

MINUTES OF THE HOUSE FINANCIAL INSTITUTIONS.

The meeting was called to order by Chairperson Ray Cox at 3:30 p.m. on January 24, 2001 in Room 527-S of the Capitol.

All members were present except:

Committee staff present:

Dr. Bill Wolff, Legislative Research
Bruce Kinzie, Revisor's Office
Maggie Breen, Committee Secretary

Conferees appearing before the committee:

David Brant, Securities Commissionerr
Ashley Sherard - Johnson County Intergovernmental
Relations Manager
Derl Treff - Pooled Money Investment Board

Others attending: See attached list

Representative Cox called for the introduction of bills.

Ashley Sherard, Johnson County Intergovernmental Relations Manager, said there are six jurisdictions in the state that have been permitted expanded investment powers by the Pooled Money Investment Board. Generally they are allowed to invest in longer-term and slightly higher-yields than local governments. Currently, the state is allowed to invest 50% of its portfolio in commercial paper. She requested a bill be introduced to authorize local governments the same expanded investment powers. (**Attachment 1**)

Representative Cox said without objection the bill would be introduced.

Derl Treff, Pooled Money Investment Board (PMIB), requested the introduction of a bill that has two purposes. First it amends K.S.A. 45-4221 which basically requires state agencies, who have bank accounts, to insure that proper collateral is there on their bank balances. Currently, the Pooled Money Investment Board is supposed to insure that they are properly collateralized. They aren't in a position to do so because they only see a bank statement once a month. The PMIP asks that the responsibility be moved from them to the agencies who know their balances on a daily basis and are in a much better position to do a good job. Secondly, the bill proposed that a reference in K.S.A. 75-4237 be changed. The word "bid" is used in several places but the operative word is really "request." That's the way it works and the bill would change the wording to reflect that. It just cleans up the language. (**Attachment 2**)

Representative Cox said without objection the bill would be introduced.

Representative Cox presented the committee minutes of the January 22 meeting.

Representative Grant made a motion to approve the minutes as written. Representative Dreher seconded the motion. The motion carried.

David Brant, Securities Commissioner, gave an overview of his office. The agency's mission is to protect and inform Kansas investors, to promote integrity and full disclosure in financial services, and to foster capital formation. The agency has 27.8 employees. Presently there are 1,711 brokerage firms from across the country that are registered to sell securities in Kansas, 38 of them based in Kansas. There are 691 investment advisor firms doing business in Kansas, 183 of them based in Kansas. The 691 firms employ 1,904 investment advisor representatives. In the last fiscal year, 173 cases were investigated. There were 6 criminal convictions achieved last year and 67 administrative orders issued. Investor education continues to be an important function of the agency. The Investment Adviser Registration Depository (IARD) is an electronic filing registration database system being built for investment

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advisers similar to the Central Registration Depository (CRD) for broker-dealers and agents. Kansas-registered investment advisers, managing \$25 million or less in assets, will be required to begin using IARD by October 1, 2001. **(Attachment 3)**

David Brant ask the committee to introduce a bill which would: a) Amend various statutes from the Kansas Securities Act to update or remove obsolete provisions, promote uniformity with other states and federal securities laws. b) Authorize the use of fines and settlement for investor education purposes. c) Formalize authority to require disgorgement of illegal profits and the payment of restitution to investors. And d) Amend the definition of "securities" under the Kansas Securities Act to include variable annuities and variable life insurance products. **(Attachment 4)**

Representative Cox said without objection the bill would be introduced.

The meeting was adjourned at 3:57 p.m.

The next meeting is scheduled for Monday, January 29, 2001.

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.

