

SESSION OF 2025

SUPPLEMENTAL NOTE ON SENATE BILL NO. 139

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 139 would amend the State Banking Code (Banking Code) as follows:

- Require administrative hearings to be held in accordance with the Kansas Administrative Procedure Act (KAPA) when determining whether a bank is a holding company and whether a cease-and-desist order should be issued by the State Banking Board;
- Require notification to be provided to the State Bank Commissioner (Commissioner) regarding changes to key leadership positions of bank and trust companies;
- Address when the charter of a bank or trust company would be void after an approved merger;
- Exempt certain bank or trust companies from approval by the Commissioner to lawfully engage in banking or trust business in the state;
- Remove the requirement that certain certified documents be provided with an application for the contracting of trust services if certain conditions are met;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

- Expand the allowable distance for the relocation of a trust office; and
- Amend the requirements for non-resident trust companies to do business in Kansas.

The bill would correct an internal statutory reference and make technical amendments.

***Definition Pertaining to Bank Holding Companies
(Section 1)***

The bill would amend the definition of a “bank holding company” to specify that a hearing to determine whether a bank is a holding company must be conducted in accordance with the KAPA.

Branch Banking (Section 2)

The bill would correct an internal statutory reference.

***Notification Requirements of Changes in Key Positions
of Bank and Trust Companies (Section 3)***

The bill would require each bank and trust company to file an oath with the Commissioner within 15 days of the election of any officer or director. The bill would require each bank and trust company to notify the Commissioner of:

- Any newly appointed chief executive officer, president, or directors prior to the commencement of such individuals’ duties; and
- Any executive officer, president, or director that is voluntarily or involuntarily relieved from the position duties within five business days.

Mergers Resulting in a National Bank (Section 4)

The bill would require the charter of a bank or trust company that will cease to exist after an approved merger to be deemed void on the next business day immediately following the merger consummation date.

Administrative Hearing Requirement on Cease-and-Desist Orders (Section 5)

The bill would require administrative hearings to determine whether a cease-and-desist order should be issued by the State Banking Board be held in accordance with the KAPA.

Exemption from Commissioner's Approval to Lawfully Engage in Banking or Trust Company Business (Section 6)

The bill would exempt banks with federally insured deposits that are either chartered in Kansas, another state, or the federal government from first having to obtain authority from the Commissioner to lawfully engage in the banking business.

The bill would also provide that a federally insured bank or credit union with authorization from another state or the federal government to engage in trust business in Kansas would be exempt from the provision that makes it unlawful for any individual, firm, or corporation to advertise, publish, or otherwise communicate that such entity is engaged in the trust business without first having obtained authority from the Commissioner.

Documents Required for an Application for the Contracting of Trust Services (Section 7)

The bill would remove the requirement that the following certified copies be provided with the application made to the Commissioner for the contracting of trust services:

- The written action taken by the board of directors of the originating trustee or financial institution approving the agreement; and
- Proof of publication of notice that the applicant intends to file or has filed an application.

If the originating trustee or financial institution is transferring more than 50 percent of the financial institution's total fiduciary accounts, the bill would reinstate the requirement that certified copies of the two documents referenced above be included with the application for the contracting of trust services.

Relocation of a Trust Office (Section 8)

The bill would extend the Commissioner's authority to exempt from the application process a trust company proposing to relocate an existing trust service office to less than 10 miles from the trust company's existing location. [Note: Current law allows such an exemption only for a relocation less than 1 mile from the existing location.]

If an exemption is granted, the bill would require each trust company to document the written action taken by the board of directors of the trust company approving the proposed relocation of the trust office and all other required regulatory approvals.

Requirements for Non-resident Trust Companies to Do Business in Kansas (Section 9)

The bill would allow the Commissioner to require any non-resident trust company to meet the greater of the requirements stated under the Banking Code or the laws of the non-resident trust company's home state required for a Kansas trust company to do business in the non-resident trust company's home state.

Additional Statutes Repealed

The bill would repeal the following statutes not amended in the bill:

- KSA 9-2101, pertaining to the issuance by the Commissioner of a certificate of authority as a bank to a trust company authorized to accept deposits upon the surrender of such trust company's charter; and
- KSA 16-842, pertaining to when a credit cardholder is liable for unauthorized use and the actions for enforcement of liability.

Background

The bill was introduced by the Senate Committee on Financial Institutions and Insurance at the request of a representative of the Office of the State Bank Commissioner (OSBC).

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing, **proponent** testimony was provided by representatives of the Kansas Bankers Association (KBA) and the OSBC.

The OSBC representative stated the bill would make key changes that affect trust companies. The OSBC representative stated allowing an originating trustee to transfer fiduciary assets to a contracting trustee without written action by the originating trustee's board of directors or proof of publication in a newspaper if less than 50 percent of the originating trustee's fiduciary assets could allow a top ten asset size bank to transfer fiduciary assets to a Kansas trust company.

The OSBC representative stated the bill would increase the distance allowed when a trust company relocates, making it easier to find a new office location. The OSBC representative noted the bill could ensure out-of-state trust companies doing business in Kansas adhere to the same requirements as a Kansas trust company doing business in its home state if such requirements are stricter than the Banking Code.

The KBA representative stated the bill would clean up provisions within the Banking Code and other banking statutes to keep them streamlined and up-to-date. The KBA representative stated the amendment proposed in the KBA testimony was withdrawn.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the OSBC indicates that it has only had one trust company relocate in the last three years from its previous location. The OSBC indicates the agency would be able to use existing resources to approve these relocations.

The Judicial Branch indicates enactment of the bill could increase the number of cases filed in district courts because it expands the crime of unlawfully engaging in banking or trust company business. These provisions of the bill would

increase time spend by district court judicial and nonjudicial personnel in processing, researching, and hearing cases. Since the crime committed under the bill would carry a Class A, nonperson misdemeanor penalty, there could be additional supervision of offenders. The enactment of the bill could increase the collection of docket fees, fines, and supervision fees that would be deposited into the State General Fund. The agency indicates it is unable to estimate a fiscal effect.

The Office of Administrative Hearings believes the number of additional cases that might come before the agency and require an actual hearing under KAPA would be minimal. The agency states it would be able to absorb the increase caseload within existing resources.

Any fiscal effect associated with the bill is not reflected in *The FY 2026 Governor's Budget Report*.

State Banking Code; definitions, terms, and conditions; hearings; Kansas Administrative Procedure Act; board member change notification; bank charters; mergers; State Bank Commissioner