

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL & COMMERCIAL INSTITUTIONS

The meeting was called to order by Representative Delbert L. Gross at  
Chairperson

3:30 ~~am~~ p.m. on February 5, 1992 in room 527-S of the Capitol.

All members were present except:

Committee staff present: Bruce Kinzie, Revisor of Statutes  
June Evans, Secretary

Conferees appearing before the committee: Frank Dunnick, Commissioner, Kansas Banking Dept

The Chairperson called the meeting to order at 3:30 P.M. and opened the hearing on HB 2744.

Frank Dunnick, Commissioner, Kansas Banking Department, testified in support of HB 2744. HB 2744 would amend K.S.A. 9-1111, which pertains to branch banking. The current statute does not provide for banks to engage in trust related activities at branch locations. This amendment will clarify this activity may be exercised at branch locations, provided the bank has been granted trust authority by the state bank commissioner. (See Attachment 1).

The hearing was closed on HB 2744.

The Chairperson opened the hearing on HB 2745.

Frank Dunnick, Commissioner, Kansas Banking Department, testified in support of HB 2745, stating it will amend K.S.A. 9-1115 regarding surety bond coverage for bank officers and employees. This amendment will clarify the burden of determining the amount of sufficient bond for officers and employees rest with the bank's board of directors. This change would simply reflect what is the actual practice of the banking department. (See Attachment 1)

The hearing was closed on HB 2745.

The Chairperson opened the hearing on HB 2750.

Frank Dunnick, Commissioner, Kansas Banking Department, testified in support of HB 2750, stating this would amend seven statutes which relate to fees charged by the banking department. (See Attachment 1).

The hearing was closed on HB 2750.

The Chairperson opened the hearing on HB 2810.

Frank Dunnick, Commissioner, Kansas Banking Department, testified HB 2810 would amend K.S.A. 9-1703, which gives the banking department authority to assess banks and trust companies on an annual basis. This amendment would alter the statute to provide separate subsections for the assessment of 1) banks, and 2) trust companies and departments. The current statute would be amended to clarify that the assessment for banks is based on total assets, while the assessment for trust companies and departments would be based on total fiduciary assets. (See Attachment 1).

The hearing was closed on HB 2810.

Frank Dunnick, Commissioner, Kansas Banking Department, requested amendments to K.S.A. 9-2013. This statute pertains to the giving or acceptance

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL AND COMMERCIAL INSTITUTIONS  
room 527-S, Statehouse, at 3:30 ~~AM~~ PM on February 5, 1992, 19  

Frank Dunnick, Commissioner, Kansas Banking Department, requested amendments to K.S.A. 9-2013. This statute pertains to the giving or acceptance of gifts by a bank representative to induce the granting of a loan. When implemented the state statute paralleled federal law on this same issue. The purpose of this amendment is to make certain adjustments to the state statute to reflect recent changes in the federal law. The amendment would not change the intent of the statute, but merely make it easier to understand. (See Attachment 1).

Representative Shallenburger moved and Representative Graeber seconded to accept the requested amendment by the Banking Commissioner and introduce as a committee bill. The motion carried.

Discussion followed and the Bank Commissioner passed out a fees schedule showing that Kansas fees have not been raised in 17 years. (See Attachment 2).

The meeting adjourned at 4:00 P.M. and the Chairman announced the next meeting would be Wednesday, February 12.



**TESTIMONY BEFORE**

**THE HOUSE COMMITTEE ON COMMERCIAL & INSTITUTIONS**

**Presented by Bank Commissioner Frank Dunnick**

**Wednesday, February 5, 1992**

Good afternoon Mr. Chairman, members of the committee, my name is Frank Dunnick, I am Commissioner of the State Banking Department. I am appearing before you today to testify in support of several proposed amendments to statutes which affect Kansas banks and the operation of our department.

HOUSE BILL 2744, if approved, would amend K.S.A. 9-1111, which pertains to branch banking. The current statute does not provide for banks to engage in trust related activities at branch locations. This amendment will clarify this activity may be exercised at branch locations, provided the bank has been granted trust authority by the state bank commissioner.

This clarification of the statute will ensure banks can legally provide trust services to the community through branch locations. Generally, this issue is most prevalent in merger situations. This amendment allows trust services to continue in all locations of a merged bank.

HOUSE BILL 2745, if approved, will amend K.S.A. 9-1115 regarding surety bond coverage for bank officers and employees. This amendment will clarify the burden of determining the amount of sufficient bond for officers and employees rest with the bank's board of directors. This change in the statute would simply reflect what is the actual practice of the banking department.

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HOUSE BILL 2750, if approved, would amend seven statutes which relate to fees charged by our department. Presently, the application fees charged by our department are established in these statutes. The changes implemented by this bill would encompass the following three areas:

1) Eliminate the establishment of fees within the statute and reorganize them in one central location under the Kansas Administrative Regulations, 2) Eliminate a requirement contained in three of the statutes that a portion of the application fee be refunded to the bank or remitted to the state general fund, and 3) Establish application fees, to be set by administrative regulation, for bank merger and change of control applications. Currently, the department collects no fees for processing these costly and time consuming applications.

The benefits derived from these amendments would include the following:

-- Consolidation of fee information in one location would improve understanding and awareness of the department's application fee structure by the banking community and the general public.

-- By establishing the fee structure under the Kansas Administrative Regulations, the fees charged by the department could be adjusted in a more timely fashion, thus improving our responsiveness to changes in our state's banking environment. The administrative regulation process would continue to provide a well established system of review and comment to assure input from affected parties prior to the implementation of any fee changes.

-- Eliminating the current requirement to refund a portion of the fees back to the bank or remit them to the state general fund, would permit our department to utilize application fees to fully cover the investigative expenses associated with all applications. By doing so, the applicant bank would pay the department's cost related to processing its application, rather than forcing all banks to share that burden through higher assessment cost.

Several of our neighboring states have adopted similar methods of handling these fees. Application fees in Missouri, Oklahoma, and Colorado are set either by regulation or by the Commissioner, rather than by statute. In addition, all application fees in each of these states, as well as in Nebraska, are retained in full by their respective banking departments to offset cost.

I firmly believe these amendments would benefit both Kansas banks and the state banking department. Therefore, I respectfully request your favorable consideration of these amendments.

HOUSE BILL 2810, if approved, would amend K.S.A. 9-1703, which gives the banking department authority to assess banks and trust companies on an annual basis. This amendment would alter the statute to provide separate subsections for the assessment of 1) banks, and 2) trust companies and departments. The current statute would be amended to clarify that the assessment for banks is based on total assets, while the assessment for trust companies and departments would be based on total fiduciary assets.

In addition, this amendment would now provide for the assessment of bank trust departments, which have not had a separate assessment in the past. Historically, the expense of examining these trust departments has been paid as a part of the regular assessment on banks. In doing so, all 377 state chartered banks, including the approximately two-thirds who do not have trust authority, have been forced to pay the cost of examining the 124 trust departments operated by those banks who do have trust authority.

I believe this amendment would more equitably distribute the cost burden associated with trust exams by confining that expense to only those banks which actually engage in trust activity.

Mr. Chairman and Members of the Committee, this concludes my remarks on these pending bills. I will be happy to answer any questions you may have.

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## BILL INTRODUCTION

Mr. Chairman, at this time, I would ask that one additional bill be introduced to amend K.S.A. 9-2013. This statute pertains to the giving or acceptance of gifts by a bank representative to induce the granting of a loan. When implemented, our state statute paralleled federal law on this same issue. The purpose of this amendment is to make certain adjustments to the state statute to reflect recent changes in the federal law. The amendment would not change the intent of the statute, but merely make it easier to understand.

<u>STATE</u>	<u>CHARTER</u>	<u>MERGER</u>	<u>OFFICE RELOCATION</u>	<u>BRANCH</u>	<u>CHANGE OF CONTROL</u>	<u>INTERSTATE BKG</u>	<u>MONEY ORDER LICENSE</u>
Akansas	2,500	2,500	2,500	1,000- 2,500	1,000	3,000 non-controlling 6,500 controlling	
Colorado	10,000	4,500	1,000	1,500	7,500	7,500	
Illinois	7,500* *Plus actual expense	1,500*	200	500	750*	5,000*	
Iowa	4,000	1750	1,750	1,750	-0-	10,000	
Iowa charges actual expenses for their applications, except for interstate banking. The fee for interstate banking is \$10,000 plus actual expenses. The above listed amounts are averages.							
Kansas	1,000	-0-	500	500	-0-	5,000	100
Kentucky	7,500	3,000	3,000	3,000	2,500	-0-	
Missouri	300* *Plus actual expenses Substantial increases are being considered.	110*	110*	110*	-0-	-0-	100
Nebraska	3,000 Minimum, 5,000 Average	2,500	250	250	500	5,000	100
North Dakota	5,000	1,500	2,500	2,500	-0-	-0-	
Oklahoma	4,500	-0-	2,300	2,300	2,500 maximum	-0-	200 + 10/agent
South Dakota	7,500	3,000	3,000	7,500	1,000	7,500	
Texas	5,000	-0-	3,000	7,500	-0-	-0-	
Office of the Comptroller of the Currency	16,300	9,700	1,900	12,900	15,000	N/A	

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KANSAS PROPOSED	4,500	2,500	1,500	2,000	2,500	5,000	100 + 10/agent
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Fees in Kansas have not been raised for 17 years.

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