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TO: House Financial Institutions and Pensions Committee

FROM: Brock Roehler
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DATE: February 12, 2018

RE: SB 283

The Office of the State Bank Commissioner (OSBC) appreciates the opportunity to submit testimony in support of SB 283 to update the Kansas Banking Code. The bill includes several provisions that will help protect and preserve the integrity of the state banking system and permit the agency to recruit personnel to fulfill the agency's regulatory responsibilities.

In Section 1, the bill updates terminology in state statute, replacing "common trust" funds with "collective investment" funds. The term collective investment fund(s) is an overarching term which includes funds held by a bank or trust company as fiduciary and invested collectively in either a common trust fund or a collective investment fund as defined in Kansas Administrative Regulations.ⁱ The intent of the amendment in SB 283 is to align the statute with current language in state regulation to better reflect how the term collective investment funds is used and understood within the industry. It also aligns the Kansas statute with Office of the Comptroller of the Currency (OCC) trust regulations updated in 2014.

Under K.S.A. 9-1720, it is unlawful for a person to acquire control of a state chartered bank without first notifying and receiving approval from the Bank Commissioner. Section 2 includes an amendment to K.S.A. 9-1720 that clarifies the circumstances under which a person might obtain control of a state bank, including using a structure or process that is designed to evade state regulation. The amendment also requires an institution's board of directors to provide notice to the Bank Commissioner at least 30 days in advance of any change of control. This change will help ensure that action resulting in a change of control of an institution is in compliance with the notification and approval requirements provided in state law.

Section 3 amends the requirement that a person proposing to acquire control, or a bank or trust company undertaking a merger transaction, submit an application 60 days prior to the proposed change of control or merger transaction. The bill includes an amendment to permit the Bank Commissioner to waive the 60 day application requirement if the acquired bank or trust company is under a formal corrective action. This amendment would provide flexibility in situations where an institution under a corrective action is merging or being purchased by another entity, and allow the transaction to be completed in an expedited manner.

Finally, the bill includes an amendment to K.S.A. 75-3135 regarding qualifications to serve as Deputy Bank Commissioner. Current law requires the Deputy Bank Commissioner to have at least five years' experience as a state bank officer or state or federal regulator. SB 283 amends the statute to permit an individual to serve as

Deputy Bank Commissioner who has at least five years' experience as an officer of a state bank holding company or a wholly-owned subsidiary conducting business that is related to banking, or an individual who has a combination of five years in any of the aforementioned experience. Adjusting this provision would enable the OSBC to recruit candidates for this position with a wider range of experiences which would be beneficial to the agency as institutions grow in size and complexity and the skills needed for this position evolve.

The OSBC appreciates the opportunity to provide background and share our support for SB 283 and thanks the committee for its consideration of the bill.

ⁱ K.A.R. 17-23-1 and K.A.R. 17-23-11