Approved: 2-3-11
Date

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 am. on January 19, 2011, in Room 152-S of the Capitol.

All members were present.

Committee staff present:
Ken Wilke, Office of the Revisor of Statutes
Melissa Calderwood, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Beverly Beam, Committee Assistant

Conferees appearing before the Committee:
Veronica M. Sellers, General Counsel and Senior Vice President, Federal Reserve Bank of Kansas City

The Chair welcomed everyone to the meeting.

Veronica M. Sellers, Federal Reserve Bank of Kansas City, gave an overview of the effect of Dodd-Frank on community banks. She said the Dodd-Frank Act was enacted to improve the safety and stability of our financial system in the aftermath of the financial crisis. She said while Dodd-Frank is primarily aimed at practices that led to the financial crisis, which were primarily conducted by the largest financial companies and unregulated financial companies, it will also affect community banks. She summarized the effects below:

Ms. Sellers said positives for community banks are:
. Deposit insurance assessment base broadened
. Banks with less than $10 billion in assets exempt from special deposit insurance assessments
. Per account deposit insurance limit permanently raised to $250,000
. Full insurance of non-interest bearing demand transaction accounts temporarily extended through 2012
. De novo branching permitted in any state
. Small BHCs (less than $500 million in assets) can continue to include trust preferred securities as tier one capital
. Many unregulated financial companies will now be regulated by the Consumer Financial Protection Bureau
. Regulations affecting systemically important bank and non-bank financial companies can level the playing field for community banks.

Ms. Sellers said some downsides for community banks are:
. New Dodd-Frank compliance provisions will be costly for all banks, including community banks
. Possible effects of the Durbin amendment requirement that interchange fees charged by payment card issuers for electronic debit transactions be "reasonable and proportional"
. Uncertainty about new consumer protection rules issued by the Consumer Financial Protection Bureau (Attachment 1)

Following Q & A, the meeting adjourned at 10:30 am.

The next meeting is scheduled for January 25, 2011.

SENATE FINANCIAL INSTITUTIONS & INS. COMMITTEE
GUEST LIST

DATE: 1-19-11

NAME	REPRESENTING
Sandy Braden	KAKS
Michael Baugh	KDCU
John P Smith	KDCU
Cindy Hermes	KID
Michele Butler	Cap-Strategies
Gail Bright	Securities Commission
Rick Fleming	Securities Commissioner
Scott Paradise	HOL
Whitney Damron	KS Community Fin Services Assn.
Natalie Haag	Security Benefit
Kathy Olsen	KBA
Chuck Stones	"
Doug Wareham	"
Haley DaVee	KCUA
Marla Marsh	KCUA
Sandra Sigler	KAIFA
Doug Wareham	KBA
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Effect of Dodd-Frank on Community Banks

Veronica M. Sellers
General Counsel and Senior Vice President
Federal Reserve Bank of Kansas City

The Dodd-Frank Act was enacted to improve the safety and stability of our financial system in the aftermath of the financial crisis. While Dodd-Frank is primarily aimed at practices that led to the financial crisis, which were primarily conducted by the largest financial companies and unregulated financial companies, it will also affect community banks. These effects are summarized below:

Positives for Community Banks

- Deposit insurance assessment base broadened
- Banks with less than $10 billion in assets exempt from special deposit insurance assessments
- Per account deposit insurance limit permanently raised to $250,000
- Full insurance of non-interest bearing demand transaction accounts temporarily extended through 2012
- De novo branching permitted in any state
- Small BHCs (less than $500 million in assets) can continue to include trust preferred securities as tier 1 capital
- Many unregulated financial companies will now be regulated by the Consumer Financial Protection Bureau
- Regulations affecting systemically important bank and nonbank financial companies can level the playing field for community banks

Some Downsides for Community Banks

- New Dodd-Frank compliance provisions will be costly for all banks, including community banks
- Possible effects of the Durbin amendment requirement that interchange fees charged by payment card issuers for electronic debit transactions be "reasonable and proportional"
- Uncertainty about new consumer protection rules issued by the Consumer Financial Protection Bureau

FI & I Committee
1-19-11
Attachment 1

Timeline of Some Dodd-Frank Provisions Relevant to Community Banks

July 22, 2010 Dodd-Frank Effective Date

- Deposit Insurance Increase to $250,000
- Consumer Financial Protection Bureau created
- De novo branching allowed if state where branch is to be located would permit branching for a bank chartered in that state
- FDIC assessment base changed; compliance not required until FDIC amends its regulations

November 9, 2010 FDIC notice of proposed changes to the deposit insurance assessment base

December 16, 2010 Federal Reserve proposed Regulation II establishing standards for determining whether interchange fees for electronic debit transactions are reasonable and proportional

January 3, 2011 Comments due on FDIC proposed changes to deposit insurance assessment base

January 21, 2011 All federal banking regulators must establish an Office of Minority and Women Inclusion

February 22, 2011 Comments due on Federal Reserve Regulation II

April 18, 2011 Federal Reserve issues final Regulation II

July 21, 2011 Designated Transfer Date

- Transfer of consumer financial protection functions to the Consumer Financial Protection Bureau
- State law preemption provisions become effective
- Federal Reserve Board assumes all supervisory and regulatory authority for thrift holding companies
- OCC assumes supervisory authority for Federal thrifts and rule-writing authority for all thrifts
- FDIC assumes supervisory authority for state-chartered thrifts
- Federal Reserve Regulation II effective date

October 19, 2011 OTS Abolished