

Approved

Date

Clyde D. Graeber 1-30-89

MINUTES OF THE HOUSE COMMITTEE ON Commercial and Financial Institutions

The meeting was called to order by Representative Clyde D. Graeber at
Chairperson

3:30 ~~xxx~~/p.m. on January 19, 1989 in room 527-S of the Capitol.

All members were present except: Mary Jane Johnson, Excused; Norman Justice, Excused; Kenneth Francisco, Excused; Debara Schauf, Excused and Lawrence Wilbert, Excused.

Committee staff present: Bill Wolff, Research Department
Myrta Anderson, Research Department
Bruce Kinzie, Revisor of Statutes
June Evans, Secretary

Conferees appearing before the committee:

The Chairman called the meeting to order.

Staff gave a briefing on HB 2004 stating the Bank Commissioner gave testimony on HB 2737 last year, and the members of the Committee agreed after the testimony that there should be an Interim study. The Chairman of the Senate Committee of Financial Institutions and Insurance also supported the request for an Interim study. There was an Interim study and HB 2004 was drafted out of that study.

The Bank Commissioner appeared the first day of testimony and stated the trust statutes were confusing because of the outdated language. The different layers of language were difficult to understand. The Bank Commissioner was uncertain of how to interpret and apply the statutes.

The Interim Committee did not find many problems with the statutes. H.B. 2004 does away with repetition and overlapping, modernizes the language, broadens the powers and folds Article 20 into the banking statute.

Many of the proposed changes simply clean up existing language regarding trust companies and then transfers those statutes to one location in the Kansas Statutes Annotated, to Chapter 9, the Banking Code. All statutes relating to trust company organization, activity, and regulation in Article 20 of Chapter 17 will be repealed.

Perhaps the most significant change comes in the treatment of one existing freestanding trust company whose charter was issued under statutes operative in the 1920s (Columbian Trust Company). Under those statutes, companies had deposit-taking powers. When those early trust statutes were revised in 1957, the deposit-taking authority of existing charters was grandfathered and remains in 1989 as one of the powers of that single trust company. Current law would require any trust company taking deposits to have deposit insurance.

The proposed new language, if it changes anything that a trust company can do, it broadens the existing statutes in order to remove what appeared to be unnecessarily high level of specificity and gives the Bank Commissioner specific authority to adopt rules and regulations to clarify any of the enumerated powers and duties. This cleans up the language and combines existing statutes in Chapter 17.

In HB 2737 a trust company's capital amount requirement was based on the geographic location. In HB 2004 the capital requirement for trust companies would allow for two different trust company structures. The minimum capital requirement for a nondeposit taking trust company would be \$250,000 with authority for the Bank Board to require additional capital based upon the business of the trust company and the safety of its customers. The minimum capital requirement for a deposit taking trust company would be the same for a state bank accepting the same types of deposits. Further proposed changes clarify that investments of deposit taking trust companies will

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMERCIAL AND FINANCIAL INSTITUTIONS
room 527-S, Statehouse, at 3:30 ~~am~~/p.m. on January 19, 1989

be restricted to the same limitations as for state banks. Additionally, any deposit taking trust company will be subject to the same statutes and rules and regulations that apply to a state bank.

Other changes would make the valuation of bank stock and stock in a trust company the same, i.e., \$5 per share or in multiples of \$5; make the provisions for holding real estate the same for banks and for trust companies, including making the simes for divestiture uniform, make the number of directors the same for banks and for trust companies; and updates certain penalties for violation to current statutory classifications.

There are presently four free standing trust companies. The one company that takes deposits will receive a bank charter and be brought under the auspices of the banking department. There is no grandfathering authority in this bill.

After the staff briefing, the Chairman stated there will be a hearing and possible final action on H.B. 2004 on January 24, 1989.

The meeting adjourned at 4:00 P.M.

