



To: Kansas Senate Committee on Financial Institutions & Insurance
From: Mark Knackendoffel, President & Sr. Trust Officer
Date: March 7, 2012
Re: Testimony on HB 2505: Regarding Authorization for Reciprocity for Exercise of Trust Powers or Establishment or Operation of a Trust Facility by Out-of-State Trust Companies, Banks, Corporations or Other Business Entities.

I serve as the CEO of The Trust Company of Manhattan, Kansas, an independent Kansas-chartered Trust Company, which was founded in 1992. In the past 20 years, we have grown our business from \$20 million to \$400 million in assets under management and enhanced our professional staff from four (4) to nineteen (19) employees.

We intend to open our first branch office, which will be in Columbia, Missouri. Missouri banking and trust laws allow a trust company, such as ours, to exercise fiduciary powers and establish a trust office in Missouri by applying for a "Certificate of Reciprocity." This application requires the home state of the Applicant, in our case Kansas, to allow reciprocal privileges for Missouri trust companies wanting to conduct trust business in Kansas.

Unfortunately, Kansas does not have a similar or parallel statute authorizing reciprocity for trust services offered by non-Kansas trust entities.

Kansas law does allow out-of-state banks to conduct trust business in Kansas through our "Contracting Trustee" statutes under K.S.A. 9-2107. This statute has been used primarily by large banks in Missouri that bought banks in Kansas, but then transferred the trust business back to Missouri. Our Kansas contracting trustee statutes give these non-Kansas banks the statutory authorization to accept Kansas fiduciary appointments.

The applicable provisions of HB 2505 amend K.S.A. 9-2111, which currently prevents any out-of-state bank or trust company from establishing or operating a trust facility in Kansas. This amendment levels the playing field by providing an exception to this prohibition. The exception overrides this prohibition if the laws of an out-of-state entity's home state allow a Kansas trust entity to conduct fiduciary business in that state.

We recognize that this may trigger some added competition within Kansas as well. But we welcome competition and believe that strong, entrepreneurial companies, who offer the best service and value to clients, should not be constrained by state lines.

9-2111. Prohibiting out-of-state entity to establish or operate trust facility.

(a) Except as provided in K.S.A. 9-2107 and amendments thereto, no trust company, trust department of a bank, corporation or other business entity, the home office of which is located outside the state of Kansas, shall establish or operate a trust facility within the state of Kansas, *unless the laws of the state in which resides the home office of the nonresident trust company, trust department of a bank, corporation or other business entity, reciprocally authorizes a Kansas chartered trust company, trust department of a bank, corporation or other business entity to establish or operate a trust facility within that state to the same extent as so authorized in that state.*

(b) Before any nonresident trust company, trust department of a bank, corporation or other business entity establishes a facility in Kansas, a copy of the application submitted to the home state, and proof that the home state has reciprocity with Kansas, must be filed by the applicant with the commissioner.

(c) No Kansas trust company shall establish an out-of-state facility until an application has been filed and approval has been received pursuant to K.S.A. 9-2108.

(d) No Kansas bank with a trust department shall establish an out-of-state trust facility until an application has been filed and an approval has been received pursuant to K.S.A. 9-1135.

~~(e)~~ As used in this section, "trust facility" means any office, agency, desk or other place of business, at which trust business, as defined by K.S.A. 9-701 and amendments thereto, is conducted.

History: L. 1994, ch. 51, § 3; L. 1994, ch. 294, § 2; May 5.