

Approved:

03-30-2012

(Date)

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE
COMMITTEE

The meeting was called to order by Chairperson Ruth Teichman at 9:30 AM on Wednesday, March 7, 2012 in 152-S of the Capitol.

All members were present.

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Ken Wilke, Revisor of Statutes Office
Marilyn Arnone, Committee Assistant

Conferees appearing before the Committee:

Doug Wareham, Kansas Bankers Association
Mark Knackendoffel, CEO, The Trust Company of Manhattan, Kansas
Judi Stork, Deputy Bank Commissioner
John Smith, Administrator, Department of Credit Unions
Haley DaVee, Kansas Credit Union Association

Others in attendance:

See attached list.

The Chair opened the meeting with the hearing on **HB 2505–Limitation on loans and borrowing; derivative transactions.** Melissa Calderwood gave an overview of the bill.

This bill was introduced by the House Financial Institutions at the request of the Kansas Bankers Association and it would amend and insert definitions in the provisions of the Banking Code that apply to lending limits to include derivative transactions. There would be no fiscal effect from this bill. **HB 2505** passed the House 124-0.

The Chair asked for proponents of **HB 2505.**

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Doug Wareham testified in support of **HB 2505**. This bill will ensure that state-chartered banks in Kansas can continue to engage in derivative transactions to the same extent as national-chartered banks. **HB 2505** amends K.S.A. 9-1104 to keep state-chartered banks on a level playing field with national-chartered banks. Mr. Wareham said he would send a letter with a written example of a derivative transaction to the Committee. (Attachment 1)

Mark Knackendoffel spoke as a neutral for **HB 2505**. This bill will level the playing field by providing an exception to the prohibition that prevents any out-of-state bank or trust company from establishing or operating a trust facility in Kansas. This exception overrides this prohibition if the laws of an out-of-state entity's home state allow a Kansas trust entity to conduct fiduciary business in that state. He believes that strong, entrepreneurial companies, who offer the best service and value to clients, should not be constrained by state lines. He asks for an amendment for reciprocity to allow out-of-state banks to conduct trust business in Kansas. (Attachment 2)

The Conferees stood for questions.

Judi Stork, Deputy Bank Commissioner, offered neutral written testimony on **HB 2505**. (Attachment 3)

Mr. Wilke was requested to draw up balloons to satisfy the changes.

The Chair closed the hearing on **HB 2505**.

Chairman Teichman opened the hearing on **HB 2593–Interstate banking and commission approval**. **HB 2593** was introduced by the House Financial Institutions Committee as requested by the Office of the State Banking Commissioner. This bill would amend provisions of the Banking Code that apply to the review of applications associated with acquisitions by a bank holding company of a bank whose home office is located in Kansas. The bill would require the Office of the Bank Commissioner to review only those applications that involve Kansas state-chartered banks and no longer review out-of-state bank holding companies. An amendment in the House requested by the Office of the Bank Commissioner would make the bill effective upon

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publication in the Kansas Register. The bill passed the House 120 -1. The fiscal effect would be negligible because of such a few number of applications.

Judi Stork testified in support of **HB 2593**. This bill proposes to amend K.S.A. 9-532 through 9-535 which relate to the filing of an application when a bank holding company acquires a bank in Kansas. It is requested that language be amended to only require the review and approval/denial by the State Bank Commissioner's Office when a Kansas-state chartered bank is involved and eliminate the need to review acquisitions by bank holding companies that are acquiring national banks in Kansas. The OSBC has no regulatory control or enforcement capability over national banks. It is an additional regulatory burden for the OSBC to review and approve a national bank and the bank holding company involved. It has been difficult for the OSBC to obtain information needed for the national review. A review is also conducted by other agencies such as the Federal Reserve Bank which would still hold the review if the OSBC was released from that duty so there would be oversight. (Attachment 4)

The Chair closed the hearing on **HB 2593**.

The Chair opened the hearing on **SB 431–Credit Union Administrator: appointment of and salaries for certain unclassified positions. SB 431** was introduced by the Ways & Means Committees and it amends the law that pertains to the appointment and employment of certain positions by the Administrator of the Kansas Department of Credit Unions. The Administrator is authorized to appoint in the unclassified service and to set salary compensation that corresponds to state regulatory positions in similar geographic areas. The salary schedule is to be reported to the credit union council annually. The bill would be effective upon publication in the Kansas Register. The Fiscal Note indicates that **SB 431** would allow increased expenditures on salaries and wages in FY 2013 and FY 2014. Additional expenditures, if authorized by an appropriations bill, would be from the Credit Union Fee Fund.

John P. Smith spoke in support of **SB 431** which would allow the Administrator to appoint department personnel into positions within the unclassified service. The Administrator would hire all new examiners to the department in the unclassified service and all existing classified

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personnel would be given the option to “convert” to unclassified positions. The Administrator would establish and maintain a salary schedule for unclassified positions in the department. Salaries would be established for the unclassified personnel at no higher than the average of personnel from other agencies within similar geographic areas. These salary increases would be phased in over a two year period to minimize the effect on fees assessed to credit unions. These adjustments are needed to sustain qualified personnel in the Department of Credit Unions. (Attachment 5)

Haley DaVee also spoke in favor of **SB 431** that would allow specified positions within the Department of Credit Unions to become unclassified. It will also ensure that the salaries for these unclassified positions are commiserate with those in surrounding states and that the Administrator will maintain a salary schedule that shall be reported to the Credit Union Council on an annual basis. KCUA supports a strong state charter option for credit unions in Kansas and having a state regulatory agency that has the resources that it needs to hire and retain experienced credit union examiners is an important piece of the state charter option. (Attachment 6)

*Senator Steineger moved that **SB 431** be passed favorably out of Committee. Senator Olson seconded and the motion passed.*

Senator Masterson introduced Pages Caelan Dean and Andrew Hairgrove from the Wichita area.

Senator Schmidt introduced his wife, Ellen, and his daughter, Franses from Hays. Franses attends Florida State University and was her father’s Spring Break Shadow for the day.

Senator Merrick introduced Pages Kirrian Kirby and Madison Wilkins from Overland Park.

The Chair adjourned the meeting at 10:20 AM. The next meeting will be March 8, 2012.

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