HB 707 -- BANKS AND FINANCIAL INSTITUTIONS

SPONSOR: Cunningham (145)

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Financial Institutions by a vote of 18 to 0.

This bill changes the laws regarding banking. In its main provisions, the bill:

(1) Defines “financial institution” as any entity subject to chartering, licensing, or regulation by the Division of Finance within the Department of Economic Development;

(2) Authorizes the division director to compel the attendance of witnesses and the production of documents and electronic records in an examination or investigation;

(3) Removes the requirement that the division director must petition the circuit court where a bank is located for an order appointing the Federal Deposit Insurance Corporation (FDIC) as the liquidating agent of a bank;

(4) Allows banks when restating its article of agreement to amend its article of incorporation at the same time;

(5) Specifies that a drop box for deposit purposes is not considered a branch bank;

(6) Requires that loans or other extensions of credit to officers and directors of banks be made in accordance with Federal Reserve Board regulations;

(7) Revises the language requiring banks and trust companies to maintain reserves against aggregate deposits as provided by the Federal Reserve Act. A bank’s required surplus fund cannot be created or increased by the net earnings of the bank, and banks must account for every item of income and expense to determine the amount of net income or loss for a dividend period;

(8) Requires that a notice be posted in the lobby, on the entrances, and given to the division director for a branch office of a bank to temporarily be closed for any reasonable period of time for repairs or purposes decided by the bank’s board of directors;

(9) Changes the term “foreign corporation” to “out-of-state bank or trust company” and includes any thrift institution under the jurisdiction of the Office of Thrift Supervision in the United States Department of the Treasury. Unless the out-of-state bank

or trust company verifies to the division that it satisfies certain capital requirements and maintains a bond for faithful performance of fiduciary duties, the division director can require a bond of at least $1 million.

FISCAL NOTE: No impact on state funds in FY 2006, FY 2007, and FY 2008.

PROPONENTS: Supporters say that the bill updates the definition of “financial institution” to include entities like title loan and payday loan companies and allows financial institutions to use regulations set by the FDIC instead of taking the time to establish their own rules. The removal of the requirement that the director petition the circuit court when a bank is being liquidated will speed up the process. Many times when a bank is going to be liquidated, the FDIC already has buyers lined up.

Testifying for the bill were Representative Cunningham (145); Deputy Commissioner of the Division of Finance; and Missouri Bankers Association.

OPPONENTS: There was no opposition voiced to the committee.

Marc Webb, Legislative Analyst