

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2560

As Recommended by House Committee on
Financial Institutions and Pensions

Brief*

HB 2560 would amend the State Banking Code and provisions pertaining to trust companies to address the abandonment or expiration of certain applications and allow an originating trustee to have its principal place of business outside of Kansas.

Abandonment and Expiration of Applications

The bill would provide that, if an applicant fails to complete any application under the State Banking Code within 60 days after being notified that the application is incomplete, such application would be considered abandoned and the application fee would not be refunded. The bill would permit such applicant to reapply at any time.

The bill would also require a bank or trust company to engage in the activity requiring an application and approval by the State Bank Commissioner (Commissioner) or the State Banking Board within 18 months from the date of approval. If the bank or trust company fails to comply with this activity deadline, the bill would require the application to be deemed expired and a new application, application fee, and approval to be required.

*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>

Extension of Deadline

The bill would permit the Commissioner to extend the application deadline indefinitely, if approval from another state or federal regulator is necessary for the bank or trust company to engage in the activity, or up to 180 days for good cause. The State Banking Board would be permitted to designate the Commissioner to determine the completeness of any application requiring Board approval or deem as expired any Board-approved application.

Change of Control or Merger—Applications

The bill would modify an application provision for a person acquiring control or a bank or trust company undertaking a merger transaction to provide that, if the Commissioner does not act on the complete application within the 60-day period prior to the proposed change of control or merger and the applicant has received approval from all other applicable federal and state agencies, the application will stand approved.

Trust Companies—Definitions

The bill would amend the definition of “originating trustee” to remove language requiring such trustee (*e.g.*, trust company, bank, national banking association, savings and loan association, or savings bank) to have its principal place of business in this state. The bill would further permit either the contracting trustee or the originating trustee to have its principal place of business in this state.

Background

The bill was introduced by the House Committee on Financial Institutions and Pensions at the request of a representative of the Office of the State Bank Commissioner (OSBC).

House Committee on Financial Institutions and Pensions

In the House Committee hearing, a representative of the OSBC provided **proponent** testimony, stating the bill would allow the agency to abandon incomplete applications and declare approved applications expired. The conferee noted a handful of incomplete and unimplemented applications tie up a substantial amount of time for the OSBC's Applications and Statistics Manager and leadership and on the State Banking Board. A representative of Midwest Trust also appeared as a proponent, stating the bill would allow Kansas trust companies to bring in many accounts from out of state in an efficient manner by creating a legal mechanism that permits the irrevocable transfer of fiduciary accounts to another trust company or bank.

Written-only proponent testimony was submitted by a representative of the Trust Division of the Kansas Bankers Association.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the OSBC estimates the bill would increase revenues in the Bank Commissioner Fee Fund by \$500 in FY 2025. Under the provisions of the bill, the agency would be authorized to charge an application fee when an applicant with a previously abandoned or expired application reapplies. The OSBC notes its Consumer and Mortgage Lending (CML) Division currently has this authority and approximately 2.5 percent of CML applications are considered abandoned. The Banking Division receives approximately 40 to 45 applications each year. Assuming the Banking Division would have 2.5 percent of its applications abandoned, the OSBC estimates at least one application will be abandoned each year beginning in FY 2025 and that one application would be reinstated with a fee of \$500. Any fiscal effect associated with enactment of

the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Financial institutions; State Banking Code; application abandonment; application expiration; State Bank Commissioner; State Banking Board; trust companies; originating trustee; principal place of business