

MINUTES OF THE Senate COMMITTEE ON Commercial and Financial Institutions

The meeting was called to order by Sen. Neil H. Arasmith at  
Chairperson

9:00 a.m./~~p.m.~~ on February 9, 1983 in room 529-S of the Capitol.

All members were present except:

Senator Hess - Excused

Committee staff present:

Bill Wolff, Legislative Research  
Bruce Kinzie, Revisor's Office

Conferees appearing before the committee:

None

The minutes of February 8 were approved.

The chairman began the meeting with the announcement that he plans no action on SB 50 for the time being until the bill from the House, which is probably a better bill, comes from the House.

Consideration of SB 64 began with the chairman saying that in his opinion the conformity in the bill is necessary, and the rest is not dangerous to the public.

Sen. Gannon made a motion to strike lines 256 and 257. Sen. Pomeroy seconded the motion for the purpose of discussion.

Sen. Gannon said that the bill sounds like it is allowing state banks to get into the business of selling stocks, and he fails to see the reason why a bank is needed as an in between man for customers and brokers. Sen. Harder asked if this is being done now. The chairman answered that the national banks are doing it now. Staff added that there is a possibility that the bank commissioner could allow state banks to offer this service even if it is not in the bill. Sen. Gannon stated that he feels that banks should keep out of this area. The chairman agreed that some banks may not be qualified to act in this type of service. Committee members asked for reasons a bank needs to offer this type of service.

Jim Maag, Kansas Bankers Association, referred to his testimony of February 8 in reply to the committee's questions. He referred to a letter from Mr. Charles Henson to Mr. Harold Stones included in his testimony in an effort to answer the questions from the committee as to the reason state banks need to offer a discount brokerage service. He referred to the three programs into which the brokerage service can be divided in an attempt to answer a request from the committee to trace a transaction of this type. Mr. Maag agreed with Sen. Werts who stated that the essence of the provision is that a country bank could provide this service for a customer more expeditiously than a customer could--that it is merely a customer service without advice from the banker. Sen. Gannon asked if it is a service, why should the banks get paid for it. Sen. Werts replied that it is just another payment for customer service. Mr. Maag added that the banks are not promoting this service and are not in competition with brokers. Also, it is up to the customer, who is aware of the fee, if he wants to deal with the bank.

Sen. Pomeroy noted that lines 256 and 257 do not say that banks won't provide any kind of advice. Mr. Maag said that the language here is from the federal act which says banks are restricted from further advice. This is not in the bill but the state bank commissioner would so instruct the examiners. Sen. Pomeroy said he feels that the same language should be put in the state law as in the federal law because the language as written in the bill would authorize giving of advice by a banker. Sen. Werts said that he does not think there is any prohibition from a banker responding to a question from a customer just as an interest in a transaction without pushing any particular stock. Mr. Maag added that all he has to go on is what the federal regulations are which have been working for the national banks for years. Staff explained that most of what the committee has been discussing is already legal under the Kansas Security Act and is being done through the trust department of a bank.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Commercial and Financial Institutions,  
room 529-S, Statehouse, at 9:00 a.m./~~p.m.~~ on February 9, 1983.

The chairman asked for a vote on the motion to remove lines 256 and 257 from the bill. The motion carried with Senators Werts and Harder voting "no".

Sen. Werts called for a division. The motion carried with 4 for and 2 against.

Sen. Harder made a motion to recommend SB 64 favorably as amended. Sen. McCray seconded the motion. The motion carried.

The committee's attention was turned to SB 55. Bruce Kinzie, Revisor's Office, passed out copies of the proposed amendments and went through each one. (See Attachment I).

Sen. Pomeroy made a motion to adopt the proposed amendments except line 576, striking "and" and inserting "or" and line 598, striking "four" and inserting "two". Sen. Karr seconded the motion. The motion carried.

Sen. Pomeroy made a motion to change "and" to "or" in line 576 saying that he feels state policy should read "or" even though federal policy has "and". Sen. Gannon seconded the motion.

Jim Turner, Kansas Savings and Loan League, stated he is opposed to this change because it will cause problems of disparity among his membership between what the federal and state can do.

A vote on Sen. Pomeroy's motion was called for. The motion carried with Senators Werts and Harder voting "no".

Sen. Pomeroy made a motion to amend lines 597 and 598 by striking the last sentence which would have the same effect as changing "four" to "two". Sen. Gannon seconded the motion. The motion carried.

Sen. Pomeroy made a motion to strike ",but" on line 414 and to strike ",except that" on line 417 to break up the sentence. Sen. Feleciano seconded the motion. The motion carried.

Sen. Pomeroy made a motion to recommend SB 55 favorably as amended. Sen. McCray seconded the motion. The motion carried.

The chairman announced that the committee will meet on February 10 upon adjournment.

Bruce Kinzie, Revisor's Office, had one bill requested by the bank commissioner to be introduced and one bill requested by the Consumer Credit Commissioner to be introduced which he explained to the committee.

Sen. Feleciano made a motion to introduce the first bill dealing with changing the location of trust companies and refer it back to the committee. Sen. Pomeroy seconded the motion. The motion carried.

Sen. Werts made a motion to introduce and refer back to the committee the second bill dealing with reserve requirements of investment companies issuing investment certificates. Sen. Pomeroy seconded the motion. The motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS  
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2/9/83	Ed Johnson	Topeka	Kan Assoc of PchCa
2/9	Marvin Stegert	✓	S+L Dept.
2/9/83	Gerald R Goodell	✓	Ks S+L League
"	Tom Wilder	"	KSL
"	Jim Turner	"	KSL
"	Jim Montford	Wichita	KC02
✓	Jim Holt	"	"
"	Jim May	Topeka	KBA

Proposed Amendments for Senate Bill No. 55

On page 3, in line 87, by striking "or" and inserting "and";

On page 7, in line 240, by inserting before "investments" the word "Such"; also in line 240, by striking "under this paragraph";

On page 8, in line 297, by striking "first";

On page 9, in line 305, by striking "and investments"; in line 306, by striking "10%" and inserting "30%";

On page 16, in line 576, by striking "and" and inserting "or"; in line 579, by striking "creditor" and inserting "condition"; in line 598, by striking "four" and inserting "two";

On page 17, in line 604, by striking "prescribed" and inserting "proscribed";

Attachment I