

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on January 19, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Ken Wilke, Office of the Revisor of Statutes  
Melissa Calderwood, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:

Veronica M. Sellers, General Counsel and Senior Vice President, Federal Reserve Bank of Kansas City

The Chair welcomed everyone to the meeting.

Veronica M. Sellers, Federal Reserve Bank of Kansas City, gave an overview of the effect of Dodd-Frank on community banks. She said the Dodd-Frank Act was enacted to improve the safety and stability of our financial system in the aftermath of the financial crisis. She said while Dodd-Frank is primarily aimed at practices that led to the financial crisis, which were primarily conducted by the largest financial companies and unregulated financial companies, it will also affect community banks. She summarized the effects below:

Ms. Sellers said positives for community banks are:

- . Deposit insurance assessment base broadened
- . Banks with less than \$10 billion in assets exempt from special deposit insurance assessments
- . Per account deposit insurance limit permanently raised to \$250,000
- . Full insurance of non-interest bearing demand transaction accounts temporarily extended through 2012
- . De novo branching permitted in any state
- . Small BHCs (less than \$500 million in assets) can continue to include trust preferred securities as tier one capital
- . Many unregulated financial companies will now be regulated by the Consumer Financial Protection Bureau
- . Regulations affecting systemically important bank and non-bank financial companies can level the playing field for community banks.

Ms. Sellers said some downsides for community banks are:

- . New Dodd-Frank compliance provisions will be costly for all banks, including community banks
- . Possible effects of the Durbin amendment requirement that interchange fees charged by payment card issuers for electronic debit transactions be "reasonable and proportional"
- . Uncertainty about new consumer protection rules issued by the Consumer Financial Protection Bureau ([Attachment 1](#))

Following Q & A, the meeting adjourned at 10:30 am.

The next meeting is scheduled for January 25, 2011.