

Approved Feb. 4, 1986
Date

MINUTES OF THE House COMMITTEE ON Commercial & Financial Institutions

The meeting was called to order by Representative Harold P. Dyck at
Chairperson

3:30 ~~xxx~~ p.m. on Thursday, January 23, 1986 in room 527-S of the Capitol.

All members were present except: Representatives Schmidt and Eckert

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

Conferees appearing before the committee:

James Turner, President, Kansas League of Savings Institutions
Jim Maag, Research Director, Kansas Banking Association

Chairman Dyck called to order the first meeting of the 1986 session of the Commercial and Financial Institutions Committee and welcomed the members back. He introduced Bank Commissioner Eugene Barrett, Jr., Deputy Bank Commissioner Michael Heitman and the new General Counsel, Rita D'Agostino.

Chairman Dyck said the committee would continue meeting on Tuesdays and Thursdays. He stated that he would continue using the assistance of the Calendar Committee, composed of Representatives Miller and Francisco, in developing the agenda each week.

The chairman called on Dr. Bill Wolff of the Legislative Research Department who spoke to the group of his observations of the operations involved in the closing of a bank in Kansas. Dr. Wolff and Jack Montgomery of the Governor's office had been invited by the bank commissioner to observe the activities involved in a closing.

Chairman Dyck then called on those individuals who desired to present proposed legislation for the committee's consideration.

James Turner, President, Kansas League of Savings Institutions, requested the introduction of three bills with the same to be referred back to the committee for hearings. (See Attachment I for details of each proposal.)

The first proposal concerns the payment of dividends on guarantee stock. Rep. Ott moved that the requested legislation be introduced as a committee bill. Rep. Nichols seconded. Motion carried.

The second proposal is a technical amendment to the Finance Subsidiary bill enacted by the Legislature in 1985. Rep. Wilbert moved that this proposal be introduced as a committee bill. Rep. Louis seconded. Motion carried.

The third bill is an amendment relating to guarantee stock associations and conversions of state-chartered mutual institutions. Rep. Long moved that the requested bill be introduced as a committee bill. Rep. Nichols seconded the motion. Motion carried.

Jim Maag, Research Director of the Kansas Banking Association, was the next conferee to appear before the committee. He requested the introduction of a bill with four amendments to K.S.A. 1985 Supp. 9-1111. (See Attachment II) Mr. Maag further requested that this proposal be amended to become effective upon publication in the state registry.

Rep. Sands moved that the amendments to K.S.A. 1985 Supp. 9-1111, as amended, be introduced as a committee bill. Rep. Runnels seconded. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL & FINANCIAL INSTITUTIONS,
room 527-S, Statehouse, at 3:30 ~~xxx~~
~~xxx~~ /p.m. on January 23, 1986

Rep. Louis moved that SB 141 be reported adversely. Rep. Jarchow seconded the motion. Motion carried.

Rep. Louis moved that HB2181 be reported adversely. Rep. Nichols seconded. Motion carried.

Rep. Long moved that HB2232 be reported adversely. Rep. Runnels seconded. Motion carried.

Rep. Miller moved that HB2416 be reported adversely. Rep. Louis seconded. Motion carried.

Before the 4:31 adjournment of the meeting, Rep. Nichols introduced her son and wife who were visiting from Missouri.

KLSI Kansas
League of
Savings
Institutions

JAMES R. TURNER, President • Suite 612 • 700 Kansas Ave. • Topeka, KS 66603 • 913/232-8215

January 23, 1986

TO: HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS
FROM: JIM TURNER, KANSAS LEAGUE OF SAVINGS INSTITUTIONS
RE: INTRODUCTION OF BILLS

The Kansas League of Savings Institutions appreciates the opportunity to appear before the House Committee on Commercial and Financial Institutions to request the introduction of three bills with the same to be referred back to the committee for hearings. These bills are:

1. Proposal concerning the payment of dividends on guarantee stock. The bill conforms to a Special Order issued by the State Savings and Loan Commissioner on May 31, 1985.
2. Technical amendment to the Finance Subsidiary bill enacted by the Legislature in 1985. The measure would delete a comma in the statutory language.
3. Amendments relating to guarantee stock associations and conversions of state-chartered mutual institutions.

James R. Turner
President

JRT:bw

Encl.

Attachment I
1/23/86
House C&FI Committee

BILL NO. _____

AN ACT relating to savings and loan associations; concerning payment of dividends on guarantee stock; limitations.

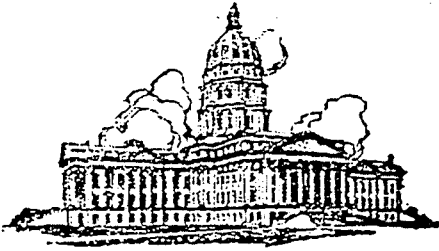
Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 17-5423 is hereby amended to read as follows: 17-5423 No cash dividends shall be declared on guarantee stock by any association unless it meets the net worth requirements for insurance of accounts by the Federal Savings and Loan Insurance Corporation or such other insurer approved by the State Commissioner of Insurance under K.S.A. 17-5826. ~~until the total of the guarantee stock, undivided profits and all reserves available for losses, is equal to 4% of the withdrawable capital.~~ Subject to the provisions of the savings and loan code and acts amendatory thereof or supplemental thereto, guarantee stock shall be entitled to such rate of dividend, if earned, as fixed by the board of directors. Stock dividends may be payable out of otherwise unallocated surplus.

Section 2. K.S.A. 17-5423 is hereby repealed.

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

STATE OF KANSAS



Savings and Loan Department

Room 220
503 Kansas Avenue

TOPEKA, KANSAS 66603

JOHN CARLIN, *Governor*
MARVIN S. STEINERT, *Commissioner*

SPECIAL ORDER OF THE COMMISSIONER

The Savings and Loan Commissioner hereby enters a Special Order pursuant to K.S.A. 17-5601, which provides that the Commissioner may authorize any and all state-chartered savings and loan associations to engage in any activity in which such associations could engage were they operating as a federal savings and loan association. The Commissioner hereby finds it is necessary to adopt this Special Order; that this Special Order is reasonably required to preserve and protect the welfare of state-chartered savings and loan associations and that it will promote competitive equality of state and federal savings and loan associations. This Special Order hereby grants the following powers to state-chartered savings and loan associations to equalize powers granted to federal associations.

Notwithstanding any restrictions contained in the statutes of the State of Kansas, a state-chartered savings and loan association which meets the net worth requirements of the insuring entity providing insurance of accounts as required by K.S.A. 17-5824, may pay cash dividends on its guarantee stock. The rate of dividend shall be fixed by the Board of Directors. Stock dividends may be payable out of otherwise unallocated surplus.

Signed and sealed this Thirty First Day of May, 1985 at Topeka, Kansas.

A large, stylized handwritten signature in black ink, reading "Marvin S. Steinert".

Marvin S. Steinert
Savings and Loan Commissioner
State of Kansas

SEAL

This Special Order specifically approved by the Savings and Loan Board at a regular meeting held May 31, 1985.

CHAPTER 86 *

Senate Bill No. 218

AN ACT relating to cemeteries; concerning the levy of taxes by cemetery district No. 23 in Republic county, Kansas.

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

Section 1. Cemetery district No. 23 located in Republic county, Kansas, is hereby authorized to levy an annual tax upon all taxable tangible property in the district of not to exceed two mills for the purpose of paying the cost of maintenance and operation of the cemetery.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

Approved April 9, 1985.

CHAPTER 87 *

House Bill No. 2107

Concerning power to borrow, give security and issue notes, bonds, debentures, capital stock and other obligations or securities

AN ACT relating to savings and loan associations; concerning establishment of a finance subsidiaries.

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

Section 1. Subject to such prohibitions, limitations and conditions as the commissioner may prescribe by rules and regulations, any state chartered savings and loan association having its principal office in this state which is a member of a federal home loan bank, may borrow, give security and issue notes, bonds, debentures or other obligations or other securities, including capital stock, directly or indirectly through a wholly owned finance subsidiary corporation and may invest in, transfer or make available assets to any such finance subsidiary corporation to the same extent it could if it were operating as a federal savings and loan association.

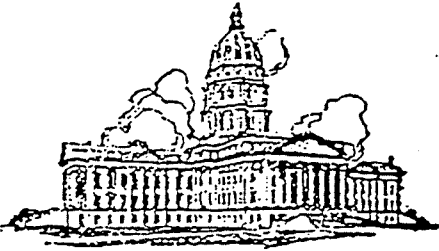
directly or indirectly through

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

Approved April 11, 1985.

delete

STATE OF KANSAS



Savings and Loan Department

Room 220
503 Kansas Avenue

TOPEKA, KANSAS 66603

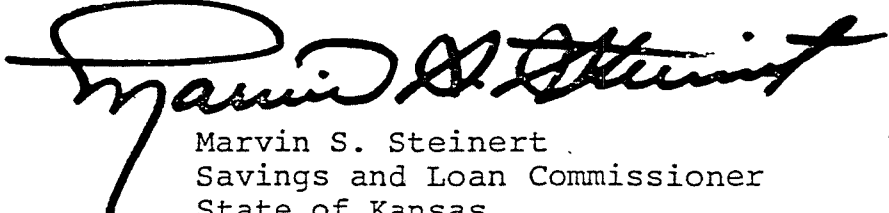
JOHN CARLIN, Governor
MARVIN S. STEINERT, Commissioner

SPECIAL ORDER OF THE COMMISSIONER

The Savings and Loan Commissioner hereby enters a Special Order pursuant to K.S.A. 17-5601, which provides that the Commissioner may authorize any and all state chartered savings and loan associations to engage in any activity in which such associations could engage were they operating as a federal savings and loan association. The Commissioner hereby finds it is necessary to adopt this Special Order; that this Special Order is reasonably required to preserve and protect the welfare of state chartered savings and loan associations and that it will promote competitive equality of state and federal savings and loan associations. This Special Order hereby grants the following powers to state chartered savings and loan associations to equalize powers granted to federal associations.

Notwithstanding any restrictions contained in the statutes of the State of Kansas, a state chartered savings and loan association which is a member of a federal home loan bank may, without limitation as to aggregate amount, borrow, give security, and issue notes, bonds, debentures, or other obligations, or other securities, including capital stock, directly or indirectly through a finance subsidiary, and may invest in, transfer or make available assets to any such finance subsidiary, to the same extent it could if it were a federal savings and loan association, subject to the provisions of 12 C.F.R. Parts 561-571 and 12 C.F.R. 545.82.

Signed and sealed this 21st Day of September, 1984 at Topeka, Kansas.


Marvin S. Steinert
Savings and Loan Commissioner
State of Kansas

SEAL

This Special Order specifically approved by the Savings and Loan Board at a regular meeting held September 21, 1984.

_____ BILL NO. _____

AN ACT relating to savings and loan associations; authorized to operate with guarantee stock; requirements; voting by proxy; amending K.S.A. 17-5425 and K.S.A. 17-5306 and repealing the existing sections.

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

Section 1. K.S.A. 17-5425 is hereby amended to read as follows: 17-5425 (a) New Associations. Any association incorporated under the savings and loan code, and acts amendatory thereof or supplemental thereto, after this act takes effect may, upon complying with the requirements of the savings and loan code, and acts amendatory thereof or supplemental thereto, operate with guarantee stock and provide for such stock in its original bylaws.

(b) Existing associations. Any association ~~organized and operating under the savings and loan code, and acts amendatory thereof or supplemental thereto, at the time this act takes effect, may amend its bylaws to authorize the issuance of guarantee stock after meeting the requirements of this section, as follows:~~

~~----- (1) --- Any amendment to the bylaws of an association having permanent or reserve stock, which for the first time authorizes the issuance of guarantee stock shall be approved by the majority vote of the shareholders present at the regular or special meeting at which such amendment is to be voted upon. --- Any amendment to the bylaws of a mutual association, which for the first time authorizes the issuance of guarantee stock, shall be approved by the majority vote of the shares outstanding at the regular or special meeting at which such amendment is to be voted upon.~~

~~(2) -- The shareholders of any association not having permanent or reserve stock shall be given a prior right for at least sixty (60) days to subscribe to the guarantee stock to be initially issued in the same proportions that the value of their respective shares, including dividends credited, bears to the aggregate value of all shares of the association, except that fractional shares of guarantee stock need not be issued, but in such case fractional subscription rights shall be authorized, and the same may be combined to effect the subscription to one or more shares of stock. -- In the event of final liquidation of such association within fifteen (15) years -- from the effective date of the amendment, the holders of shares who continue to remain members shall be entitled to be paid, in addition to the full value of their respective withdrawable shares, -- such proportion of the unused portion of the unallocated reserves and undivided profits as they respectively would have been entitled to had the association liquidated on the effective date of the amendment of the bylaws, and such reserves and undivided profit shall be set up in separate accounts and shall be available for losses. --~~

~~(3) -- The commissioner, if he shall find the proposals for -- the foregoing amendments in order and in conformity with the -- savings and loan code, and acts amendatory thereof or supplemental thereto, may issue a permit for the impounding of subscriptions to the guarantee stock of any association presently organized under the laws of Kansas not having permanent or reserve stock, under such terms and conditions as will safeguard such funds, and in the event~~

~~that the plan of guarantee stock operation so proposed should not be consummated, he shall order the return of such funds. Provided, That if at any time the directors of any association which has amended its bylaws to provide for the issuance of guarantee stock should deem it inadvisable to consummate such plan, such funds, including return of moneys for guarantee stock already issued, may be returned, and shall thereupon not become the liability of the association, its officers or directors. The disbursing of such funds, with receipt or canceled check therefor, shall acquit the association, its officers and directors.~~

~~(4) Associations having reserve stock may transfer said stock to guarantee stock under rules to be made by the board. Whenever additional guarantee stock shall be issued, the guarantee stock holders shall be given a prior right for at least sixty (60) days to subscribe to the additional guarantee stock issued, in the same proportions that the par value of their guarantee stock bears to the aggregate value of all the guarantee stock of the association, except that fractional shares of guarantee stock need not be issued, but in such case fractional rights shall be issued, which may be combined to authorize the subscription to one or more shares of stock. In the event of final liquidation of such association, the balance of profits, if any, and reserves, and the participation value of said guarantee stock, shall be paid to the stockholders of said guarantee stock after all outstanding liabilities have been fully liquidated, paid or satisfied, and after the full participation value of all other shares have been paid or credited to said shareholders.~~

~~(5) -- Such bylaw amendment or amendments shall be submitted to the commissioner and be recorded in like manner as other bylaw amendments.~~

~~(6) -- If the share accounts of the association are insured by the federal savings and loan insurance corporation, any notification to shareholders regarding their rights to purchase guarantee stock shall include a statement to the effect that such guarantee stock is not insured by said corporation. -- All advertising and prospectuses regarding the subscription to guarantee stock shall likewise include such statement and shall be in such form as may be approved by the commissioner. not having guarantee stock may convert to and become an association authorized to issue guarantee stock upon compliance with the provisions of this subsection.~~

(1) The rules, general requirements, required provisions in a plan of conversion, optional provisions in a plan of conversion, notices and procedures to accomplish a conversion to the guarantee stock form of organization shall be set forth from time to time in regulations of the commissioner. The commissioner may adopt as his own the regulations of the Federal Savings and Loan Insurance Corporation governing the conversion of mutual insured associations to capital stock insured associations in whole or in part, but no regulations of the commissioner shall contain any requirement or provision the effect of which is to prevent approval of the plan of conversion by the Federal Savings and Loan Insurance Corporation. Such regulations shall require the approval of the plan of conversion by the commissioner, by the Federal Savings

and Loan Insurance Corporation, by a majority of the board of directors of the association and by at least the majority vote of the members of the association present in person or by proxy at an annual or special meeting of the members.

(2) Upon a finding of the commissioner that the conversion to the guarantee stock form of organization has been completed in accordance with the requirements of this subsection and of the regulations, the commissioner shall issue to the association a certificate of approval of the conversion, attaching to such certificate a copy of the association's amended articles of incorporation. A signed copy of such certificate shall be filed by the commissioner with the secretary of state and all amendments to the association's articles of incorporation made pursuant to the plan of conversion shall thereupon be effective. Amendments to the association's bylaws to conform to operation as a guarantee stock association shall be submitted to the commissioner and be recorded in like manner as other bylaw amendments.

(3) Upon the issuance to the association of a certificate of conversion as provided in the preceding section, the corporate existence of such converting association shall not terminate, but such association shall be a continuation of the entity so converted and all property of the converted association, including its rights, titles, and interests in and to all property of whatever kind, whether real, personal or mixed, things in action, and every right, privilege, interest, and asset of any conceivable value or benefit

then existing, or pertaining to it, or which would inure to it, immediately, by operation of law and without any conveyance or transfer and without any further act or deed, shall vest in and remain the property of such converted association, and the same shall have, hold, and enjoy the same in its own right as fully and to the same extent as the same were possessed, held and enjoyed by the converting association, and such converted association, upon issuance of the certificate of such conversion, shall continue to have and succeed to all the rights, obligations and relations of the converting association. All pending actions and other judicial proceedings to which the converting association is a party shall not be abated or discontinued by reason of such conversion, but may be prosecuted to final judgment, order or decree in the same manner as if such conversion had not been made. Any judgment, order, or decree may be rendered for or against it which might have been rendered for or against the converting association theretofore involved in the proceedings.

Section 2. K.S.A. 17-5306 is hereby amended to read as follows 17-5306. Voting may be by proxy, provided the proxy instrument authorizing the proxy to vote shall have been executed in writing by the member. ~~No proxy shall be effective more than six months after the date of its execution.~~

Section 3. K.S.A. 17-5425 and K.S.A. 17-5306 are hereby repealed.

Section 4. This act shall take effect and be in force from and after its publication in the statute book.

Draft of 1-16-86

K.S.A. 1985 Supp. 9-1111 is hereby amended to read as follows: 9-1111. The general business of every bank shall be transacted...

(b) in addition to an attached auxiliary teller facility, any bank domiciled in this state may, subject to the requirements and limitations hereinafter prescribed, establish and maintain not more than ~~three~~ four detached auxiliary banking services facilities;...

~~(c) detached auxiliary banking services facilities established and maintained under the provisions of this act shall be located:~~

~~(1) Only within the corporate limits of the same city within which the premises specified by the bank as its place of business in its certificate of authority is located, if the same is located within an incorporated city;~~

~~(2) only within the boundaries of the township in which the premises specified by the bank as its place of business in its certificate of authority is located, if such premises are located outside of the corporate limits of an incorporated city;~~

~~(3) more than 50 feet from any other nonparticipating bank or auxiliary banking services facility thereof;~~

~~(4) more than 2600 feet from the premises maintained as the principal place of business of any bank, the articles of incorporation or charter of which was approved by the state board or federal agency less than five years prior to location of any such detached services facility, unless the state board in the case of a state bank or the appropriate federal supervisory agency in the case of a national banking association, shall specifically find and determine after careful examination and investigation that the location of such detached services facility within such restricted area will not have a materially adverse effect upon the capital structure, deposits and general financial position of such existing bank;~~

(e) in counties of more than 100,000 population, banks may establish and maintain detached auxiliary banking services facilities in the following locations:

(1) if the premises specified in its certificate of authority as its place of business are located within the corporate boundaries of a city, the bank may establish and maintain detached auxiliary services facilities (a) within the

corporate boundaries of the city; (b) within the corporate boundaries of any contiguous city or township within the county which does not have located therein premises specified in a certificate of authority as the place of business of a state or national bank; and (c) within the corporate boundaries of any next contiguous township within the county which does not have located therein premises specified in a certificate of authority as the place of business of a state or national bank;

(2) if the premises specified in its certificate of authority as its place of business are located outside the corporate boundaries of a city, the bank may establish and maintain detached auxiliary services facilities (a) within the corporate boundaries of the township within which such premises are located; and (b) within the corporate boundaries of any contiguous city or township within the county which does not have located therein premises specified in a certificate of authority as the place of business of a state or national bank;

(f) in counties of less than 100,000 population, banks may establish and maintain detached auxiliary banking services facilities in the following locations:

(1) if the premises specified in its certificate of authority as its place of business are located within the corporate boundaries of a city, the bank may establish and maintain detached auxiliary services facilities (a) within the corporate boundaries of the city; and (b) within the corporate boundaries of any city or township within the county which does not have located therein premises specified in a certificate of authority as the place of business of a state or national bank;

(2) if the premises specified in its certificate of authority as its place of business are located outside the corporate boundaries of a city, the bank may establish and maintain detached auxiliary services facilities (a) within the corporate boundaries of the township within which such premises are located; and (b) within the corporate boundaries of any city or township within the county which does not have located therein premises specified in a certificate of authority as the place of business of a state or national bank;

(g) for purposes of subsections (e) (1) (b) and (c), (e) (2) (b), (f) (1) (b), and (f) (2) (b), a bank located within the corporate boundaries of a city shall also be deemed to be located within the corporate boundaries of any township which is contiguous to the city;

(h) in addition to the authority heretofore granted, should the appropriate federal supervisory agency, in the case of a national banking association domiciled in this state, or the state bank commissioner, in the case of a state bank incorporated

under the laws of this state, which bank is the only bank whose premises specified in a certificate of authority are located within a particular city or township, appoint a receiver for the purpose of liquidating the affairs and business of the bank who shall transfer the deposit liabilities of the bank to a national banking association domiciled in this state or a state bank incorporated under the laws of this state, the bank assuming such liabilities, with approval of the state bank commissioner, in the case of a state bank incorporated under the laws of this state, or the appropriate federal supervisory agency, in the case of a national banking association domiciled in this state, such approval to be granted upon the basis of findings that such service will serve the public convenience or need and that provision of such service will not have a materially adverse effect upon the capital structure, deposits and general financial position of the assuming bank, may establish and maintain, within the corporate boundaries of the city or township in which the place of business specified in the certificate of authority of the bank being liquidated was located, a detached auxiliary banking services facility, which may be established without regard to the limitations of subsection (b) of this section on number of such facilities and the limitations of subsections (d), (e), (f) and (g) of this section. The approval of the state bank commissioner shall be subject to confirmation and subsequent approval by the state banking board;

(i) all auxiliary banking services facilities shall be located more than 50 feet from any other nonparticipating bank or auxiliary banking services facility thereof and more than 2600 feet from the premises maintained as the principal place of business of any bank, the articles of incorporation or charter of which was approved by the state board or federal agency less than five years prior to location of any such detached services facility, unless the state board in the case of a state bank or the appropriate federal supervisory agency in the case of a national banking association, shall specifically find and determine after careful examination and investigation that the location of such detached services facility within such restricted area will not have a materially adverse effect upon the capital structure, deposits and general financial position of such existing bank;

(j) the legality of the location of any detached auxiliary banking services facility shall be determined as of the time of its establishment;

~~(f)~~ (k) any state bank or national banking association... .

~~(g)~~ (l)

~~(h)~~ (m)