SESSION OF 2007

SUPPLEMENTAL NOTE ON SENATE BILL NO. 137

As Amended by House Committee on
Insurance and Financial Institutions

Brief*

SB 137, as amended, would enact new law to prohibit banks from establishing a branch bank at the premises or property where an affiliate of the bank engages in commercial activities.

Background

SB 137 was requested by the Kansas Bankers Association whose representative indicated the bill would prohibit the mixing of banking and commerce on the commercial premises of an affiliate and would require all banks, regardless of charter, to compete stand-alone-branch to stand-alone-branch. The representative indicated that several states have already adopted legislation either prohibiting the ability of banks to branch into affiliated retail business or outright prohibitions of ILC (Industrial Loan Company) branches from entering their state. The bill was supported by the Heartland Community Bankers Association and the Community Bankers Association of Kansas.

An ILC is an FDIC-supervised financial institution with a distinctive feature: it can be owned by commercial firms that are not regulated by a federal banking agency. There are currently 58 ILCs operating in seven states.

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*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org

The House Committee on Insurance and Financial Institutions made a technical amendment to apply the definitions in section 2 to the provisions of section 1.

The fiscal note prepared by the Division of the Budget indicates that passage of the bill would have no fiscal effect on the operations of the Banking Department.