

Approved 3/23/92
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at
Chairperson

9:10 a.m./~~p.m.~~ on Thursday, March 19, 1992 in room 529-S of the Capitol.

~~All~~ members were present ~~except~~: Senators Bond, Francisco, Kerr, McClure, Moran, Salisbury, Strick, Ward, and Yost.

Committee staff present:

Fred Carman, Revisor
Bill Wolff, Research
June Kossover, Committee Secretary

Conferees appearing before the committee:

Frank Dunnick, Bank Commissioner

The meeting was called to order by Chairman Bond at 9:10 a.m.

Senator Salisbury made a motion, seconded by Senator Strick to approve the minutes of the meeting of March 18 as submitted. The motion carried.

The Chairman opened the hearing on HB 2750. Frank Dunnick, Bank Commissioner, appeared before the committee to testify in support of HB 2750, which would amend statutes which relate to fees charged by the Banking Department. *(Attachment #1.) Presently, the application fees charged by the department are established in several different statutes. The proposed changes encompass the following three areas: 1) Eliminate the establishment of fees within the statute and reorganize them in one central location; 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 for bank merger and change of control applications. In response to Senator Strick's question, Mr. Dunnick explained that, although the fees would be substantially increased, they would be in line with other states.

Senator Salisbury expressed her concern that the fees may be too high. Judi Stork of the Bank Commissioner's office advised that the fees represent the initial recommendations and would not be final until the approval process was complete. Ms. Stork also advised that the Kansas Bankers Association had voiced no objection to the proposed level of fees charged. Senator Kerr made a motion to pass HB 2750 favorably. The motion was seconded by Senator Salisbury. The motion carried.

The Chairman opened the hearing on HB 2810. Mr. Dunnick also testified in support of this bill, explaining that it would amend K.S.A. 9-1703 to provide separate subsections for the assessment of banks, trust departments and departments, which would equitably distribute the cost of assessment expenses to those banks with trust activities. There being no further conferees and no questions, the Chairman declared the hearing closed. Senator Salisbury made a motion, seconded by Senator Kerr, to move HB 2810 favorably. The motion carried.

Chairman Bond opened the hearing on HB 2906. Mr. Dunnick explained that the purpose of this bill is to make adjustments to the state statute to reflect federal law concerning the giving or receiving of gifts involving a bank's representative. Since the committee is unfamiliar with the language of the federal law, the Bank Commissioner's office was requested to bring back to the committee the federal language, at which time the bill will be considered.

Chairman Bond declared the hearing on HB 2133 open. Commissioner Dunnick testified that this bill addresses the rights and immunities of preferred stock holders to eliminate duplication and explained that the amendments to K.S.A. 1991 Supp. 9-909 are technical in nature. There were no questions. The Chairman advised that he had received a request for an amendment to this bill;

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 SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,
room 529-S, Statehouse, at 9:10 a.m./~~p.m.~~ on Thursday, March 19, 1992.

therefore, the bill will be held until Tuesday, March 24.

Chairman Bond opened the hearing on HB 2134, which would clarify four separate areas relating to branch banking: 1) It would clarify that the same guidelines which pertain to relocation of a bank's main facility also apply to branch locations; 2) It would permit the State Banking Board to approve new branch locations or relocations without the necessity of a hearing, provided there was no opposition filed; 3) It would add the financial condition of the applicant to the list of criteria the Banking Board may use for approval or denial of a branch application; and 4) It clarifies that when a bank acquires another bank through normal purchase and assumption, it may operate the acquired bank's branches as its own. After discussion, the committee agreed that the bill should be amended to clarify that the Bank Commissioner has the option to hold a hearing even if there is no opposition, but will not be required to hold such hearings when no opposition has been expressed. Senator Yost made a motion to move the bill favorably with the amendment to be worked out between the Bank Commissioner and Mr. Carman. Senator Kerr seconded the motion. The motion carried. Mr. Carman advised that HB 2744, which was recommended favorably in the meeting of February 18, amends the same statute and can be included in HB 2133. Senator Kerr moved that the language in HB 2744 be amended into HB 2133. Senator Salisbury seconded the motion. The motion carried.

Chairman Bond advised members that the committee will meet on Monday, March 23.

The committee adjourned at 9:53 a.m.

*Bank Commissioner Dunnick's testimony on HB 2750, HB 2810, HB 2906, HB 2133, and HB 2134 was contained in Attachment #1.

**TESTIMONY BEFORE
THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE**

Presented by Bank Commissioner Frank Dunnick

Thursday, March 19, 1992

Good morning, Mr. Chairman, members of the committee. My name is Frank Dunnick; I am the Kansas Bank Commissioner. 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 2750, if approved, would amend statutes which relate to fees charged by our department. Presently, the application fees charged by our department are established in several different statutes. The changes implemented by this bill would, among other things, facilitate a better understanding of our fee structure by the public. The proposed changes 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.

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Attachment #1

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.

HB 2906 amends 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 ensure it continues to coincide with federal law.

HB 2133 amends K.S.A. 9-909, and addresses the rights and immunities of preferred stockholders. This amendment is simply a technical revision to eliminate duplication. It deletes certain obsolete language which is more currently defined in other existing statutes under the General Corporation Code (K.S.A. 17-6401).

HB 2134 amends K.S.A. 9-1111, and affects rules governing branch banking. This amendment would clarify four separate areas relating to branch banking. First, it would clarify that the same guidelines addressed in K.S.A. 9-1804, which pertain to relocation of a bank's main facility, also apply to branch locations. This would simply reflect what is the established policy of our department.

Second, it would permit the State Banking Board to approve new branch locations, or mere relocations, without the necessity of a hearing, provided there has been no opposition filed in response to a published notice of intent to establish the branch. We believe this option would permit more efficient use of time and resources.

Third, the present list of criteria the Banking Board may use for approval or denial of a branch application does not specifically include the financial condition of the applicant. It is obvious that this area is a legitimate concern when reviewing an application. The amendment would add this item to the "official" list of criteria.

The fourth change represents another technical adjustment which clarifies that when a bank acquires another bank through normal purchase and assumption, it may operate the acquired bank's branches as its own. The Banking Department has interpreted the merger statute (9-1724) to permit this type of branch acquisition; however, it is more appropriate to amend the branching statute to specifically address this matter. In light of the trend in bank consolidations in Kansas, this type of activity will become increasingly common. Therefore, its specific reference in the statute is appropriate.

This concludes my comments on the proposed amendments. I appreciate the committee's time and attention, and I am happy to answer any questions the members of the committee may have. Thank you.

<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>
Arkansas	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 <u>plus</u> 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	

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.