

SESSION OF 2003

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2224

As Amended by Senate Committee on
Financial Institutions and Insurance

Brief*

HB 2224, as amended, concerns banks and the authority of banks to make certain investments. The bill allows a bank to purchase or hold an annuity for the sole purpose of funding an employee deferred compensation and benefit plan. Use of the authority is subject to rules and regulations adopted by the Bank Commissioner.

The Senate Committee amendment adds a new section to clarify that the authority of the Bank Commissioner to adopt rules and regulations is based upon the grounds of promoting safe and sound practices for entities regulated by the Commissioner.

Background

HB 2224 was recommended by the Kansas Bankers Association whose representative explained that bank powers are limited to those specifically set out in law. While banks may invest in life insurance policies as part of a benefit package for employees, annuities are not specifically authorized. The authority to hold an annuity for the sole purpose of funding an employee benefit plan as allowed by rules and regulations ensures that annuities in general are not being promoted as an appropriate investment for state-chartered banks.

General Counsel for the Bank Commissioner indicated that the process for considering the content of rules and regulations regarding annuities is underway and will be finalized and adopted if HB 2224 is enacted.

*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/kldr>

Counsel further explained that the Senate Committee amendment is necessary to address issues raised by the Attorney General regarding the authority of the Bank Commissioner to adopt rules and regulations based on the current statutory basis of carrying out the intent and purposes of the state banking code.

As noted in the fiscal note prepared by the Division of the Budget, the State Bank Commissioner states that passage of HB 2224 would have no fiscal effect on the agency.