



Deryl Schuster, Bank Commissioner

Office of the State Bank Commissioner

Sam Brownback, Governor

March 17, 2015

Mr. Chairman and Members of the Committee:

My name is Dustin Kirk, and I am a Staff Attorney with the Office of the State Bank Commissioner (OSBC). I am here today to speak in support of Senate Bill 240. Specifically, I am here today to explain and address New Section 12 on the application fees charged by the OSBC.

The OSBC is a fee funded agency. The Commissioner charges certain fees to process, analyze, and investigate applications filed by banks, trust companies, or other entities to avail themselves of certain statutory allowances.

New Section 12 adds that fee structure to statute which includes all of the fees the Commissioner may charge for the investigation and examination of applications filed pursuant to various statutes throughout the code. Those statutes have been reviewed and, where necessary, statutory language has been added to correspond to New Section 12.

The fees are currently in regulation at K.A.R. 17-22-1. The OSBC derived the language of this new statutory section (found in subsection (a), pg. 5, lines 41-43 and pg. 6, lines 1-19 of the bill) from the above noted regulation, with the following exceptions:

- 1) The application fee for an office relocation was simplified from a multi-fractional fee structure charging \$500-\$1000 to a flat \$750 charge for all relocations.
- 2) The application fee for conversion to a state-chartered bank is currently set at "no fee" but is being proposed at a \$500 fee.
- 3) The application fee for trust authority at a state-chartered bank is currently set at "no fee" but is being proposed at a \$500 fee.
- 4) The application fee for an out-of-state trust facility is currently established by statutory reference but is being proposed as new to statute at the current \$500 fee.

The necessity for adding fees to statute for items numbered two and three is a practical consideration. Subsection (b) of New Section 12 allows the commissioner to raise the fees by up to 150% through the rules and regulation process. If the fee were \$0.00, 150% of \$0.00 is still \$0.00. Thus, not having a dollar amount for those fees would be ineffectual in the event the Commissioner found that circumstances prove necessary to begin charging for those applications.

Concerning item number four, the application process for an out-of-state trust facility, by statute, is the same process for establishing an in-state trust service office or branch bank with trust services. A fee of \$500 is set for those applications. The OSBC has added the specific fee to statute to clearly indicate the charge of \$500 for application for an out-of-state trust facility.

In addition, New Section 12 will eliminate fees for bank service corporations, money order licenses, and administrative appeals.

Subsection (b), pg. 6, lines 20-22 of the bill, adds the ability to raise the statutory fees by up to 150% by rules and regulation. The language in subsection (b) is derived from an amendment to 2013 SB 129 as introduced and passed by the House Committee on Financial Institutions. The OSBC fee structure in 2013 SB 129 failed to pass the legislature but the bill was used as a vehicle for legislation unrelated to the banking code.

Subsection (c), pg. 6, line 23 of the bill allows the Commissioner to waive any fee at his/her discretion. This is a new provision and is added to allow the Commissioner to waive fees when deemed appropriate.

Subsection (d), pg. 6, lines 24-28 of the bill allows the Commissioner to charge the costs of examining or investigating a bank pursuant to an application. In certain limited circumstances, the Commissioner may find that an on-site examination of the bank or trust company may be necessary to fully evaluate an application. This subsection allows the Commissioner to charge that cost to defray the expenses. This provision is currently in K.A.R. 17-22-1.

Subsection (e), pg. 6, lines 29-30 of the bill is the traditional rules and regulation provision that allows the Commissioner to adopt rules and regulations to implement the provision of the new section. This language was also proposed in 2013 SB 129, as amended.

To assist the Committee in its review of the information, please see attached, for comparison, a copy of K.A.R. 17-22-1. Mr. Chairman, thank you for allowing me the opportunity to highlight and further explain the specific provisions of Senate Bill 240. I would ask for the Committee's favorable consideration and would be happy to answer any questions.

Article 22.—APPLICATION FEES

K.A.R. 17-22-1. Application fees.

- (a) At the time of filing any application described below, the applicant shall remit to the office of the state bank commissioner the following nonrefundable fee:
- (1) Bank or trust company charter\$2,500
 - (2) New branch bank1,000
 - (3) Relocation
 - (A) Main office or branch relocation.....1,000
 - (B) Short-form main office relocation500
 - (C) Interchange of main office and branch500
 - (D) Main office relocation with existing location retained as a branch1,000
 - (E) Short-form main office relocation with existing location retained
as a branch.....500
 - (4) Merger, consolidation, or transfer of assets and liabilities1,000
 - (5) Change of control
 - (A) General1,000
 - (B) Bona fide gift or inheritance500
 - (C) Formation of one-bank holding company and associated
exchange of stock.....500
 - (6) Conversion to state charter.....no fee
 - (7) Bank service corporation500
 - (8) Fiduciary activities
 - (A) Fiduciary powers.....no fee
 - (B) Trust branch established pursuant to K.S.A. 9-1135500

- (C) Trust service desk established pursuant to K.S.A. 9-2107500
- (D) Trust service office established pursuant to K.S.A. 9-2108500
- (E) Contracting trustee agreement established to K.S.A. 9-2107500
- (9) Money order license..... 100, plus \$10 per agent
- (10) Change of name250
- (11) Revenue bond pledgibility200
- (12) Letter of good standing50
- (13) Administrative appeals pursuant to K.S.A. 9-2108(i), K.S.A. 9-2107(l),
or K.S.A. 9-1135(j)1,000
- (b) The statutory procedures governing the applications described in paragraph (a)(2), paragraph (a)(3)(A), (C), (D) or (E), and paragraph (a)(8)(B), (C), or (D) above may require a public hearing. If a hearing is required, the applicant shall pay an additional nonrefundable fee of \$400 to defray the expenses of the hearing.
- (c) The applicant shall pay any additional cost associated with any examination or investigation if the state bank commissioner determines that an on-site examination of the financial institutions or trust companies that are parties to the application is necessary.

(Authorized by K.S.A. 9-1713, 9-1127c, 9-1601, 9-812, and K.S.A. 1999 Supp. 9-509, 9-532, 9-1111, 9-1111b, 9-1135, 9-1402, 9-1722, 9-1724, 9-1803, 9-1804, and 9-2107; implementing K.S.A. 1999 Supp. 9-509, 9-532, 9-1111, 9-1111b, 9-1115, 9-1135, 9-1402, 9-1722, 9-1724, 9-1803, 9-1804, and 9-2107 and K.S.A. 9-1127c, 9-1601, and 9-812; effective Oct. 19, 1992; amended Aug. 16, 1993; amended Oct. 31, 1994; amended Nov. 14, 1997; amended April 28, 2000.)