

Approved: February 6, 1996  
Date

MINUTES OF THE HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Chairperson Bill Bryant at 3:30 p.m. on February 5, 1996 in Room 527S-of the Capitol.

All members were present except: Representative Delbert Crabb  
Representative Tom Sawyer  
Representative Phill Kline

Committee staff present: Bill Wolff, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: William Grant, Jr., General Counsel, Bank Commissioner's Off.

Others attending: See attached list

An informational meeting on the Riegle-Neal Act and the issues surrounding interstate bank branching was held with William Grant, Jr., General Counsel for the State Bank Commissioner's Office, as guest speaker. Mr. Grant informed the Committee that the Bank Commissioner's Office is neutral on the issue and were there to present information only (Attachment 1). The act deals with interstate branching only by national banks so therefore if the Legislature does not act, national banks will be allowed to branch in or out of the state. State chartered banks operating within Kansas' borders will not be allowed to branch out of Kansas nor would branches of an out-of-state chartered bank be able to branch into Kansas if the Legislature does not act to allow such branching before May 31, 1997. This would give the national banks a competitive advantage over state chartered banks. Thus far Texas is the only state which to enact an "opt out" law.

States have three basic options:

1. Vote to opt-out by May 31, 1997 (prohibits any bank regardless of charter from branching into or out of the state.
2. Vote to opt-in before June 1, 1997.
3. Do nothing and have their state automatically opened to interstate branching by out of state national banks.

Additional information from the National Council of State Legislatures on the banking act was distributed (Attachment 2).

Representative Correll moved to approve the minutes of the January 31, 1996 meeting. Motion was seconded by Representative Gilbert. Motion carried.

The meeting was adjourned at 4:35 p.m. The next meeting will be held in Room 514 South on February 6, 1996.

# HOUSE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE GUEST LIST

DATE: 2/5/96

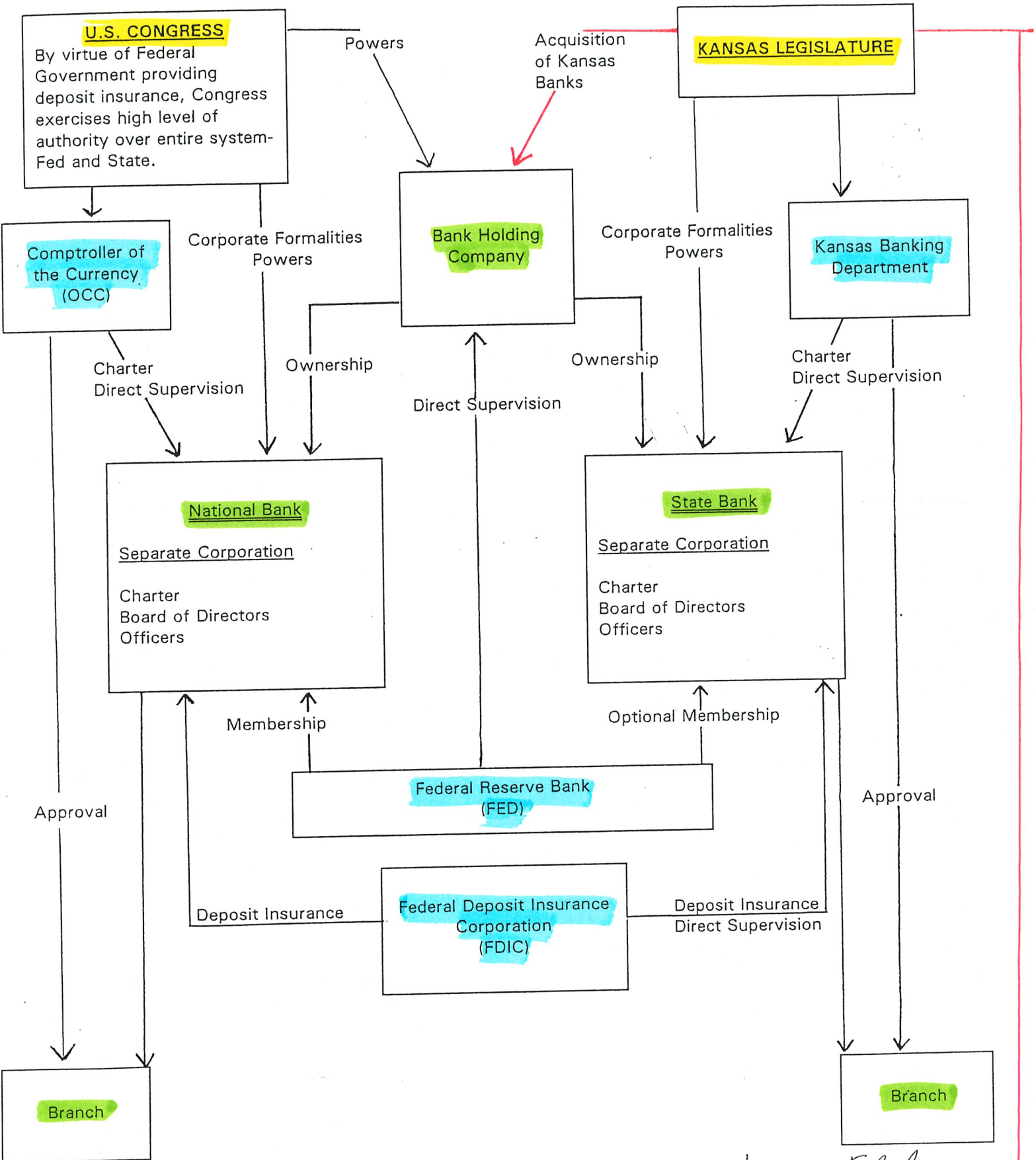
NAME	REPRESENTING
<del>Denielle Nee</del>	KCUA
<del>John Lorsch</del>	Lt. Gov
Matthew Goddard	Hearland Community Bankers
William Grant	STATE BANK Comm R.
Jerry K. Williams	KBA
W. Newton Male	Ks. BANKING DEPT
Smalley	KBA
Edwin Fields	Intern
Kathy Dyer	KBA
Chuck Stone	II
Jessie Hoffmann	CBA
Alan Steppert	PETE MCGILL & Assoc.
Joe Morris	FIRST Bank Kansas
Bill Rainey	BANK IV
John Peterson	Bank IV
JACKIE CLARK	Hallmark
Abrazier	ST. Treasurer
Sue Anderson	CBA
Chad D. Yempenny	Sec of state

HOUSE FINANCIAL INSTITUTIONS AND INSURANCE  
COMMITTEE GUEST LIST

DATE: 2-5-96

NAME	REPRESENTING
Betsy Kuntala	KTLA
Michelle Peterson	
Geri Franze	FEC

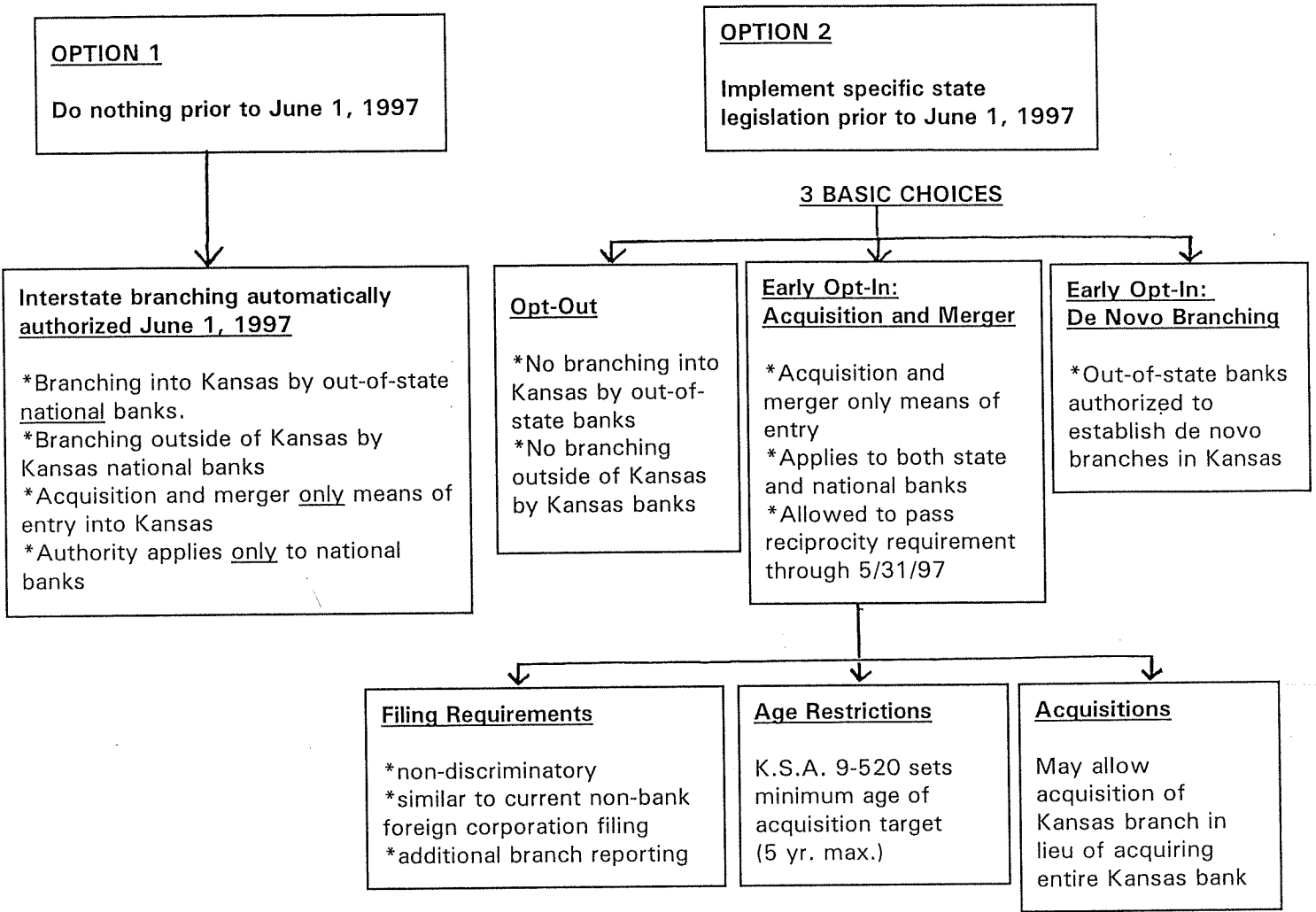
# REGULATION OF THE DUAL BANKING SYSTEM



*House F&D  
Attachment 1  
February 5, 1996*

**RIEGLE-NEAL INTERSTATE BRANCHING OPTIONS**

JUNE 1, 1997



**Additional State Powers Allowed by Riegle-Neal**

**Taxation**

Riegle-Neal preserves Kansas' authority to implement and maintain its own system of taxation under all options. (See SB 448)

**Concentration Limitations (Deposit Caps)**

Riegle-Neal  
 10% Nationwide  
 30% Statewide

Kansas retains the authority to set the statewide deposit cap lower than 30% or waive the 30% limitation.

\*Kansas law currently sets the cap at 15%

**State CRA, Consumer Protection, Fair Lending Laws**

\*Must apply equally to both Kansas banks and out-of-state banks  
 \*Minimal Kansas laws on these subjects

**Deposit Production Offices:** Riegle-Neal requires the federal regulators to pass regulations that prevent the use of interstate branches as DPOs. Guidelines must be implemented to ensure that interstate branches are reasonably helping to meet the credit needs of the community in which the branch is located.

Ed. Bro  
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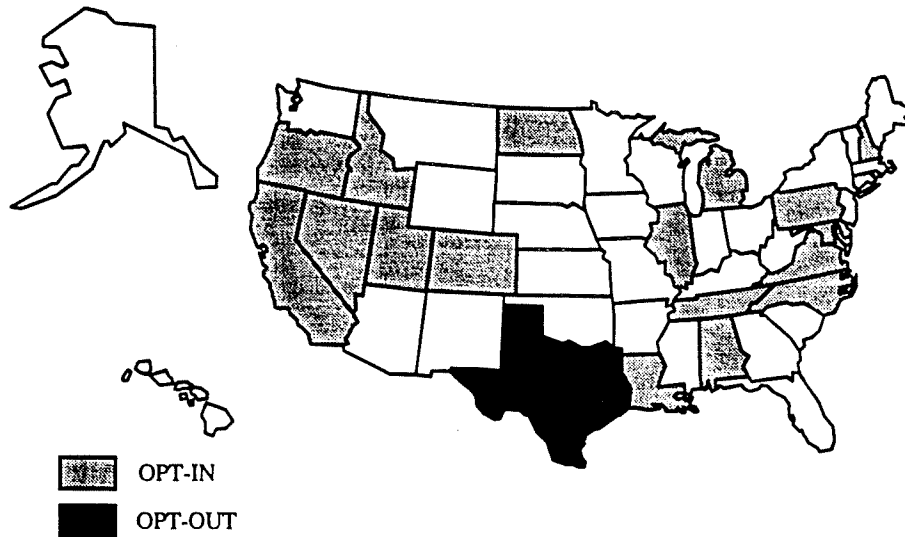
**INTERSTATE BANK BRANCHING: HALF TIME SCORE 20-1;  
29 STATES YET TO ACT**  
By Neal Osten

With little less than a year and a half to go before interstate bank branching is scheduled to go into effect (5/31/97), legislatures in 21 states have decided their states participation in the nationwide network. Twenty states voted to "opt-in" to interstate branching, with Texas being the only state to enact an "opt-out" law. According to a survey of chairs of legislative committees with jurisdiction for banking conducted by NCSL last year, it is estimated that at least another 20 states will act during this year's legislative session.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (PL. 103-328) allows for the consolidation of bank subsidiaries of a national bank into branches as of June 1, 1997. Riegle-Neal provides each state legislature the opportunity to decide at what level they wish to participate in interstate bank branching. State legislatures have three basic options: 1) vote to opt-out by May 31, 1997; which would prohibit any bank, regardless of origin of charter, from branching into or out of the state, 2) vote to opt-in before June 1, 1997 or 3) do nothing and have their state automatically opened to interstate branching by out of state national banks.

If a state legislature does not act before May 31, 1997, state chartered banks operating within their state's borders will not be allowed to branch out of the state nor would branches of an out-of state chartered bank be able to branch into that state. However, national banks would be allowed to branch out as well branch into the state, thus providing national banks with a competitive advantage over their state chartered banks. If state legislatures wish to allow their state-chartered banks to branch across state lines, they must pass legislation specifically permitting such activity.

**INTERSTATE BANK BRANCHING (1/15/95)**



**OTHER STATE OPTIONS**

Should a state legislature decide to expressly opt-in to interstate branching, there are other options they should consider:

- *early-opt in* - states can vote to allow their banks to branch across state lines before June 1, 1997 and set non-discriminatory conditions for branch entry which would expire on May 31, 1997; (States

*House F.D.F.  
Attachment 2  
2-5-96*

which have opted in before the 6/1/97 date are: **California, Connecticut, Delaware, Idaho, Maryland, Michigan, Nevada, North Carolina, Oregon, Pennsylvania, Rhode Island, Utah, and Virginia.**)

- *de novo branching* - de novo branching is similar to de novo banking, as it is a newly opened branch in contrast to a branch purchased from another bank. To permit de novo branching a state must expressly allow all out-of-state banks to establish de novo branches in its state; (States permitting de novo branching are: **Connecticut, Maryland, Nevada, North Carolina, Michigan, Pennsylvania, Rhode Island, and Virginia** allows de novo only on a reciprocal basis.)
- *acquisition of branch only* - states may pass legislation allowing out-of state banks to acquire a branch of an insured bank within the state, without acquiring the bank itself; (States permitting acquisition of branch only are: **Connecticut, Maryland, Michigan, Nevada, North Carolina, Oregon, Pennsylvania, Rhode Island, Utah and Virginia.**)
- *age requirements* - Congress permitted the states to maintain age of existence statutes for banks before acquisition by an out of state bank is permitted, however Congress set the maximum age of existence at five years; (States with no age of existence statutes are: **Illinois, Michigan, New Hampshire, North Dakota, Pennsylvania, Rhode Island and Virginia.**)
- *concentration limit* - Congress set a concentration limit on the total amount of insured deposits a bank may hold at 10% nationwide and 30% statewide. However, state may waive this state cap or set one lower than 30% by statute, regulation or order of the state banking department, providing its does not discriminate between location and charter of the bank. (States setting concentration limits at 30% are **California, Connecticut, Maryland, and Tennessee**; at 25% are **Colorado and North Dakota**; and at 20% is **New Hampshire.**)

There are other considerations state legislatures need to address when reviewing their participation in interstate branching such as applicability of state laws with regard to intrastate branching, consumer protection, fair lending and community reinvestment, conditions and commitments made by interstate bank holding companies before September 29, 1994, foreign bank branching, coordination of examination authority and state taxation of branches.

### STATE TAXATION OF BRANCHES

In passing Riegle-Neal, Congress did not restrict the authority of any state to adopt apply and administer any tax or method of taxation to any bank or branch, providing that it did not discriminate between location or charter type of the institution. With consolidation of bank subsidiaries into branches, resulting in taxable assets also being consolidated at the bank's national headquarters, states legislatures may need to review their laws with regard to bank taxes. A Formula for the Apportionment and Allocation of Net Income of Financial Institutions was adopted by the Multistate Tax Commission which takes into consideration the consolidation of bank subsidiaries into branches. The formula provides a mechanism to calculate what percentage of an out-of-state bank's taxable assets are attributable to branches within a particular state. Copies of the formula are available from NCSL or the Multistate Tax Commission.

### CONTACTS FOR MORE INFORMATION

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