

Approved: March 8, 2000
Date

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on March 6, 2000 in Room 527-S of the Capitol.

All members were present except: Representative Tom Burroughs - Excused
Representative Dixie Toelkes - Excused

Committee staff present: Dr. Bill Wolff, Legislative Research
Bruce Kinzie, Office of Revisor
Maggie Breen, Committee Secretary

Conferees appearing before the committee: David Brant, Securities Commissioner
Sonya Allen, Office of the State Bank Commissioner

Others attending: See Attached

Chairman Cox opened the hearing on **HB 2997 - Securities, the regulation of.**

Proponent:

David Brant, Securities Commissioner, said **HB 2997** contained amendments to the Kansas Securities Act which would be considered to be "housekeeping" in nature. They include: amending the definition of commissioner to change a statute reference; amending the definition of person to include a limited liability company; deleting savings and loan department from a subsection because the agency is now part of the banking department; deleting specific reference to Moody's manual as a change in ownership is expected soon; and deleting a paragraph which is obsolete as the provision expired last year. He assured the committee that there was no reference to variable annuities. (**Attachment 1**)

The chairman closed the hearing on **HB 2997** and opened the hearing on **SB 412 - Bank Commissioner, rules and regulations, correction of statutory reference.**

Proponent:

Sonya Allen, Office of the State Bank Commissioner, said **SB 412** makes some technical changes to the statute regarding the Bank Commissioner's authority to adopt administrative rules and regulations. New section 3, names as the banking code, articles 5 through 21 of Chapter 9 of the statutes. She has an amendment to the bill, dealing with K.S.A. 9-808, which governs conversions from a national bank charter to a state bank charter. It broadens the scope of the statute by authorizing federal savings associations and federal savings banks to convert to a state-chartered bank. (**Attachments 2 & 3**)

Chairman Cox asked how this amendment request had come about after the bill had gone through the Senate. Mrs. Allen advised that a federal savings association, who is interested in converting, approached them. When they looked at the statutes, they found that there is no mechanism by which they could do so. Thus, the amendment request.

Chairman Cox closed the hearing on **SB 412** and opened the hearing on **SB 457 - Bank and trust companies; inactive companies or departments.**

Proponent:

Sonya Allen, Office of the State Bank Commissioner, testified in support of **SB 457**. It amends K.S.A. 9-

CONTINUATION SHEET

MINUTES OF THE FINANCIAL INSTITUTION, Room 527-S Statehouse, at 3:30 p.m. on March 6, 2000.

1703, which governs the annual assessments levied by the OSBC on all state-chartered banks and trust companies. Subsection (e), of the statute, addresses the issue of mergers that occur during the year. The general concept of the statute is that the surviving institution, if it is a state-charted institution, would be responsible for the assessment of the institution that it absorbs. The rationale is that the assets still remain in the state system and should be available for the OSBC to assess against, to pay the expenses of oversight of the institution. A couple of years ago, subsection (e) was added to the statute and they have found that the revision did not thoroughly address the situation. Subsection (2) has been drafted to clarify the responsibility of institutions involved in merger transactions. **(Attachment 4)**

Chairman Cox closed the hearing on **SB 457** and said the committee would work **HB 2997 - Securities, the regulation of.**

Representative Grant made a motion to move HB 2997 out favorably and place it on the consent calendar. Representative Empson seconded the motion. The motion carried.

Chairman Cox said the committee would work **SB 412 - Bank Commissioner, rules and regulations, correction of statutory reference.**

Representative Tomlinson made a motion to adopt the amendment to SB 412. Representative Vickrey seconded the motion. The motion carried.

Representative Tomlinson made a motion to pass SB 412 out favorably as amended. Representative Dreher seconded the motion. The motion passed.

Chairman Cox said the committee would work **SB 457 - Bank and trust companies; inactive companies or departments.**

Representative Tomlinson made a motion to adopt SB 457 favorable for passage and, due to its non-controversial nature, place it on the consent calendar. Representative Sharp seconded the motion. The motion carried.

Representative Grant made a motion to approve the committee minutes for February 16 and February 21 as written. Representative Boston seconded the motion. The motion carried.

The meeting adjourned at 3:47 p.m.

The next meeting is scheduled for March 8, 2000.



KANSAS

Bill Graves
Governor

OFFICE OF THE SECURITIES COMMISSIONER

David Brant
Commissioner

TESTIMONY IN SUPPORT OF HOUSE BILL No. 2997
Amendments to the Kansas Securities Act
Financial Institutions Committee Kansas House

DAVID BRANT
Kansas Securities Commissioner
March 6, 2000

Mr. Chairman and members of the committee, thank you for this opportunity to testify in support of House Bill No. 2997 which proposes a number of amendments to the Kansas Securities Act.

The bill proposes the following amendments which can be considered as "housekeeping" in nature:

Section 1 amends the definition of "Commissioner" in order to change a statute reference and amends the definition of "Person" to also include a limited liability company.

Section 2, beginning on page 4, amends the "Exempt Securities" statute, K.S.A. 17-1261, to delete "savings and loan department" from subsection (c) because that agency is now part of the banking department, and to authorize the Commissioner to issue rules and regulations to set forth the filing requirements for securities offered by non-profit entities including church bonds under subsection (h).

Section 3, beginning on page 7, amends K.S.A. 17-1262 to delete specific references to Moody's and other manuals and to authorize the Commissioner to recognize certain manuals by rule and regulations. (The name of the Moody's manual is expected to change soon due to a change in ownership.)

And finally, Section 4, beginning on page 10, amends K.S.A. 17-1270a to delete paragraph (f) which is now obsolete since the provisions expired last year.

Thank you for your consideration.

House Financial Institutions
3-06-00
Attachment 1

STATE OF KANSAS
BILL GRAVES
GOVERNOR

Franklin W. Nelson
Bank Commissioner

Judi M. Stork
Deputy Bank Commissioner



Sonya L. Allen
General Counsel

Kevin C. Glendening
Deputy Commissioner
Consumer & Mortgage Lending

OFFICE OF THE
STATE BANK COMMISSIONER

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS

March 6, 2000

Mr. Chairman and Members of the Committee:

My name is Sonya Allen. I am the General Counsel for the Office of the State Bank Commissioner. I am here today to request your favorable consideration of an amendment to Senate Bill 412. The proposed language amends K.S.A. 9-808, which governs conversions from a national bank charter to a state bank charter. This amendment would broaden the scope of the statute by authorizing federal savings associations and federal savings banks to convert to a state-chartered bank. This concept of broadening the scope of K.S.A. 9-808 has been of interest to the OSBC for some time. However, during the last few weeks our office has been approached by a savings association interested in converting to a state-chartered bank. Due to this savings association's interest, we would request that this bill become effective upon publication in the Kansas Register.

House Financial Institutions
3-06-00
Attachment 2

SENATE BILL No. 412

By Committee on Financial Institutions and Insurance

1-13

10 AN ACT concerning banks and banking; relating to rules and regulations
11 of the bank commissioner; establishing the state banking code; amend-
12 ing K.S.A. 9-1713 and K.S.A. 1999 Supp. 9-539 and repealing the ex-
13 isting sections. and 9-808

providing for the conversion of federal savings associations or banks;

14
15 Be it enacted by the Legislature of the State of Kansas:

16 Section 1. K.S.A. 1999 Supp. 9-539 is hereby amended to read as
17 follows: 9-539. The commissioner shall adopt such rules and regulations
18 as shall be necessary to carry out the intent and purposes of K.S.A. 9-519
19 through 9-524, and amendments thereto, and K.S.A. 9-532 through 9-
20 539 9-541, and amendments thereto, which shall be known as the bank
21 holding company act. All rules and regulations of general application shall
22 first be submitted by the commissioner to the state banking board for its
23 approval and upon approval shall be filed as provided by article 4 of
24 chapter 77 of the Kansas Statutes Annotated.

25 Sec. ~~2~~ K.S.A. 9-1713 is hereby amended to read as follows: 9-1713.
26 ~~The~~ Except as otherwise provided by law, the state bank commissioner
27 shall adopt such rules and regulations as shall be necessary to carry out
28 the intent and purposes of K.S.A. 9-701 et seq. section ~~3~~ and amendments
29 thereto, commonly known as the state banking code. All rules and regu-
30 lations of general application shall first be submitted by the commissioner
31 to the state banking board for its approval and upon approval shall be
32 filed as provided by article 4 of chapter 77 of the Kansas Statutes
33 Annotated. Sec. 2. See attached

34 New Sec. ~~3~~ Articles 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19,
35 20 and 21 of Chapter 9 of the Kansas Statutes Annotated, K.S.A. 74-3004,
36 74-3005, 74-3006, 75-1304, 75-1305 and 75-1306, and K.S.A. 1999 Supp.
37 75-1308, and amendments thereto shall constitute and may be cited as
38 the state banking code. 4.

39 Sec. ~~4~~ K.S.A. 9-1713 and K.S.A. 1999 Supp. 9-539 are hereby
40 repealed. and 9-808

41 Sec. ~~5~~ This act shall take effect and be in force from and after its
42 publication in the statute book. 6.

House Financial Institutions
3-06-00
Attachment 3

Sec. 2. K.S.A. 1999 Supp. 9-808 is hereby amended to read as follows: 9-808. (a) After first applying for and receiving approval from the commissioner, any national bank incorporated, federal savings association or federal savings bank organized under the laws of the United States may become a state bank upon the affirmative vote of not less than two-thirds $\frac{2}{3}$ of its outstanding voting stock. Any national bank, federal savings association or federal savings bank desiring to become a state bank shall file a certified copy of its articles of association, together with the transcript of the minutes of the meeting of its stockholders showing approval, together with its articles of incorporation duly executed as required by state law with the secretary of state who immediately shall transmit the same to the commissioner apply to the commissioner for permission to convert to a state bank, and shall submit a certified copy of its articles of association, a transcript of the minutes of the meeting of its stockholders showing approval of the proposed conversion and any other information required in the application form prescribed by the commissioner. A federal savings association or federal savings bank operating in a mutual form must also convert to a stock form prior to converting to a state bank and shall submit appropriate documentation to the commissioner to show that the appropriate federal regulator has approved such mutual to stock conversion. Upon receipt of each of the items required by this section the commissioner shall make or cause to be made such investigation as the commissioner deems necessary to determine whether:

(1) All state and federal requirements for a conversion have been satisfied;

(2) the conversion will not adversely affect the interests of the depositors; and

(3) the resulting state bank will have an adequate capital structure.

If the commissioner determines each of these matters favorably the conversion shall be approved and the commissioner shall issue

a certificate of authority. Upon issuance of a certificate of authority, the articles of incorporation, duly executed as required by state law, shall be filed with the secretary of state.

(b) In any conversion authorized by this section the capital requirements of this act shall apply, and the new name for such resulting bank shall be approved by the commissioner. In any conversion authorized by this section the resulting state bank shall have authority to issue its shares of stock for shares of stock in the national bank, federal savings association or federal savings bank or property of the national bank, federal savings association or federal savings bank for and upon such valuation as shall be agreed upon, and approved by the commissioner. In any conversion authorized by this section the resulting state bank by operation of law shall continue all trust functions being exercised by the national bank, federal savings association or federal savings bank and shall be substituted for the national bank, federal savings association or federal savings bank and shall have the right to exercise trust or fiduciary powers created by any instrument designating the national bank, federal savings association or federal savings bank even though such instruments are not yet effective.

(c) In any conversion authorized by this section the resulting state bank shall succeed by operation of law without any conveyance or transfer by the act of the national bank, federal savings association or federal savings bank to all the actual or potential assets, real property, tangible personal property, intangible personal property, rights, franchises and interests, including those in a fiduciary capacity of the national bank, federal savings association or federal savings bank and shall be subject to all of the liabilities of the national bank, federal savings association or federal savings bank.

(d) In any conversion authorized by this section the rights and responsibilities of any shareholder of the national bank,

federal savings association or federal savings bank who objects or dissents to the proposed conversion shall be governed by the provisions of K.S.A. 17-6712, and amendments thereto, as though the national bank, federal savings association or federal savings bank was a Kansas corporation and the objecting or dissenting shareholder was objecting or dissenting to a proposed merger transaction. In any conversion authorized by this section the corporate existence of the national bank, federal savings association or federal savings bank shall be merged into and shall be continued in the resulting state bank, and the resulting state bank shall be deemed to be the identical corporate entity as the national bank, federal savings association or federal savings bank.

(e) Within a reasonable time after the effective date of the conversion, the resulting bank shall divest itself of all assets and liabilities that do not conform to state banking laws and rules and regulations. The length of this transition period shall be determined by the commissioner and shall be specified when the application for conversion is approved.

STATE OF KANSAS
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OFFICE OF THE
STATE BANK COMMISSIONER
HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS

March 6, 2000

Mr. Chairman and Members of the Committee:

My name is Sonya Allen. I am the General Counsel for the Office of the State Bank Commissioner. I am appearing today to testify in favor of Senate Bill 457. Senate Bill 457 would amend K.S.A. 9-1703, which governs the annual assessments levied by the Office of the State Bank Commissioner on all state-chartered banks and trust companies. Subsection (e) of the statute addresses the issue of mergers which occur during the year, and who is responsible for the assessment of the institution that does not survive the merger. The general concept of the statute is that the surviving institution, if it is a state-chartered institution, would be responsible for the assessment of the merged institution. The rationale is that the assets still remain in the state system, and should be available for the OSBC to assess against, to pay the expenses of oversight of the institution. A couple of years ago, this concept was added to the statute. However, it has become apparent that the revision did not thoroughly address the situation. Subsection (2) has been drafted to clarify the responsibilities of institutions involved in merger transactions.

The practice of the OSBC is to assess banks and trust companies at the beginning of each fiscal year, with half of the assessment coming due on July 15 and the second half coming due on the following January 15. The purpose of the amendment before you today is to clarify who is responsible for the second half of the assessment in a merger transaction that occurs between July 1 and December 31. The proposed language states that in the event a merger occurs between July 1 and December 31, the surviving entity is obligated to pay the second half assessment of the institution that it is merging with.

Here is an example:

In July, the OSBC assesses Bank A and Bank B. The first half of the assessments are due on July 15, and are paid by the respective banks. Then, Bank A and Bank B merge on August 1, with Bank A being the survivor. The amendment would make it clear that Bank A is responsible for the second half of the assessment of Bank B which will come due on January 15 of the following year. Again, they are responsible because they have maintained and hold the prior assets of Bank B.

House Financial Institutions
3-06-00
Attachment 4