

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1970-01
Bill No.: HB 707
Subject: Banks and Financial Institutions; Credit Unions; Economic Development Dept
Type: Original
Date: March 11, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Credit Unions** and the **Department of Insurance** stated there would be no fiscal impact resulting from this proposal.

Officials from the **Office of State Courts Administrator** assume there will be no fiscal impact on the Courts.

Officials from the **Department of Economic Development - Division of Finance** stated the fiscal impact of changes proposed in this legislation could be met with current resources.

In response to a similar proposal from this session (SB 476), officials from the **Office of Secretary of State - Business Services Division** stated there would be no fiscal impact to their division.

In response to a similar proposal from this session (SB 476), officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Economic Development - Division of Finance could require as many as 36 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri*

ASSUMPTION (continued)

Register is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$2,214 for FY 2006. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses due to increased administrative costs.

DESCRIPTION

This proposal modifies provisions relating to banking:

Section 361.060 - Repeals a provision relating to political affiliation of bank examiners.

Section 361.070 - All employees of the division of finance shall be required to take an oath that, in part, provides they shall not reveal the condition or affairs of any financial institution regulated by the division of finance.

The director of the Division of Finance is authorized to compel the attendance of witnesses and production of documents in an examination or investigation. This section has been broadened to

DESCRIPTION (continued)

include electronic records.

Section 361.080 - Rewrites the section regarding confidential information, including penalties for disclosure of confidential information. The section also details exceptions regarding disclosure of confidential information.

Section 361.262 - Current law authorizes the director to seek the removal of a corporate officer subject to the regulation of the division for certain malfeasance. The proposal extends such authority to officers of financial institutions.

Section 361.365 - Removes a requirement that the division must petition the circuit court where a bank is located for an order appointing the FDIC as liquidating agent of a bank.

Section 362.042 - When a bank restates its articles of agreement, the act sets forth a procedure for the bank to amend its articles of incorporation at the same time. Currently, a bank must seek the approval of the division to open a branch office.

Section 362.107 - A drop box for deposit purposes shall not be considered a branch.

Section 362.170 - Any loan or extension of credit to an officer or director of a bank must be made in accordance with Federal Reserve Board regulations.

Section 362.225 - The act repeals sections setting forth requirements for banks maintaining reserves against aggregate deposits. In its place, the act requires banks and trust companies to maintain reserves against aggregate deposits as provided by the Federal Reserve Act.

Section 362.310 - A bank's required surplus fund cannot be created or increased by the net earnings of the bank.

Section 362.315 - A bank must account for every item of income and expense to determine the amount of net income or loss for a dividend period.

Section 362.520 - A branch office can be temporarily closed for any reasonable period of time for repairs or purposes decided by the board of directors, provided notice is posted at the entrance, includes the address of the nearest open branch, and given to the division of finance.

Section 362.600 - The term "foreign corporation" is changed to "out-of-state bank or trust company" and includes a federally regulated thrift institution.

DESCRIPTION (continued)

Unless such out-of-state bank or trust company verifies to the division it satisfies certain capital requirements and maintains a bond for faithful performance of fiduciary duties, the director may require a bond of at least one million dollars.

REPEALS THE FOLLOWING SECTIONS

Section 361.210 & 362.213 - Reserves against demand deposits

Section 362.215 - Reserves against time deposits

Section 362.217 - Reserves, federal reserve member banks

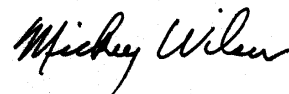
Section 362.300 - Calculation of gross earnings for dividend period

Section 362.305 - Calculation of net earnings for dividend period

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
 Division of Finance
 Division of Credit Unions
Office of State Courts Administrator
Department of Insurance
Office of Secretary of State
 Business Services Division
 Administrative Rules Division



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Director
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