

SESSION OF 2019

SUPPLEMENTAL NOTE ON SENATE BILL NO. 82

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 82 would amend provisions of the State Banking Code (Code) relating to certificate of existence, voting rights for conversion to a state charter, and the method of delivery for certain notices.

Certificate of Existence

The bill would specify no party may infer a financial institution relying on a certificate of existence has knowledge of the terms of an entity's documentation (such as a resolution, certificate of good standing, request for taxpayer identification number, entity agreements, or other documents) solely because the financial institution holds a copy of all or part of the entity's documentation. (*Note:* "Financial institution" is defined in continuing law as any federal- or state-chartered commercial bank, savings and loan association, or savings bank. "Entity" is defined as any government or governmental subdivision or agency, any domestic or foreign corporation, limited liability company, general partnership, limited liability partnership, joint venture, cooperative, association, or other legal entity, whether operated for profit or not-for-profit.)

*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>

Conversion to a State Charter – Voting Rights

The bill would authorize any national bank, federal savings association, or federal savings bank to become a state bank upon the affirmative vote of not less than two-thirds of the institution's voting interests of members. (*Note:* Continuing law permits an affirmative vote of two-thirds of the institution's outstanding voting stock.) The bill would also require the submission of a transcript of minutes from the meeting if two-thirds of the voting interests of members approve of the proposed conversion to a state bank.

Method of Delivery for Certain Notices

The bill would authorize notice by certified mail or electronically pursuant to the Uniform Electronic Transactions Act (Act), KSA 16-1601 *et seq.*, to all stakeholders at least five days in advance of a meeting to vote on the issuance of preferred stock.

The bill would also authorize a safe deposit lessor to provide notice by certified mail or electronically pursuant to the Act to the lessee when a safe deposit box lease is being terminated.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of the Kansas Bankers Association (KBA). In the Senate Committee hearing, a representative of the KBA spoke in favor of the bill, stating the bill would bring clarity to the Code and certainty to institutions and their customers operating under the Code. The representative noted the bill would clarify a party cannot infer a bank or savings and loan association has knowledge of the contents of agreements or documents; clarify a member may have more than one vote, as membership is determined per relationship with the institution; and allow for

certain notices to be delivered by certified mail or electronically.

No neutral or opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget, the Office of the State Bank Commissioner indicated enactment of the bill would have no fiscal effect.