Kansas Bankers Association

March 12, 2015

To: House Financial Institutions Committee

From: Doug Wareham, Kansas Bankers Association

Re: SB 240: Recodification of Kansas Banking Code

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today in support of **SB 240**, which is the result of a multi-year effort to modernize and bring clarity to the state's banking code found in Chapter 9 of the Kansas Statutes Annotated.

Efforts to review the banking code section-by-section began almost ten years ago. At that time and for a few years thereafter, the Office of the State Bank Commissioner (OSBC) jointly met with representatives of the KBA and CBAK (Community Bankers Association of Kansas) to pour over each section of the code. In part due to personnel changes and time constraints, the effort was dormant for a period of time. The OSBC took up the cause again and in a different format – with OSBC staff working on a draft that has been shared with both the KBA and CBAK for comment.

The KBA greatly appreciates the cooperative manner in which the project was started, and also appreciates the responsiveness to our comments on the draft which is before you now as **SB 240**. We have not only had two attorneys in our office review the provisions of the draft, but have also involved a subcommittee of bankers who currently sit on the KBA Board of Directors.

The KBA would also like to publicly acknowledge the OSBC for their persistence and good work in completing this project. There was much effort put into re-organizing sections to make it easier to navigate the code, modernize outdated language and procedures, into codifying Special Orders which have the effect of law but were not to be found in the statutes, and into rectifying inconsistencies with Federal law.

In reviewing the recodification draft, our subcommittee did ask the OSBC to address a few items with which we have come to an agreement:

1) 9-537 - Review of operations by commissioner. There was some question as to why new language proposed was needed in order to allow the commissioner to review the activities of any bank holding company with a subsidiary bank in Kansas. The new language was withdrawn.
2) 9-901a – Amount of capital. There were questions whether the state needed to put minimum capital levels in statute since Federal law also provides for such minimums.

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There was recognition of the need for our state regulator to have minimums that are consistent with Federal law.

3) 9-1111(h) – Branch banking; transactions by remote service units authorized; conditions and restrictions; remote service unit defined. The definition of "remote service unit" did not encompass new technology called "interactive teller machines". The draft now mirrors Federal law in recognizing this technology.
4) 9-1902 – Definition of insolvency. There was some question as to whether this definition should be modified in light of ongoing litigation regarding the same. There are no modifications to this definition in the draft.

In conclusion, the KBA is supportive of the modernization and clarification of the Kansas banking code as represented by **SB 240**. As with all projects of such proportion, there are likely to be modifications needed as the details actually come into play, and so we respectfully reserve the right to tweak the code as necessary. Thank you for your time and I'll stand for questions at the appropriate time.