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Testimony to the Senate Financial Institutions Committee
SB 178
February 17, 2021

The Office of the State Bank Commissioner (OSBC) appreciates the committee's introduction of our bill, SB 178, and we thank the Chairman for holding a hearing on the bill.

Recently our office received an inquiry from a national bank outside of Kansas that wanted to convert to a Kansas trust company. While reviewing the law, we realized that the Kansas Banking Code does not allow a national bank to convert to a state trust company but only allows for conversion to a state bank. We discussed this matter with the Kansas Bankers Association and others in the trust industry and found no reason for the omission, other than just an oversight in the statutory language. The corrections to the conversion process can be found in Sections 1 and 2 of the bill.

While reviewing the statutes relating to trust companies, we also found other instances that omit the words "trust company" that should be corrected to include "trust company." Section 1 of the bill relates to a state bank's articles of incorporation, which should include "trust company" as well. Section 4 prevents a person who has been convicted of certain felonies from serving in leadership roles in a state bank; that section is amended to include a state trust company, too.

Lastly, our office discovered that we erred with our language submitted to the Revisor and we ask for an amendment. The name requirements for a state bank are different than a state trust company, and we failed to capture that in our bill draft. The attached amendment recognizes the different standards for allowable names for state banks and state trust companies.

I am happy to answer any questions. I appreciate the committee's support of the bill.

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PROPOSED AMENDMENT TO SB 178

Sec. 2. K.S.A. 2020 Supp. 9-808 is hereby amended to read as follows: 9-808. (a) Any national bank, federal savings association or federal savings bank organized under the laws of the United States and located in this state may become a state bank *or state trust company* upon the affirmative vote of not less than $\frac{2}{3}$ of the institution's outstanding voting stock or voting interests of members. Any national bank, federal savings association or federal savings bank desiring to become a state bank *or state trust company* shall apply to the commissioner for permission to convert to a state bank *or state trust company* and:

(1) Shall submit a transcript of the minutes of the meeting of the institution's stockholders or voting interests of members showing approval of the proposed conversion;

(2) the name selected for the bank ~~or trust company~~ shall not be the name of any other state bank ~~or state trust company~~:

(A) Doing business in the same city or town; or

(B) within a 15-mile radius of the location of the converted institution.

(3) The name selected for the trust company shall be different or substantially dissimilar from any other trust company doing business in the state.

The name shall be accepted or rejected by the commissioner, although any *state bank or state trust company* may request exemption from the commissioner from this paragraph; and...