

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS

The meeting was called to order by REPRESENTATIVE HAROLD P. DYCK at  
Chairperson

3:30 <sup>XX</sup> a.m./p.m. on February 14, 1984, 19<sup>84</sup> in room 527-S of the Capitol.

All members were present except: Representative Richard Schmidt, excused  
Representative Hermon Dillon, excused

Committee staff present: Bill Wolff, Research Department  
Myrta Anderson, Research Department  
Bruce Kinzie, Revisor of Statutes Office  
Virginia Conard, Committee Secretary

Conferees appearing before the committee: Bank Commissioner Eugene C. Hegarty  
Deputy Bank Commissioner Carl Sandstrom

Chairman Harold Dyck called the meeting to order and called on Deputy Bank Commissioner Carl Sandstrom who testified in favor of SB 227. (See Attachment I)

Staff Member Bill Wolff gave a briefing on the proposed amendments in HB2733, with Conferee Bank Commissioner Eugene Hegarty then answering questions from the committee on the proposed amendments. (See Attachment II)

Representative Dean Shelor moved that the amendments to HB2733 be adopted. Representative Ivan Sand seconded the motion. Motion carried.

Mr. Hegarty then testified for the need for HB2734 and for the proposed amendment to HB2734. He then answered questions from the committee. He was assisted by Julie Young, General Consul to the Banking Commission, and by Deputy Bank Commissioner Carl Sandstrom. (See Attachment III)

Rep. David Louis moved that the amended line to HB2734 read "felony or any" and with this change the amendment then be adopted. Rep. Larry Wilbert seconded the motion. Motion passed.

Staff Member Wolff briefed the committee on HB2735 and the proposed amendments. Mr. Hegarty testified as to the need for this bill and the proposed amendments to it. (See Attachment IV)

Rep. David Miller moved that the word "actual" be added to section (e) before the word "expense" and that with the addition of this word the amendment to HB2735 then be adopted. Rep. Ken Francisco seconded the motion. Motion carried.

Rep. Dorothy Nichols moved that the minutes of the February 9 meeting be approved. Rep. Larry Wilbert seconded the motion. Motion passed.

The meeting adjourned at 4:25 p.m.

The next meeting is February 16, 1984.



TESTIMONY OF:

KANSAS BANKING DEPARTMENT ON SB 227 RELATING  
TO TRUST COMPANIES.

PRESENTED TO:

THE HOUSE COMMERCIAL & FINANCIAL INSTITUTIONS  
COMMITTEE.

FEBRUARY 14, 1984

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO APPEAR AGAIN  
ON SB 227 WHICH WAS REFERRED TO YOUR COMMITTEE IN  
THE WANING DAYS OF 1982 LEGISLATURE.

AS WAS INDICATED PREVIOUSLY, THIS AMENDMENT TO  
KSA 17-2015 IS A DESIRE TO DELETE SOME QUESTIONABLE  
LANGUAGE NOW CONTAINED IN KSA 17-2015 AND TO INCREASE  
FEE FOR CHANGE OF LOCATION APPLICATION FROM \$200 TO  
\$500, SAME AS BANKS KSA 9-1804. SHOULD THE ACTUAL  
COSTS RUN LESS THAN THE \$500 ANY EXCESS CHARGES WILL  
BE RETURNED TO APPLICANT MAKING REQUEST FOR CHANGE  
OF LOCATION.

KSA 17-2023 IS BEING AMENDED TO INCLUE THAT THE  
CURRENT RULES AND REGULATIONS FOR BANK CHARTER WILL  
ALSO APPLY FOR A NEW TRUST COMPANY APPLICATION.

KSA 17-2024 APPLICATION FEE FOR A NEW TRUST  
COMPANY IS BEING AMENDED TO ALIGN THIS FEE WITH BANK  
CHARTER APPLICATIONS.

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Atch. I  
2/14/84

# HOUSE BILL No. 2733

By Committee on Commercial and Financial Institutions

1-20

0016 AN ACT relating to banks and banking; concerning reserves;  
0017 amending K.S.A. 9-1001 and repealing the existing section.

and also repealing K.S.A. 9-1102, 9-1103 and 9-1104

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. K.S.A. 9-1001 is hereby amended to read as fol-  
0020 lows: 9-1001. Each bank shall maintain reserves against its  
0021 deposits in such ratios as shall be determined from time to time  
0022 by the commissioner with approval of the board. Such determi-  
0023 nations by the commissioner and the board shall not be subject to  
0024 the provisions of article 4 of chapter 77 of the Kansas Statutes  
0025 Annotated, and amendments thereto.

0026 The reserves shall be kept in cash in its vaults or in net  
0027 balances with correspondent federal reserve banks, national  
0028 banks or state banks of this and other states, or both; but none of  
0029 the stockholders of such depository bank shall be stockholders in  
0030 the depositing bank, except when approved by the commissioner  
0031 or a pass through correspondent.

or a correspondent bank maintaining a balance in a pass through account with a federal reserve bank. A bank shall be given credit against the reserve requirements determined by the commissioner with approval of the board for any reserves held as required by the laws or regulations of the federal government or agencies thereof

0032 No bank shall make any new loan or pay any dividend unless,  
0033 at the time, the required reserves are maintained. A bank shall be  
0034 given credit against the reserve requirements determined by the  
0035 commissioner with approval of the board for any reserves held as  
0036 required by the laws or regulations of the federal government or  
0037 agencies thereof.

0038 Sec. 2. K.S.A. 9-1001 is hereby repealed.

, 9-1102, 9-1103 and 9-1104

0039 Sec. 3. This act shall take effect and be in force from and  
0040 after its publication in the statute book.

*Atch. II  
2/14/84*

*Attachment*

# HOUSE BILL No. 2734

By Committee on Commercial and Financial Institutions

1-20

0016 AN ACT relating to banks and banking; concerning directors,  
0017 officers and employees of banks and trust companies.

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. (a) Except with the written consent of the com-  
0020 missioner, no person shall serve as a director, officer or em-  
0021 ployee of a bank who has been convicted, or who is hereafter  
0022 convicted, of any crime involving dishonesty or a breach of trust.

0023 (b) Any bank which willfully violates subsection (a), shall be  
0024 deemed guilty of a misdemeanor and upon conviction shall be  
0025 punished by a fine of \$100 for each day the violation continues.

0026 Sec. 2. Every bank and trust company shall report promptly  
0027 to the commissioner any change, for whatever reason, in the  
0028 chief executive officer or directors, including in its report a  
0029 statement of the past and current business and professional  
0030 affiliations of the new chief executive officer or directors.

0031 Sec. 3. This act shall take effect and be in force from and  
0032 after its publication in the statute book.

felony, or any

Atch. III  
2/14/84

Attachment

# HOUSE BILL No. 2735

By Committee on Commercial and Financial Institutions

1-20

0016 AN ACT relating to banks and banking; concerning the change of  
0017 control.

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. As used in this act:

0020 (a) "Control" means the power directly or indirectly to direct  
0021 the management or policies of a financial institution or to vote  
0022 25% or more of any class of voting shares of a bank.

0023 (b) "Bank" means a state bank incorporated under the laws of  
0024 Kansas.

0025 (c) "Commissioner" means the Kansas state bank commis-  
0026 sioner.

0027 (d) "Person" means an individual or a corporation, partner-  
0028 ship, trust, association, joint venture, pool, syndicate, sale pro-  
0029 prietorship, unincorporated organization or any other form of  
0030 entity not specifically listed in this subsection.

0031 Sec. 2. It shall be unlawful for a person, acting directly or  
0032 indirectly or through concert with one or more persons, to  
0033 acquire control of any bank through purchase, assignment,  
0034 pledge or other disposition of voting shares of such bank, except  
0035 with the approval of the commissioner or as otherwise allowed  
0036 by this act.

0037 Sec. 3. (a) The commissioner shall be given at least 60 days'  
0038 prior written notice of any proposed bank acquisition. If the  
0039 commissioner does not issue a notice disapproving the proposed  
0040 acquisition within that time or extend the period during which a  
0041 disapproval may issue for another 30 days, the proposed acqui-  
0042 sition shall stand approved. The period for disapproval may be  
0043 further extended only if the commissioner determines that any  
0044 acquiring party has not furnished all the information required

(e) "Board" means the Kansas banking board.

Atch. IV  
2/14/84

Attachment 1

0045 under section 4 or that in the commissioner's judgment any  
0046 material information submitted is substantially inaccurate. An  
0047 acquisition may be made prior to expiration of the disapproval  
0048 period if the commissioner issues written notice of the commis-  
0049 sioner's intent not to disapprove the action.

0050 (b) Within three days after the commissioner's decision to  
0051 disapprove any proposed acquisition, the commissioner shall  
0052 notify the acquiring party in writing of the disapproval. The  
0053 notice shall provide a statement of the basis for the disapproval.

0054 (c) Within 10 days of receipt of such notice of disapproval,  
0055 the acquiring party may request a hearing on the proposed  
0056 acquisition. At the conclusion, the ~~commissioner~~ shall by order  
0057 approve or disapprove the proposed acquisition on the basis of  
0058 the record made at such hearing.

0059 (d) Any person whose proposed acquisition is disapproved  
0060 by the ~~commissioner~~ may appeal to the district court of the  
0061 proper county within 60 days from the date of the commis-  
0062 sioner's notice of disapproval.

0063 Sec. 4. A notice of a proposed bank acquisition filed pursu-  
0064 ant to section 3 shall contain the following information:

0065 (a) The identity, personal history, business background and  
0066 experience of each person by whom or on whose behalf the  
0067 acquisition is to be made, including such person's material  
0068 business activities and affiliations during the past five years and  
0069 a description of any material pending legal or administrative  
0070 proceedings in which the person is a party and any criminal  
0071 indictment or conviction of such person by a state or federal  
0072 court;

0073 (b) a statement of the assets and liabilities of each person by  
0074 whom or on whose behalf the acquisition is to be made, as of the  
0075 end of the fiscal year for each of the five fiscal years immediately  
0076 preceding the date of the notice, together with related state-  
0077 ments of income and source and application of funds for each of  
0078 the fiscal years then concluded, all prepared in accordance with  
0079 generally accepted accounting principles consistently applied,  
0080 and an interim statement of the assets and liabilities for each  
0081 such person, together with related statements of income and

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(e) Expense incurred by the commissioner or board in carrying out any investigation that may be necessary or required by statute shall be paid by the person submitting the proposed acquisition.

0082 source and application of funds, as of a date not more than 90  
0083 days prior to the date of the filing of the notice;

0084 (c) the terms and conditions of the proposed acquisition and  
0085 the manner in which the acquisition is to be made;

0086 (d) the identity, source and amount of the funds or other  
0087 considerations used or to be used in making the acquisition and,  
0088 if any part of these funds or other considerations has been or is to  
0089 be borrowed or otherwise obtained for the purpose of making the  
0090 acquisition, a description of the transaction, the names of the  
0091 parties, and any arrangements, agreements or understandings  
0092 with such persons;

0093 (e) any plans or proposals which any acquiring party making  
0094 the acquisition may have to liquidate the bank, to sell its assets or  
0095 merge it with any company or to make any other major change in  
0096 its business or corporate structure or management;

0097 (f) the identification of any person employed, retained or to  
0098 be compensated by the acquiring party or by any person on such  
0099 person's behalf to make solicitations or recommendations to  
0100 stockholders for the purpose of assisting in the acquisition and a  
0101 brief description of the terms of such employment, retainer or  
0102 arrangement for compensation;

0103 (g) copies of all invitations or tenders or advertisements  
0104 making a tender offer to stockholders for purchase of their stock  
0105 to be used in connection with the proposed acquisition; and

0106 (h) any additional relevant information in such forms as the  
0107 department may require by specific request in connection with  
0108 any particular notice.

0109 Sec. 5. The commissioner may disapprove any proposed ac-  
0110 quisition if:

0111 (a) The proposed acquisition of control would result in a  
0112 monopoly or would be in furtherance of any combination or  
0113 conspiracy to monopolize or attempt to monopolize the business  
0114 of banking in any part of this state;

0115 (b) the effect of the proposed acquisition of control in any  
0116 section of this state may be substantially to lessen competition or  
0117 to tend to create a monopoly or the proposed acquisition of  
0118 control would in any other manner be in restraint of trade and the



0119 anticompetitive effects of the proposed acquisition of control are  
0120 not clearly outweighed in the public interest by the probable  
0121 effect of the transaction in meeting the convenience and needs of  
0122 the community to be served;

0123 (c) the financial condition of any acquiring person is such as  
0124 might jeopardize the financial stability of the bank or prejudice  
0125 the interests of the depositors of the bank;

0126 (d) the competence, experience or integrity of any acquiring  
0127 person or of any of the proposed management personnel indi-  
0128 cates that it would not be in the interest of the depositors of the  
0129 bank or in the interest of the public to permit such person to  
0130 control the bank; or

0131 (e) any acquiring person neglects, fails or refuses to furnish  
0132 the commissioner all the information required by the commis-  
0133 sioner.

0134 Sec. 6. This act shall take effect and be in force from and  
0135 after its publication in the statute book.