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**Proponent Testimony  
to the Senate Financial Institutions  
and Insurance Committee  
HB 2489  
March 3, 2022**

Chairman Longbine and Members of the Committee, thank you for hearing our bill, HB 2489.

My name is Matt Shoger, and I am a staff attorney for the Office of the State Bank Commissioner. I was involved in drafting many of the changes proposed in this bill, and I will provide an overview of those changes.

Last session, the Kansas legislature passed S. Sub. for HB 2074, creating a new financial entity in the state of Kansas called a technology-enabled fiduciary financial institution. Sections 25(e) and 29(f)(3) of the new law charge the OSBC with the duty of recommending "any legislation necessary to implement the provisions of" the TEFPI Act.

After reviewing and administering the Act since its effective date of July 1, 2021, our recommended changes were contained in HB 2489 as introduced by the Joint Committee on TEFPI Oversight following its December 7<sup>th</sup> meeting. Earlier this session, Beneficient and the OSBC discussed the bill further, agreed on many points, and ultimately settled on a compromise. Accordingly, the House committee amended the bill to reflect that compromise. The compromise bill has now reached this committee.

Ben and the OSBC agreed on the following provisions, which clarify issues unique to TEFPI's, specifically:

1. what the OSBC will evaluate during an examination,
2. that a fidfin transaction is often a sale from the perspective of the customer,
3. that certain required notifications to the OSBC must be in writing and must be made in a certain time frame,
4. when the first yearly assessment will be due, and
5. that the OSBC will only require fingerprinting of officers, directors, and organizers of a TEFPI (to resolve an issue that currently prevents the OSBC from obtaining FBI background checks).

We also agreed to some changes that harmonize TEFFI provisions with existing approaches for banks and trust companies, specifically:

1. to what extent a TEFFI can engage in traditional trust business,
2. that the OSBC can examine a TEFFI's service providers,
3. that initial fees are received at the time of application,
4. that assessments are allocated and paid in July,
5. how fees and assessments will be paid,
6. that the OSBC can require disclosures to customers, and
7. that TEFFI's are mandatory reporters for purposes of elder abuse.

We also agreed to several proposed technical corrections and wording improvements.

For some of the remaining items where we do not yet agree, the OSBC and Ben agreed that it might be better to wait until after an examination to review these items. These items all involve the financial intricacies of a TEFFI or at least the intricacies of an exam. Specifically, these items are:

1. capital, insurance, and bonding requirements,
2. limitations on concentration risks,
3. what happens if a TEFFI fails or stops operating either voluntarily or involuntarily,
4. the appropriate definition of insolvency for TEFFI's,
5. and whether the OSBC can examine additional items beyond those currently enumerated in the bill.

I have attached to my testimony a table summary of the agreements between the OSBC and Ben, with section numbers to assist in finding the various provisions.

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

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Attachment: Table Summary of Agreements Between the OSBC and Beneficient

Section	Change	Agreement?
1(a)	definition of TEFFI Act: including section 1	✓ agreed
1(b)(3)	definition of alternative asset custody accounts: "client" to "owner"	✓ agreed
1(b)(8)	definition of fidfin transactions	✓ agreed
2(f)	narrowing fingerprinted individuals (due to issues with obtaining FBI background checks)	✓ agreed
2(h)(2)	subsection 11(e) to 11(f) (technical correction)	✓ agreed
3(a)	fee	✓ agreed
3(a)	"trust expenses" to "fiduciary financial institution expenses"	✓ agreed
3(a)	adding "is"	✓ agreed
3(a)	"received authority"	✓ agreed
3(b)	assessments: date and method	✓ agreed
4(b)-(c)	"operating agreement or bylaws" to "governing documents"	✓ agreed
5(a)-(c)	examination standards	✓ agreed
6	can engage in trust business "incidental" to fidfin transactions or alternative asset custody accounts	✓ agreed
7(a)	definition of fidfin transactions	✓ agreed
7(h)	disclosure regulations	✓ agreed
8(f)	can examine servicers	✓ agreed
9(b)	"director" to "commissioner"	✓ agreed
9(b)	written notification within 30 days for trust advisors	✓ agreed
10(a)	fixed run-on sentence and removed "if"	✓ agreed
11	mandatory reporters for purposes of elder abuse	✓ agreed
<i>Removed (original 1)</i>	resolution of TEFFI's that fail or cease to operate	🕒 can address post-exam
<i>Removed (2(d))</i>	denial criteria	✗ not agreed
<i>Removed (original 5(a)(12))</i>	definition of insolvency	🕒 can address post-exam
<i>Removed (original 6(c))</i>	insurance, bonding	🕒 can address post-exam
<i>Removed (original 6(d))</i>	additional capital	🕒 can address post-exam
<i>Removed (5, original subsection (d))</i>	can examine beyond enumerated criteria for learning purposes	🕒 can address post-exam
<i>Removed (7, original subsection (h))</i>	concentration risk regulations	🕒 can address post-exam
<i>Removed (8(e))</i>	prompt written notification for service relationships	✓ agreed to removed this change (as redundant with K.S.A. 9-2103(a)(12))
<i>Removed (original 14(f))</i>	clarification of pilot program / charter process	✓ agreed to remove this change (as outdated)