



March 8, 2017

Mr. Chairman and Members of the Committee:

My name is Judi Stork, and I am the Deputy Bank Commissioner with the Office of the State Bank Commissioner. I am here today to speak in support of Senate Bill 20. This bill amends the Kansas Banking Code in four areas.

1. In 2015, the Kansas Banking Code was recodified and modernized, and numerous changes were made to the banking statutes. As part of this process several items were inadvertently changed. One example of this is found on **page 6** of the bill, **line 7**. The word "and" was inadvertently changed to "or." Additionally, we are requesting to add the word "stock" to make the language of this section clearer and to ensure the investment limit is calculated using both capital stock and surplus accounts rather than the total of all capital accounts. We are in no way changing the original intent of the law or how it has been applied since inception. This amends K.S.A. 9-1101, the "powers" section for banks and trust companies.
2. Currently we have an administrative regulation, K.A.R. 17-11-22, that requires a bank or trust company to insure tangible property owned by that bank or trust company. This amendment, found on **page 8**, beginning on **line 5**, would move the insurance requirement from the regulation to K.S.A. 9-1102, the statute which authorizes and governs ownership of property by banks and trust companies. We believe it will be easier for institution officials to know the requirements related to bank and trust company owned property by having those requirements in one location in the statutes. Our plan would then be to revoke the Kansas administrative regulation.
3. Banks are subject to limits on the amount of loans that can be made to one borrower pursuant to K.S.A. 9-1104. This lending limit statute allows for exemptions to the limit based on the type of collateral that secures the loan. Currently, that portion of a loan secured by a perfected interest in a time deposit (i.e., a certificate of deposit) is exempt from the legal lending limit. Our amendment, found on **page 11**, beginning on **line 23**, would change the wording to a perfected interest in a segregated deposit. This would allow the banks to use as collateral not only certificates of deposit, but also checking, money market, and savings accounts, as long as a hold is placed on the deposit to prevent the collateral from being dispersed. The use of "segregated" deposits as a lending limit exemption was originally authorized for banks under a special order issued by the commissioner in 1995. It was the intent of our agency to replace the "time" language currently found in the statute with the "segregated" language from the special order when we recodified the banking code in 2015.
4. We currently have an administrative regulation that requires banks and trust companies to record minutes of annual stockholders' meetings. The minutes must show any action taken by the stockholders, including the election of directors. Our amendment would add these requirements to the banking code and our intent would be to revoke Kansas Administrative Regulation 17-11-13. The amendment of K.S.A. 9-1114 can be found on **page 14**, beginning on **line 26** of the bill.

Thank you for your time and attentiveness. I am happy to answer any questions from the committee.