

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 1, 1984 in room 529-S of the Capitol.

All members were present except:

Senators Gannon, Hess, and Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Eugene C. Hegarty, State Bank Commissioner
Carl Sandstrom, Assistant Bank Commissioner
Jim Maag, Kansas Bankers Association

The minutes of January 31 were approved.

The hearing on SB 524 began with the testimony of Eugene C. Hegarty, State Bank Commissioner. (See Attachment I.)

In regard to Section I, Sen. Harder asked Mr. Hegarty how often the FDIC conducts examinations. Mr. Hegarty said the length of time between examinations varies according to how a bank is rated on a one to five scale.

Sen. Harder inquired further if the Commissioner has all the authority needed without the approval of the Banking Board, and Mr. Hegarty answered that he does and that he reports to the Banking Board after having taken action.

Several other senators asked Mr. Hegarty if more authority is needed for the Commissioner for preventative measures before a bank is declared insolvent. Their question arose as a result of a hearing in another committee in which a conferee had indicated that more authority is needed. Mr. Sandstrom, Assistant Bank Commissioner, responded that there are other bills pending regarding this and that it is not needed to address this in SB 524.

The chairman asked Mr. Hegarty for a definition of a "call report" to which he had referred in his testimony. Mr. Hegarty explained that it is a report banks are required to send in to the Commissioner. Part of the report is printed in the newspaper. The reports are usually sent in at the end of each of the three quarters, but the Commissioner can call for them at any time. Staff explained that the call report for the FDIC is on a computer and wondered if it would be of help if Kansas banks were able to get a tape from this computer. Mr. Sandstrom said that the FDIC tapes would not fill all of their needs.

Sen. Feleciano expressed his feeling that it is questionable if it would be wise to allow the flexibility in the examination period as outlined in Section I. Mr. Hegarty assured the committee that banks that need close examination will continue to receive proper attention at proper intervals.

Mr. Hegarty continued with a brief explanation of SB 525 which would bring trust companies in the same line as the requirements for state banks for quarterly board meetings. (See Attachment I.)

The hearings on SB 524 and SB 525 were concluded. At this time Jim Maag, Kansas Bankers Association, asked to be allowed to make a general comment on SB 524. He said that at the national level, the banking community gets frustrated because the examination requirement tends to be more stringent for them than for other institutions, thus, creating a feeling of unfairness. He asked the committee to keep in mind what the requirements are for other state chartered institutions where deregulation has relaxed requirements.

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 1, 1984.

Sen. Karr suggested that it might be appropriate to ask staff to research the regulatory requirements for reporting in all financial institutions. Staff informed the committee that SB 524 has its beginnings with the federal government's decision that examinations should be concentrated on safety and soundness.

Sen. Feleciano made a motion that SB 524 be reported favorably. Sen. McCray seconded the motion. The motion carried.

Sen. Werts made a motion that SB 525 be reported favorably. Sen. Gordon seconded the motion. The motion carried.

The chairman asked the committee if it wished to act on SB 523 and SB 590 which had been previously heard.

Sen. Harder made a motion to report SB 523 favorably. Sen. Werts seconded the motion. The motion carried.

Sen. Harder made a motion to allow the amendment offered on SB 590. Sen. Pomeroy seconded the motion. The motion carried.

Sen. Gordon made a motion to report SB 590 favorably as amended. Sen. McCray seconded the motion. The motion carried.

Sen. Werts announced that the Banking Subcommittee would meet on Friday, February 3, at 9:00 a.m. in room 529-S to consider SB 472 and SB 547, the bills dealing with the UCCC.

The meeting was adjourned.

SENATE COMMITTEE

ON

COMMERCIAL AND FINANCIAL INSTITUTIONS

OBSERVERS
(Please print)

DATE	NAME	ADDRESS	REPRESENTING
2-1	Thomas J Wilder	Topeka	KLSI
	Morton C. Chmely	"	KCUL
"	Jared Wright	"	KCUL
"	John Spurgeon	Lawrence	Budget
"	Carl R. Lundstrom	Topeka	Banking
"	Lucene Hegarty	"	"
"	Jim Mang	"	KBA

TESTIMONY OF: STATE BANK COMMISSIONER EUGENE C. HEGARTY

KANSAS BANKING DEPARTMENT ON SB 524 AND SB 525

PRESENTED TO:

THE SENATE COMMERCIAL AND FINANCIAL INSTITUTION
COMMITTEE

FEBRUARY 1, 1984

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

SB 524

SECTION I. - THE ONLY AMENDMENT IS CHANGING THE EXAMINATION PERIOD FROM ONCE EVERY YEAR TO AT LEAST ONCE EVERY EIGHTEEN (18) MONTHS. THIS IS BEING DONE TO GIVE THE BANKING DEPARTMENT SOME FLEXIBILITY - WE WILL CONTINUE TO KEEP A CLOSE SCHEDULE AND WE MAY EXAMINE MOST BANKS AT LEAST EVERY TWELVE (12) MONTHS BUT DESIRE FLEXIBILITY IN CASE WE ARE UNABLE TO MEET THIS STATUTORY REQUIREMENT.

SECTION II. - THIS AMENDMENT DELETES THE REQUIREMENT THAT CALL REPORTS BE ATTESTED AND DELETE THE REQUIREMENT THAT CALL REPORTS BE SUBMITTED WITHIN TEN (10) DAYS OF RECEIPT OF THE CALL. THE COMMISSIONER WILL USE HIS AUTHORITY TO SET THE DUE DATE AND IN MOST CASES IT IS THIRTY (30) DAYS AFTER THE CUT-OFF DATE OR THE END OF THE QUARTER.

SECTION III. - THIS IS A "CLEAN UP". KSA 77-421 STATES ON RULES AND REGULATIONS: "PUBLICATION OF SUCH NOTICE IN THE KANSAS REGISTER SHALL CONSTITUTE NOTICE TO ALL PARTIES AFFECTED BY THE RULES AND REGULATIONS."

SB 525

THIS AMENDMENT IS BEING SUBMITTED TO ELIMINATE THE NECESSITY OF MONTHLY MEETINGS BY THE TRUST COMPANIES AND TO ALIGN THIS SECTION WITH KSA 9-1116, SAME AS BANKS.

CRSandstrom/jas

Attachment I