

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

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

9:00 a.m.~~p.m.~~ on March 21, 1985 in room 529-S of the Capitol.

All members were present except:

Sen. Reilly - Excused

Committee staff present:

Bill Wolff, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Julia Young, Kansas Banking Department
Jim Maag, Kansas Bankers Association

The minutes of March 20 were approved.

The hearing began on HB 2139 dealing with bank organization and examinations which had been requested by the Bank Commissioner.

Julia Young of the Kansas Banking Department testified on the bill saying first that the four proposed amendments to the banking code are needed as a technical clean up to the statutes. (See Attachment I.)

Committee discussion to clarify the provisions of the amendments to the law and questions to Ms. Young followed regarding unimpaired surplus funds, the definition of subsidiary on line 247, the confidentiality amendment, and the base used for investment authority.

Jim Maag, Kansas Bankers Association, appeared in support of the bill.

Sen. Burke made a motion to recommend HB 2139 favorably. Sen. Karr seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE NAME ADDRESS REPRESENTING

3/21	Marvin C. Umholtz	Topeka	KU L
	Ron Bates	Topeka	Visitas
	Julia J. Young	Topeka	Banking Dept.
	Bert Wallace	McPherson	McPherson Sentinel
	DENNIS DEHN	TOPEKA	SEN. WERTS' INTERN

TESTIMONY OF: JULIA L. YOUNG, GENERAL COUNSEL
KANSAS BANKING DEPARTMENT

PRESENTED TO: THE HOUSE COMMITTEE ON
COMMERCIAL AND FINANCIAL INSTITUTIONS

DATE: FEBRUARY 12, 1985

HB 2139 contains amendments to four sections of the banking statutes.

1 K.S.A. 9-801 contains the requirements for organizing a bank. Currently the law requires the signatures of five stockholders of the proposed bank on the Articles of Incorporation. The amendment will allow the Articles to be signed by five stockholders of the bank or the parent company of the bank. The change is needed primarily in de novo bank situations where, following a declaration of insolvency, a new bank is chartered on an emergency basis. Where a holding company will own the newly chartered bank, the holding company is generally already formed as a corporation, whereas the stockholders of the bank have generally not yet been determined.

3 K.S.A. 9-1112

Currently this statute prohibits a bank from making a loan on the security of the bank's own shares of stock. The amendment will add that the bank may also not make a loan on the security of the stock of the holding company or a subsidiary of that holding company.

4 K.S.A. 9-1303

Currently our department can exchange confidential reports of examination of a state bank or trust company with the Federal Deposit Insurance Corporation. In addition, we can provide confidential reports of examination to the Fed-

3/21/85
Attachment I

eral Reserve as to those state banks which are members of the Federal Reserve. The amendment will allow the department to provide the Federal Reserve with reports of examination of those banks which are not members of the Federal Reserve System. Inasmuch as the Federal Reserve regulates and examines holding companies of both member and non-member banks, they occasionally request information regarding the examination of a non-member bank, while they are regulating that bank's holding company. The amendment will allow us to provide them with information from examination reports that would otherwise remain confidential.

2 K.S.A. 1984 Supp. 9-1101

This statute contains the general powers of state banks with regard to investment activity. The amendment deals with two sections of the statute, section 3 and section 7, and changes the bank's investment limits to conform to a bank's allowed lending limits, found in K.S.A. 1984 Supp. 9-1104.

Currently, a bank may invest in bonds, securities or other evidences of indebtedness under certain conditions and in other investment securities authorized by section 7. The limits of those investments are currently set at a percentage of capital and surplus. The amendment will set the limits in conformity with a bank's lending limit of a percentage of capital stock paid in and unimpaired and the unimpaired surplus fund of the bank.

amendment conforms to investment limit for national banks -
investments & banks gen. lending limit 10%
conforms to investment limit for national banks -
insofar as the base. - % may be different.