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David L. Herndon, Bank Commissioner

Laura Kelly, Governor

**Testimony to the Senate Committee on Financial Institutions and Insurance
on HB 2560
March 5, 2024**

The Office of the State Bank Commissioner (OSBC) thanks the Committee for holding a hearing on HB 2560. The OSBC regulates state-chartered banks and trust companies under the State Banking Code.

We are requesting a change in the Banking Code to allow us to abandon incomplete applications and declare approved applications expired. A handful of incomplete and unimplemented applications cause a substantial amount of time for our Applications and Statistics Manager, OSBC leadership, and the State Banking Board. Currently, we can ask, but not require, a chartered bank or trust company to withdraw an incomplete application. Otherwise, we may only remove an incomplete application by issuing an order denying their application. Our Consumer and Mortgage Lending division has had the power to abandon applications since 2017, and it has served its purpose of encouraging timely applications. Only 2.5% of corporate applications under the Consumer and Mortgage Lending division are abandoned every year. The Banking division receives approximately 28 applications every year. The most common Banking division application fee is \$500, and we expect one incomplete application each year would be declared abandoned that would cause the bank or trust company to reapply. Thus, we anticipate a \$500 fiscal impact on this bill each year.

The OSBC is also asking bank and trust companies to wait until they are ready to engage in the activity requiring Commissioner or State Banking Board approval by adding the ability to declare application approvals expired if not implemented within 18 months. This reduces the follow-up on completed applications and allows us to review a bank or trust company's safety and soundness closer to the time they want to engage in the activity.

Second, we are requesting an amendment to our trust company statutes, specifically K.S.A. 9-2107. This statute currently allows a contracting trustee to accept appointment of trusts in bulk from an originating trustee, provided both are located in Kansas. We are requesting the removal of the requirement that both the originating and contracting trustee must be located in Kansas. Entities engaged in trust administration now frequently operate in more than one state. Amending this law to remove the requirement that both parties are located in Kansas removes an unnecessary burden to multistate trust administration and does not pose any safety or soundness risk.

No opposition was noted when we discussed this proposed bill with applicable stakeholders.

A handwritten signature in blue ink that reads "Brock Roehler".

Brock Roehler
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