiring that a banking institution take certain actions if its surplus is less than 100 percent of its capital stock; and generally relating to the capital stock and surplus requirements of banking institutions.

BY repealing and reenacting, with amendments,

Article – Financial Institutions

Section 3–301, 3–305, 3–306, and 3–308

Annotated Code of Maryland

(1992 Replacement Volume and 1994 Supplement)

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

**Article – Financial Institutions**

3–301.

(a) A subscription for the original capital stock of a commercial bank shall conform, to the extent applicable, to the provisions of the Maryland General Corporation Law that relate to stock subscriptions.

(b) An increase in the outstanding capital stock of a commercial bank is not valid unless:

(1) [The required surplus is sufficient to permit the increase] THE COMMERCIAL BANK HAS SUFFICIENT SURPLUS SO THAT AFTER THE INCREASE IN CAPITAL STOCK ITS SURPLUS WILL EQUAL AT LEAST 20 PERCENT OF ITS CAPITAL STOCK; or

(2) The amount of the increase is subscribed for and paid as required for subscription for original capital stock.

(c) (1) Each share of common stock is entitled to one vote.

(2) A stockholder may vote in person or by proxy the capital stock that the stockholder owns of record.

3–305.

(a) A reduction of the outstanding capital stock of a commercial bank:

(1) Is not valid unless approved by the Bank Commissioner; and