

HOUSE FINANCIAL INSTITUTIONS COMMITTEE
February 9, 2012

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 House Bill 2593.

This bill proposes to amend K.S.A. 9-532 through 9-535. These statutes relate to the filing of an application when a bank holding company acquires a bank in Kansas. Under the current language, any time a bank holding company – either an in-state or out-of-state bank holding company – acquires a Kansas state-chartered bank or a national bank with its home office located in Kansas, our office must review the application. We are requesting this language be amended to only require the review and approval/denial by our office when a Kansas STATE chartered bank is involved. In other words, if a bank holding company is acquiring either a state-chartered bank in Kansas or a bank holding company that has a state bank as a subsidiary, our office would be required to review the application. We are asking for this change to eliminate the need for our agency to review acquisitions by bank holding companies that are acquiring national banks in Kansas.

A few items for you to consider:

- 1) The mission of the Office of the State Bank Commissioner is to regulate Kansas state-chartered banks and trust companies. We have no oversight of national banks. When a bank holding company acquires a national bank with its home office located in Kansas, current law requires our agency to review the application. Once we review the application, and if approval is granted, our oversight with regard to safety and soundness ceases. The minute our agency grants approval, the applicant bank holding company and the subsidiary bank(s) can basically pursue whatever business course they desire, and our agency has no regulatory control or enforcement capability. As such, our agency's review and approval is just additional regulatory burden for the national bank and the bank holding company involved.
- 2) In order to complete the review of the application, our office requests information, including examination reports, from the Office of the Comptroller of the Currency (OCC), the regulator of national banks. The information from these examination reports assists us in analyzing

the condition of the bank. It has been difficult, at best, over the years to obtain the information we need from the OCC. In the most recent case involving an application we received, the OCC denied our request for their examination report, indicating the law did not allow for the disclosure of such confidential information. Additionally, the OCC has questioned the role our agency has in reviewing the application. When acting on an application, the inability of our agency to obtain and review confidential information about the condition of the subsidiary bank puts our agency in a difficult position. We are left with no choice but to act on the application without the benefit of all the pertinent facts.

- 3) The application a bank holding company files to acquire a bank is jointly filed with our office and the Federal Reserve Bank (FRB), which is the primary regulator of bank holding companies. The review of the application by the FRB occurs simultaneously with our agency's review. During this review process, discussions regarding the application, its weaknesses and strengths, and the final action to be taken occur between our Director of Corporate Activities, who oversees all of the applications of our office, and the FRB. Approval or denial is granted separately by each agency. If review by our office were removed from this process for national banks, the FRB would still oversee all bank holding company acquisitions of those banks. We would continue to have an active involvement in state bank acquisitions; the banks which are directly regulated by our agency.

The proposed amendments to K.S.A. 9-532 will limit which bank holding companies are required to file an application with our agency. The changes in K.S.A 9-533 through 9-535 are merely technical changes to conform to the amendments offered in K.S.A. 9-532.

We do have one additional amendment to request at this time. We would ask for the bill to become effective upon publication in the *Kansas Register*.

Thank you for your time and consideration. I would ask the committee for your favorable support of this bill. I would be happy to answer any questions for the committee.