

SESSION OF 2021

SUPPLEMENTAL NOTE ON SENATE BILL NO. 178

As Amended by House Committee on Financial
Institutions and Rural Development

Brief*

SB 178, as amended, would amend provisions governing organization and supervision in the Kansas Banking Code to permit a national bank, federal savings association, or federal savings bank to convert to a state trust company. The bill would also permit a trust company to convert its charter to one of the above-named financial institutions.

The bill would update references to include trust companies in law pertaining to renewal and extension of articles of incorporation (KSA 2020 Supp. 9-803); stockholder vote for conversion to a state bank (KSA 2020 Supp. 9-808); stockholder vote for conversion to a national bank (KSA 2020 Supp. 9-809); and prohibition against felons serving as directors, officers, or employees (KSA 2020 Supp. 9-1717). The bill would also establish a naming standard to require the name selected for a state trust company to be different or substantially dissimilar from the name of any other trust company doing business in the state.

Under current law, a national bank, federal savings and loan association, or federal savings bank is permitted to convert its charter to a state bank charter. Conversely, the law also allows a state bank to convert to a national bank, federal savings and loan association, or federal savings bank.

*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>

Background

The Senate Committee on Financial Institutions and Insurance introduced the bill at the request of the Office of the State Bank Commissioner (OSBC).

Senate Committee on Financial Institutions and Insurance

In the Senate hearing, the General Counsel for the OSBC provided **proponent** testimony, indicating the agency had recently received an inquiry from a national bank outside of Kansas seeking to convert to a Kansas trust company. A review of the law revealed the Kansas Banking Code does not permit a national bank to convert to a state trust company but does allow such conversion to a state bank. The conferee indicated the bill provides corrections to the conversion process and updates other instances where “trust company” was omitted. The conferee requested an amendment to reflect the different standards for allowable names for state banks and trust companies.

No other testimony was provided.

The Senate Committee amended the bill to clarify the naming standards for state banks and trust companies and establish a separate naming requirement for trust companies doing business in Kansas in law governing conversion to a state bank.

House Committee on Financial Institutions and Rural Development

In the House Committee hearing, the General Counsel for the OSBC provided **proponent** testimony. The conferee requested a clarifying amendment to relocate within the bill the provisions pertaining to the naming standard for a state trust company.

The House Committee amended the bill to make a technical update to the location of the naming provisions included in the Senate Committee amendment.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the OSBC and the Department of Credit Unions both state the bill would not have a fiscal effect.

Financial institutions; trust companies; conversions