South Dakota BANKERS ASSOCIATION

SDBA LEGISLATIVE UPDATE

2018 South Dakota Legislature | **February 9, 2018**

State Legislative Conference

A long-standing fashion tradition among some lobbyists and legislators is wearing camel hair blazers each Wednesday in observation of hump day. Coincidently, this Wednesday was the halfway point of 2018 session…a Bactrian camel, perhaps?

More importantly, a large contingent of bankers travelled to Pierre on Wednesday to participate in the SDBA's State Legislative Day. I want to simply say **THANKS** to every banker who made the trip to Pierre to spend some time with our elected policymakers. The trusted relationships you have built with those you have elected are invaluable to the work of the SDBA.

Wednesday also marked the inaugural gathering of about 25 emerging leaders of South Dakota's diverse banking industry. Those emerging industry leaders participated in a host of activities including the SDBA Legislative Committee meeting, business luncheon and a lively discussion of the U.S. economy led by Dr. Stephen Happel. During his annual visit with bankers, Gov. Dennis Daugaard spoke to the South Dakota's emerging (and grizzled) banking industry leaders about the importance of grit, persistence and willingness to encourage one another as key qualities of community leaders.

SDBA hosted a late-afternoon reception specifically for those emerging industry leaders. I was struck by the buzz in the room as that group of bankers learned more about each other, both professionally and personally. It is apparent that this group understands that industry-wide issues exist outside the four walls of their hometown banks and that there is a role for them to play in addressing those issues. This gathering served as a great first step in the SDBA's emerging leader programming, and we are enthusiastic about drawing on a very talented group of bankers as we plan and execute future programming.

Each year during our State Legislative Day, we distribute the latest edition of our public relations piece highlighting bank and banker support for charitable and civic causes in their local communities. You can see this year's piece **HERE**. Copies were distributed to all 105 members of the Legislature and were also prominently displayed throughout the day's activities. Printed copies of the brochure are being mailed to all SDBA member banks and branches. A high-resolution pdf file is available online. Feel free to reproduce it as you see fit. By way of background, we collect data every January from member banks using an electronic survey tool. The aggregated figures are what appear in this public relations piece. To all the banks who make the effort to complete the survey, I want to offer a huge...THANK YOU!! If your bank is not represented in the survey results this year, please make it a priority to complete next year's survey.

Legislative News

SB184 authorizes the chartering and operation of a limited purpose business development bank (BDB) under South Dakota's state banking statutes, Title 51A.

Late Wednesday afternoon, members of the SDBA Board of Directors met with key individuals representing a Sioux Falls-based, licensed money lender, Expansion Capital Group, the company behind SB184. Expansion Capital Group has been making Internet-based, high-risk small business loans under its South Dakota money lending license since 2013. Bankers were able to ask questions about the nature of Expansion Capital's current lending activities and why they felt a South Dakota specialty bank charter better served their long-term business goals. Expansion Capital representatives provided candid and insightful answers to the bankers' questions and concerns.

At the end of the day, many concerns remained in the minds of SDBA leadership about what passage of SB184

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would mean for traditional banks and South Dakota's banking industry. Further, not enough time remains in the last half of the 2018 Session to settle those concerns. Because the SDBA cannot support or just remain neutral on these issue, SDBA will oppose SB184. I have communicated our opposition to the prime sponsor of SB184, Sen. Jack Kolbeck, and to the registered lobbyist for Expansion Capital. Because no one's best interests would be served by a contentious debate over SB184, the prime sponsor of SB184, Sen. Kolbeck, will ask that SB184 be withdrawn from further legislative consideration in 2018.

The evolution of non-traditional bank players in the financial services marketplace is ongoing. The OCC began an open discussion about a national fintech charter in 2016. That discussion continues. I have no doubt that similar discussions will occur within the ranks of state bank supervisors, the Conference of State Bank Supervisors and the FDIC. This discussion will be of continuing interest to the SDBA and its members.

HB1248 proposes to give the Secretary of State some additional authority to either refuse to accept or to reject UCC filings that are materially false, fraudulent or obviously deficient in some respect as set forth in this new language that would be added to SDCL 57A-9-516. SDBA and representatives of the ICB of South Dakota have been actively discussing ways to better assure the ongoing accuracy of UCC filings with the Secretary of State. Many of our discussions center around procedural changes. Because we believe that passage of HB1248 would positively enhance the authorities of the Secretary of State as the administrator of the central filing system, we will support HB1248 during its first hearing in the House Commerce Committee on Monday, Feb. 12.

HB1287 is aimed at allowing the Credit Union Association of the Dakotas to offer health insurance coverage to credit union employees through a self-insured trust similar in nature to the South Dakota Bankers Benefit Trust. While not opposed to formation of other health insurance trusts, SDBA will closely follow and may offer amendments to HB1287 to make sure that any other trust plays by the same set of rules as SDBBT in terms of capital and surplus, participation in the South Dakota Life and Health Guarantee Association and collection and payment of South Dakota's insurance premium tax. Like the previous bill, HB1287 is scheduled for its first hearing in the House Commerce Committee beginning at 10 a.m. on Monday, Feb. 12.

That's it for this week. As always, please feel free to contact me any time you have questions or concerns.

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