Approved: 3/6/96
Date

MINUTES OF THE Senate Committee on Financial Institutions and Insurance.

The meeting was called to order by Chairperson Dick Bond at 9:10 a.m. on March 5, 1996 in Room 529-S of the Capitol.

All members were present.

Committee staff present: Dr. William Wolff, Legislative Research Department
Fred Carman, Revisor of Statutes
June Kossover, Committee Secretary

Conferees appearing before the committee: Judi Stork, Deputy Bank Commissioner

Others attending: See attached list

Senator Steffes moved to approve the minutes of the meeting of February 23 as submitted. Senator Hensley seconded the motion; the motion carried.

The chairman opened the hearing on **HB 2628**, which would require an inactive trust company or department to apply for and receive the prior written approval of the Bank Commissioner before its trust authority could be reactivated and exercised. Judi Stork, Deputy Bank Commissioner, testified as a proponent and sponsor of this legislation and advised the committee that no fee would be assessed to reactivate trust powers. (Attachment #1)

There were no questions and no other conferees; the hearing was closed. Senator Emert made a motion, seconded by Senator Steffes, to pass **HB 2628** favorably and to place it on the Consent Calendar. The motion carried.

The hearing was opened on **HB 2631**, which would amend the statutes to change the required vote to affect a liquidation, merger, or consolidation of banks or trust departments from a two-thirds majority to a simple majority. Ms. Stork also appeared as a proponent of this bill and requested to amend the bill to include the provisions of **HB 2739**, which was stricken from the calendar during a procedural move on the floor of the House. **HB 2739** corrects an oversight that resulted from the passage of SB 204 during the 1995 legislative session and, in effect, defines "bank holding company." (Attachment #1-2) There were no questions and no other conferees; the hearing was closed.

Senator Emert moved to amend **HB 2631** as requested and recommend its passage. Senator Praeger seconded the motion. The motion carried.

The committee then considered the language in **Senate Resolution 1817**, which was conceptually passed by the committee in response to the hearing on SB 656. Senator Steffes suggested that a task force should be appointed to study the laws and rules and regulations which govern the sale of long-term care insurance in Kansas instead of involving only the Kansas Insurance Department staff in such study. Following discussion of how such a task force would be appointed and who should be involved, Senator Steffes made a motion to amend **SR 1817** to direct that a task force be appointed consistent with the format of the territorial rating task force resulting from 1995 House Resolution 5017, and that the resolution reflect that the problem of using ADL criteria to establish the level of long-term care benefits has been an ongoing issue for several years. Senator Hensley seconded the motion. The motion carried.

Senator Hensley moved to favorably recommend the amended version of **SR 1817**. Senator Corbin seconded the motion. The motion carried.

The committee adjourned at 9:27 a.m. The next meeting is scheduled for Wednesday, March 6.

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE GUEST LIST

DATE: 3/5/96

NAME	REPRESENTING
Rogers Brazier	State Treasurer
Bill Sneed	HIAA
Teresa Sittenauer	Am Vestors
Sue Bond	
Kathy Taylor	KBA
Roger Franzke	FFC
Kelly Kultala	KTLA
Jim Maag	KBA
Chuck Stones	"
Judi Stork	OSBC

STATE OF KANSAS
BILL GRAVES
GOVERNOR

W. Newton Male
Bank Commissioner

Judi M. Stork
Deputy Commissioner

Kevin C. Glendening
Assistant Deputy Commissioner

William D. Grant, Jr.
General Counsel

Ruth E. Glover
Administrative Officer

OFFICE OF THE
STATE BANK COMMISSIONER

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

MARCH 5, 1996

Mr. Chairman and Members of the Committee:

I am Judi Stork, Deputy Commissioner, and I am here today on behalf of Commissioner Newton Male and the Office of the State Bank Commissioner to testify for two House Bills.

The first bill, **House Bill 2628**, amends K.S.A. 9-1703, a statute that governs examination and assessment of state chartered banks and trust companies. In 1993, legislation was passed which allowed banks or trust companies, which have no fiduciary assets, to request the bank commissioner grant them inactive status. By receiving inactive status, their annual assessment goes from $1,000 minimum to $100. We currently have 13 departments that have inactive status. We are requesting the addition of language in this statute that requires the trust department or trust company to obtain written approval from the commissioner prior to re-engaging in the trust business. This provision is to ensure that adequate policies and procedures, as well as knowledgeable staff, are in place before fiduciary activities resume. No fee will be assessed to the bank or trust company in connection with the approval process for reactivation.

House Bill 2631 amends three statutes, K.S.A. 9-1108, K.S.A. 9-1110, and K.S.A 9-1604. The amendment to all three of these statutes is for the same purpose. These statutes grant the power for banks to liquidate, merge, consolidate or sell certain assets of the bank or of the bank's trust department. Currently, all three of these statutes require that 2/3 of the outstanding voting stock be voted in favor of the action before the bank can exercise one of the above powers.

In contrast, the current language of K.S.A. 9-1724, the statute which describes the method/procedure a bank must follow if they are going to merge, consolidate, or sell assets or liabilities, requires only that a majority of the outstanding voting stock be voted in favor of action. Additionally, a majority vote is all that is required of other corporations under the General Corporations Code. Of all the statutes noted above, 9-1724 is the most recently enacted and constitutes the most recent expression by the legislature of the amount of stock required to be voted in favor of an action by a bank to effectuate a merger, consolidation, or purchase and assumption of assets and liabilities. Therefore, our Office has interpreted it as the controlling statute. We are asking that K.S.A. 9-1108, 9-1110, and 9-1604 be amended to require a majority, rather than a 2/3 vote of the outstanding stock. This change will eliminate the discrepancy that currently exists between these statutes and the requirements found in K.S.A. 9-1724, as well as provide consistency with the provisions of the General Corporations Code on the same subject.

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Attachment #1

We are also asking to amend this bill and add the language found on the attachment. This language is requested to correct an oversight that resulted from the passage of Senate Bill 204 during the 1995 legislative session. The proposed amendment is designed to amend K.S.A. 9-519, which is the "definitions" section of the Kansas Bank Holding Company Act. As you can see by the balloon, we are striking the statute number K.S.A. 9-539 and replacing it with K.S.A. 9-541. In 1995, two new sections were added to the Kansas Bank Holding Company Act and the revisor assigned the new sections the numbers 9-540 and 9-541. This amendment is necessary to ensure the terms used in the two new sections are understood to have the meanings assigned by the "definitions" section of the act (K.S.A. 9-519 as amended.)

We ask for your favorable consideration of these bills and the proposed amendment.

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. **Bank holding companies; definitions.** For the purposes of K.S.A. 9-520 through 9-524, and amendments thereto, and K.S.A. 9-532 through ~~9-539~~, and amendments thereto, unless otherwise required by the context:

(a) (1) "Bank holding company" means any company:

(A) Which directly or indirectly owns, controls, or has power to vote 25% or more of any class of the voting shares of a bank or 25% or more of any class of the voting shares of a company which is or becomes a bank holding company by virtue of this act;

(B) which controls in any manner the election of a majority of the directors of a bank or of a company which is or becomes a bank holding company by virtue of this act;

(C) for the benefit of whose shareholders or members 25% or more of any class of the voting shares of a bank or 25% or more of any class of the voting shares of a company which is or becomes a bank holding company by virtue of this act, is held by trustees; or

(D) which, by virtue of acquisition of ownership or control of, or the power to vote the voting shares of, a bank or another company, becomes a bank holding company under this act.

(2) Notwithstanding paragraph (1), no company:

(A) Shall be deemed to be a bank holding company by virtue of its ownership or control of shares acquired by it in connection with its underwriting of securities if such shares are held only for such period of time as will permit the sale thereof on a reasonable basis;

(B) formed for the sole purpose of participating in a proxy solicitation shall be deemed to be a bank holding company by virtue of its control of voting rights of shares acquired in the course of such solicitation;

(C) shall be deemed to be a bank holding company by virtue of its ownership or control of shares acquired in securing or collecting a debt previously contracted in good faith, provided such shares are disposed of within a period of two years from the date on which such shares could have been disposed of by such company;

(D) owning or controlling voting shares of a bank shall be deemed to be a bank holding company by virtue of its ownership or control of shares held in a fiduciary capacity except where such shares are held for the benefit of such company or its shareholders.

(b) "Company" means any corporation, trust, limited partnership, association or similar organization including a bank but shall not include any corporation the majority of the shares of which are owned by the United States or by any state, or include any individual or partnership.

(c) "Bank" means an insured bank as defined in section 3(h) of the federal deposit insurance act, 12 U.S.C. 1813(h) except the term shall not include a national bank which engages only in credit card operations, does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others, does not accept any savings or time deposits of less than $100,000, accepts deposits only from corporations which own 51% or more of the voting shares of the bank holding company or its parent corporation of which the bank engaging only in credit card operations is a subsidiary, maintains only one office that accepts deposits, and does not engage in the business of making commercial loans.

(d) "Subsidiary" with respect to a specified bank holding company means:

(1) Any company more than 5% of the voting shares of which, excluding shares owned by the United States or by any company wholly owned by the United States, is directly or indirectly owned or controlled by such bank holding company or is held by it with power to vote;

(2) any company the election of a majority of the directors of which is controlled in any manner by such bank holding company; or

(3) any company more than 5% of the voting shares of which is held by trustees for the benefit of such bank holding company or its shareholders.

(e) "Commissioner" means the Kansas state bank commissioner.

(f) "Kansas Bank" means any bank, as defined by subsection (c), which, in the case of a state chartered bank, is a bank chartered under the authority of the state of Kansas, and in the case of a national banking association, a bank with its main office located in Kansas.

(g) "Kansas bank holding company" means a bank holding company, as defined by subsection (a), with total subsidiary bank deposits in Kansas which exceed the bank holding company's subsidiary bank deposits in any other state.

(h) "Out-of-state bank holding company" means any holding company which is not a Kansas bank holding company as defined in subsection (g).

(i) "Foreign bank" means any company organized under the laws of a foreign country, a territory of the United States, Puerto Rico, Guam, American Samoa or the Virgin Islands, which engages in the business of banking, or any subsidiary or affiliate, organized under such laws, of any such company.

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