



Date: March 22, 2021

To: House Committee on Financial Institutions & Rural Development
Representative Jim Kelly, Chairman

From: Alex Orel, Senior Vice President – Government Relations
Kansas Bankers Association

Re: Neutral Testimony - House Bill 2398

Dear Chairman Kelly and Members of the Committee:

I am Alex Orel appearing on behalf of the Kansas Bankers Association (KBA), organized in 1887 and whose membership includes 98% of the 220 banks and savings & loans headquartered in Kansas. Our membership also includes 19 out-of-state commercial banks operating in Kansas. The Kansas banking industry employs more than 22,000 Kansans that provide financial services in every county across the state. Our organizational mission statement is:

"Together, we support our member banks and bankers with leadership, advocacy, and education to benefit the communities and customers they serve."

Thank you for the opportunity to provide neutral testimony on HB 2398. We appreciate this committee and the legislature looking at economic development initiatives to help Kansans and primarily rural Kansas.

In December, the Kansas Bankers Association was first approached regarding the proposal outlined in HB 2398 to create a new financial charter in our state, a Technology Enabled Trust Bank (TETB). Since that first meeting, the KBA has had many discussions over the last couple of months with the proponents of this legislation, members of our Trust Division, national trust experts with the American Bankers Association, and finally with our State Affairs Committee, which is comprised of almost 40 bankers across the state who direct our policy decisions at the KBA.

We sincerely appreciate the proponents' work in educating our membership on their proposal to create this new lane of financial services in our state. We also appreciate the group's willingness to work with us to address our original concerns, all of which have been mainly answered. Our initial concerns regarding HB 2398 were;



- 1) How would TETB's compete with Kansas banks and trust companies? If they do compete, are they competing on a level playing field?

We have concluded that TETB's would not directly compete as they do not offer the same services. This bill actually creates a new lane of financial services to be offered in our state which could even be complimentary to Kansas banks and trusts.

- 2) Would TETB's disrupt the current Kansas bank and trust company business model?

The conclusion reached is that it would not disrupt our current business model.

- 3) If TETB's are able to offer services that traditional Kansas banks and trust companies are not able to, would using the term Trust Bank be confusing to potential customers?

The proponents of this legislation stated they thought the name fit because while they are offering unique services, they do use a trust company and do make loans, so they landed on the term Trust Bank. As stated above, we had concerns with the usage of that term due to the possibility of confusion among potential customers, and perceived reputational risk associated with that. The proponents that understood those concerns and were willing to change the name to Technology Enabled Fiduciary Financial Institutions (TEFFI), which we are comfortable with.

In conclusion, we do not believe HB 2398 directly impacts the banking and trust industry within our state. As stated above, it is our understanding that this bill would establish a new lane of financial services, and we believe the merits of that is a policy discussion that will be had by this committee and by the entire legislature. We are appreciative of the possibility of a positive economic impact to our state, and so we stand before you today as neutral.