

Report of the Joint Committee on Fiduciary Financial Institutions Oversight to the 2022 Kansas Legislature

CHAIRPERSON: Representative Jim Kelly

VICE-CHAIRPERSON: Senator Jeff Longbine

OTHER MEMBERS: Senators Michael Fagg, Ty Masterson, and Jeff Pittman; and Representatives Gail Finney, Nick Hoheisel, Stephen Owens, Mari-Lynn Poskin (substitute member), and Rui Xu

CHARGE

Monitor and Make Recommendations on Fiduciary Financial Institutions in Kansas

Pursuant to provisions in KSA 2021 Supp. 46-4001 (2021 Session Law, Chapter 80, Section 29 [Senate Sub. for HB 2074]), the Committee is directed to:

- Monitor, review, and make recommendations regarding fiduciary financial institutions' operations in the state of Kansas;
- Monitor, review, and make recommendations regarding the FidFin Fiduciary Financial Institution Pilot Program;
- Receive a report from the Office of the State Bank Commissioner (OSBC) prior to December 31, 2021, which provides an update on the implementation of the of the Technology-enabled Fiduciary Financial Institutions Act and the FidFin Fiduciary Financial Institution Pilot Program. The report is to include recommendations; and
 - Include in its report recommendations from the OSBC for any legislation necessary to implement provisions of the Act.

Joint Committee on Fiduciary Financial Institutions Oversight

ANNUAL REPORT

Conclusions and Recommendations

The Joint Committee on Fiduciary Financial Institutions Oversight submits the following comments and recommendations:

- **Legislative intent.** On the subject of legislative intent, the Committee recommends and clearly states, that a permanent charter be issued no later than December 31, 2021, so that practical actions can be taken with the FidFin Fiduciary Financial Institution Pilot Program and other requirements. Addressing such actions would allow requirements and processes associated with the Technology-enabled Fiduciary Financial Institutions Act, including those items that remain at the discretion of the Commissioner (e.g., promulgation of agency rules and regulations and the timing of the examination and conclusion of the pilot program), to move forward.
- **Legislative proposal from the State Bank Commissioner.** The Committee recommends the draft legislation presented by the OSBC be introduced during the 2022 Session by the respective House and Senate financial institutions standing committees.

The Committee further recommends its report be submitted to the House Committee on Financial Institutions and Rural Development and the Senate Committee on Financial Institutions and Insurance to permit review and consideration of 2021 Senate Sub. for HB 2074 (Law) and its implementation.

Proposed Legislation: None.

BACKGROUND

The Joint Committee on Fiduciary Financial Institutions Oversight (Committee) was established by the enactment of 2021 Senate Sub. for HB 2074, Section 29, codified at KSA 2021 Supp. 46-4001. This nine-member joint committee is required to:

- Monitor, review, and make recommendations regarding fiduciary financial institutions' operations in the state of Kansas;
- Monitor, review, and make recommendations regarding the FidFin

Fiduciary Institution Pilot Program (pilot program); and

- Receive a report from the Office of the State Bank Commissioner (OSBC) prior to December 31, 2021, that provides an update on the implementation of the Technology-enabled Fiduciary Financial Institutions Act (TEFFI Act) and pilot program. The bill required the report to include recommendations from the OSBC for any legislation necessary to implement the provisions of the TEFFI Act.

The 2021 law also requires the OSBC to appear before the Committee annually and present a report on the fiduciary financial institution industry. The Committee is authorized to introduce legislation as deemed necessary in performing the Committee's functions.

The Legislative Coordinating Council authorized the Committee to meet on one day.

COMMITTEE ACTIVITIES

The Committee met on December 7, 2021, to review the provisions of the TEFFI Act and the oversight requirements assigned to the Committee and to receive updates on current fiduciary financial institutions' operation in the state from representatives of the fiduciary financial institution authorized by the legislation (The Beneficent Company Group, LP [Beneficent]) and the regulatory body authorized by the legislation (the State Bank Commissioner [Commissioner] and representatives of the OSBC).

Overview of the TEFFI Act; Role of the Committee

Committee staff from the Office of the Revisor of Statutes and the Kansas Legislative Research Department (KLRD) provided an overview of 2021 Senate Sub. for HB 2074 and provisions specific to the Committee as established in this act. A Senior Assistant Revisor outlined the TEFFI Act, stating it creates a new type of financial institution under Kansas law known as a technology-enabled fiduciary financial institution (often referred to as a "TEFFI") under the supervision of the OSBC. The bill became effective July 1, 2021. Among key provisions detailed, the bill:

- *Certificate of authority; role of State Banking Board and Commissioner.* Requires a TEFFI to apply for a certificate of authority from the State Banking Board. The bill provides specific requirements that must be satisfied before a charter is issued. Additionally, the Board is permitted to require fingerprinting and a criminal history record check of any officer, director, or other person associated with the fiduciary financial institution. The Board cannot approve any application until

Beneficent's conditional charter (as addressed in section 25 provisions) has been converted to a full charter and the Commissioner has completed a regulatory examination [Section 2];

- *Distributions.* Requires the TEFFI to make a distribution of cash or other assets to the Department of Commerce and to one or more qualified charities [Section 2]. It requires these distributions to be in an amount equal to 2.5 percent of the fiduciary financial institution's fidfin transactions (described below) during the calendar year [Section 11].
- *Fees.* Establishes a fee structure for fiduciary financial institutions. The initial fee is \$500,000, but an inactive TEFFI's fee could not exceed \$10,000. The bill provides that 75 percent of the fee paid would be remitted to the Bank Commissioner Fee Fund and 25 percent to the Technology-enabled Fiduciary Financial Institutions Development and Expansion Fund with the Department of Commerce (established in section 24). This section also provides for the assessment of examination fees by the Commissioner [Section 3];
- *FidFin transactions; powers.* Requires a TEFFI to report to the Commissioner its transactions (termed "fidfin transactions"). This section also provides standards for the Commissioner to evaluate a fiduciary financial institution's safety and soundness [Section 7]. The TEFFI is authorized to exercise powers relating to these transactions, receiving and managing alternative asset custody accounts, and engaging in trust business [Section 10];
- *Economic growth zone; Kansas TEFFI office.* Requires a fiduciary financial institution to maintain office space in an economic growth zone (defined as a community with a population of less than 5,000 located in a rural opportunity zone county or Harvey County) and to employ, engage, or contract with at least three employees to provide services for the

TEFFI in Kansas and to facilitate examinations required by the TEFFI Act [Section 9];

- *Rules and regulations.* Requires the Commissioner to adopt rules and regulations on or before January 1, 2022, as are necessary to administer the TEFFI Act and allows the OSBC to enter into contracts for technical assistance and professional services as necessary to administer the Act and meet this deadline [Section 22];
- *Conditional charter.* Requires the Commissioner, on July 1, 2021, to grant a conditional TEFFI charter to Beneficient and to establish a pilot program with Beneficient with a \$1.0 million initial fee and \$9.0 million distribution requirement for Beneficient under this program. In association with this conditional charter, the new law provides a community in Harvey County, selected by Beneficient, would be the first economic growth zone [Section 25];
 - Upon the issuance of the conditional charter, Beneficient is not permitted to commence fidfin transactions in the state until the earlier of December 31, 2021, or the date the Commissioner adopts rules and regulations. The Commissioner may extend the period before commencing fidfin transactions for a period not to exceed six months if the Commissioner submits a report to the Senate Committee on Financial Institutions and Insurance (Senate Committee) and the House Committee on Financial Institutions and Rural Development (House Committee) identifying the reasons such extension is needed [Section 25]; and
- *Tax credit.* Establishes an income and privilege tax credit beginning tax year 2021 for TEFFIs in an amount equal to the fiduciary financial institution's qualified charitable distributions during such taxable year if the TEFFI maintained its principal office in an economic growth zone. A

TEFFI, in any taxable year, would be required to pay the greater of the qualified charitable distributions made during such year or the tax liability imposed pursuant to the Kansas income tax or financial institutions' privilege tax [Section 28].

The KLRD Assistant Director for Research noted resources published on KLRD's committee page that included the enrolled version of 2021 Senate Sub. for HB 2074, the conference committee report brief for 2021 Senate Sub. for HB 2074, and links to the testimony submitted on the introduced versions of the bills that contained provisions pertaining to fiduciary financial institutions oversight (2021 HB 2398 and SB 288). The Assistant Director for Research outlined the bill provisions establishing the Committee and its responsibilities (described in the background section of this report). She also provided a timeline (Appendix A) outlining key provisions and their associated timeframes in the legislation.

Update on Fiduciary Financial Institutions' Operation in the State of Kansas

Beneficient Company Group, LP

The Beneficient Founder and Chief Executive Officer (CEO); President and Chief Fiduciary Officer (CFO); and Managing Director and Co-Head, Fiduciary Financial Institutions (Managing Director) provided an update to the Committee. In addition, a representative of Sage Law appeared on behalf of Beneficient and participated in the Committee discussion held with conferees. The presentation began with information regarding individuals serving on the Beneficient Board of Directors and its representatives in the state of Kansas. The presentation also addressed questions the applicant was asked to address by the Committee.

Implementation of the TEFFI Act; relationship with the OSBC. The Managing Director characterized the relationship with the OSBC as transparent, productive, and helpful; he noted numerous meetings, conversations, correspondence, and documents have been exchanged (*e.g.*, 98 requests and 100 documents submitted). He also noted, since July 2021, there have been at least ten meetings and numerous phone conversations; in addition, the OSBC sent a

team to Beneficent’s Dallas office to meet its team and ensure questions were answered. The Managing Director stated Beneficent has fully implemented all of the TEFFI Act requirements for issuance of a charter. He confirmed the OSBC is also evaluating:

- Audited financial statement – The OSBC requested audited financial statements, and Beneficent has submitted a draft of those statements, along with managerial financial statements. The final audited financial statements are being held open until a large capital infusion is completed and the appropriate footnotes are added. It is anticipated the audited statements will be substantially and materially identical to the submitted draft; and
- Background checks – The applicant noted the Kansas Bureau of Investigation relies upon the Federal Bureau of Investigation (FBI) for fingerprint checks, and the FBI has not indicated how long, given a current backlog, the checks will take to process. Beneficent has suggested a number of alternatives to this fingerprint process; the OSBC is evaluating those alternatives. The Managing Director commented the background check provisions in the TEFFI Act are “permissive.”

Organization and transactions (Section 2(c) implementation). The Managing Director highlighted progress on individual requirements in the TEFFI Act, beginning with section 2(c) (KSA 2021 Supp. 9-2302(c)). Of the six requirements cited (*e.g.*, TEFFI organization, name selection, articles of incorporation, commitment to make a qualified investment, transaction structure to ensure a charitable distribution, and consultation with the Department of Commerce regarding economic growth zones), he indicated all should be considered “complete.” On the topic of **qualified investments**, the Managing Director highlighted Beneficent’s qualified investments (*i.e.*, in 10,000 square feet of commercial, industrial, multiuse, or multifamily real estate in the economic growth zone). To date, those investments include the following properties in Hesston, which is the designated community in Harvey County:

- 105 N. Main Street (Main Office) – 1,082 square feet;
- 108 N. Main Street (Conference Center – 1,800 square feet; and
- 117 N. Main Street (Proposed grocery store) – 4,100 square feet.

The Managing Director indicated Beneficent is negotiating with the City of Hesston to acquire a 22-acre abandoned neighborhood, which it intends to redevelop into a multipurpose commercial property; this acquisition would satisfy the remaining square footage requirement.

The Managing Director affirmed Beneficent’s belief that the **application process** is complete, indicating that the charter application process is complete pending the OSBC evaluation of FBI fingerprinting and background check alternatives, and Beneficent is ready to commence operations and needs a final, permanent charter to be issued.

Economic growth zones. The President and CFO (President) addressed the economic benefits made available through the financing of alternative assets from investors across the country in the trusts holding these investments in Kansas (the TEFFI). He commented on Beneficent’s meeting with officials of the Department of Commerce and the primary purposes of the economic growth zones within the TEFFI Act: administration of the Technology-enabled Fiduciary Financial Institutions Development and Expansion Fund and the facilitation of the development, growth, and expansion of fiduciary financial institutions, fidfin activities, and custodial services in the state of Kansas. The President reviewed the features and foundation of the economic growth zone, including the use of a tax-exempt entity, the governance component, expenditure oversight, annual reporting requirements, and the economic growth zone’s economic interest. Addressing the topic of economic interest more specifically, the President noted Beneficent had indicated during committee hearings that it planned to distribute \$9.0 million upon final charter authorization (as a qualified distribution under the TEFFI Act). Given the transactions currently planned, he suggested those

transactions ready to close in December 2021 could generate an additional \$6.5 million.

Proposed legislation. The President stated Beneficent does not have any proposed changes to the TEFFI Act and it does not believe any changes are warranted, excepting minor administrative and technical clean-up. He acknowledged that the OSBC has a proposal and requested to defer comment on that proposal until the OSBC had presented its proposed changes. He stated Beneficent believes most of the proposed changes to be substantive in nature, which could adversely affect the TEFFI Act.

Charter status, pilot program. The President commented that timing is important (*i.e.*, when the program commences), given interest from other fiduciary financial institutions, and he reiterated the tie between the pilot program's start and the issuance of a "permanent" charter. Beneficent supports a permanent charter issued on or by December 31, 2021. If documents associated with the company reflect a "conditional" charter (issued June 30), the President stated, this would be a "non-starter" for Beneficent's customers; the applicant's customers will not close transactions without that charter in place, and Beneficent and the State of Kansas would lose credibility with the alternative asset industry if such charter is not issued in December 2021. The President outlined the intended purpose of the pilot program and stated the pilot program should enable Beneficent to operate upon issuance of a full final charter this month (anticipated by the applicant in December 2021) through 2022 calendar year, with an examination to be conducted at the end of this 12-month period. Following this examination (with the OSBC's readiness to regulate the industry), the pilot program would end, and other participants would be permitted to submit TEFFI charter applications.

TEFFI industry overview. The Beneficent Founder and CEO (CEO) provided an overview of the fiduciary financial institutions marketplace, highlighting the growth and projected future growth for the alternative asset industry, including the projections for the industry's assets under management (AUM). He noted that, as of December 31, 2020, U.S. investors and institutions held \$5.8 trillion in alternative assets; Beneficent's target market is \$1.7 trillion in AUM in the largely

underserved market for U.S. mid-to-high net worth (MHNW) individual investors and U.S. small-to-medium size institutional investors. The MHNW population is one of the fastest growing wealth segments, he continued, pointing to 2.3 times faster growth in MHNW allocation to alternatives compared to traditional asset investment over the period of 2003 to 2020. This alternative assets and wealth segment growth translates into an increased demand for liquidity. Given such growth, the CEO suggested the total alternative asset industry growth may total \$9.0 trillion in the future. The CEO also provided a comparative review of the alternative asset trust banking industry with state banks and other select lending laws (*e.g.*, credit card loan banking in South Dakota and industrial banks in Utah). It was estimated, the CEO concluded, that the opportunity for the alternative trust asset banking segment growth for Kansas (assuming 16 of the top firms, representing 80 percent of this segment, charter TEFFIs in Kansas) could generate \$2.8 billion per year in economic growth contributions and as much as \$7.0 billion in total gross domestic product for the state.

State Bank Commissioner

The Commissioner provided an update to the Committee. The OSBC General Counsel and Staff Attorney addressed specific questions and topics. The Deputy Commissioner for the Banking Division, the TEFFI examiner, and three members of the State Banking Board who comprise an *ad hoc* committee charged with overseeing the fiduciary financial institution application and chartering process also appeared via Webex.

The Commissioner reported on the status of implementation of the TEFFI Act requirements, specifically addressing the agency's implementation timeline for the requirements, the status of the agency's promulgation of rules and regulations, proposed legislative changes, the status of the pilot program and its anticipated start date, and the timeframe for the first examination by the OSBC before issuance of the formal charter.

Approach to regulation; implementation of the TEFFI Act. The Commissioner noted the new law established the OSBC as the sole regulatory body for TEFFIs chartered in Kansas; no federal counterpart exists for this type of institution. The OSBC serves as a financial regulator, overseeing

the activities of state banks and trust companies, mortgage companies, consumer credit companies, and other financial entities licensed in Kansas. In addition to working directly with Beneficient on its application, the OSBC has sought guidance and fielded questions from legal, accounting, academic, regulatory, and industry professionals. The Commissioner confirmed the OSBC, to date, has complied and met all of the deadlines imposed by 2021 Senate Sub. for HB 2074.

Issuance of conditional charter; application activities. The Commissioner indicated a conditional charter was granted on June 30, 2021, meeting the July 1, 2021, deadline specified in the TEFFI Act. He stated that since that time, several, but not all, of the application requirements contained in the TEFFI Act and also noted on the conditional charter have been satisfied. The Commissioner noted the phone calls, texts, emails, and in-person meetings, characterizing those communications and a staff trip to Beneficient’s Dallas headquarters in November 2021 as “productive.” The Commissioner then summarized the current state of the application as follows:

- A significant issue had been the affiliation between Beneficient and GWG Holdings, a publicly traded company determined to be facing potential severe adverse actions by the Securities and Exchange Commission/NASDAQ. The severing of this relationship was completed in November 2021, pursuant to actions taken by each company’s board of directors and GWG’s subsequent filing of a Form 8-K establishing a November 29, 2021, effective date;
- An item the OSBC was able to resolve, exclusively on behalf of this applicant, was the issue of the law allowing intangible assets as capital adequacy, this applicant’s funding sources for fidfin transactions, the type of trust powers this applicant needs to conduct fidfin transactions, and the type of consideration used for those transactions;
- An item the Commissioner termed as a “key component creating delay” (in the application process) is the applicant’s lack of complete and final financial statements.

The Commissioner stated no financial analysis or due diligence can be conducted until those statements are received. He confirmed unaudited managerial statements were submitted to the OSBC on December 1, 2021. It was noted time is needed to analyze those statements, and third-party accounting services may be required; and

- Another pending item that has “stymied” both the regulator and applicant is the background check provisions in 2021 Senate Sub. for HB 2074. To date, the Commissioner reported, the OSBC has received only five of the background checks, which are conducted by the FBI. Assistance has been sought from the Office of U.S. Senator Jerry Moran to expedite this process. The Commissioner stated the OSBC is exploring appropriate alternatives to complete this step.

Application approval; timeline. The Commissioner stated that although the agency’s goal remains to provide the applicant authority to conduct business in an expeditious manner, it may be necessary for the OSBC to extend the time in which the applicant can begin the pilot program and commence fidfin transactions pursuant to requirements of section 25(d) of the TEFFI Act.

Agency rules and regulations; economic development provisions of the TEFFI Act. The Commissioner indicated fiduciary financial institution regulations have been drafted and submitted for review by the OSBC’s third-party legal counsel. He noted that review is relatively complete, and it is anticipated review by internal counsel will be completed within the next week. The Commissioner acknowledged that discussions with Beneficient have helped provide clarity regarding some of the TEFFI Act’s economic development provisions and how the applicant plans to comply with such provisions. He noted officials of the departments of Commerce and Revenue participated in those discussions.

Examination plan. The Commissioner indicated the OSBC examination staff anticipates conducting the first examination prior to issuance of the formal charter within 12 weeks of the TEFFI

conducting fidfin transactions. He stated this 12-week timeframe should allow Beneficient to have booked sufficient transactions for the OSBC to conduct a meaningful examination. Any examination conducted, whether before or after issuance of a formal charter, will address only compliance with state law (2021 Senate Sub. for HB 2074), information technology standards, and the applicable federal requirements (e.g., Anti-Money Laundering Act and Bank Secrecy Act regulations). The Commissioner noted the examination standards in 2021 Senate Sub. for HB 2074 preclude any safety and soundness determination that would meet the OSBC's internally accepted regulatory examination protocols for safety and soundness examinations for banks and depository institutions.

The Commissioner further explained the CAMELS (Capital adequacy, Asset quality, Management capability, Earnings, Liquidity, and interest rate Sensitivity) rating system and how that system could be applied to a TEFFI. He noted the rating system for trust companies, indicating neither rating system could be used in an examination of a TEFFI (as neither could accurately reflect some of the industry standards). The Commissioner stated the OSBC's examination activities will very likely be limited to a "Pass/Fail" conclusion based on compliance with 2021 Senate Sub. for HB 2074 and the applicable federal requirements for financial institutions.

Proposed legislation. The Commissioner concluded his formal remarks by noting the TEFFI Act (in section 29(f)(3)) charges the OSBC with the duty to provide recommendations to this committee on "any legislation necessary to implement provisions of" the TEFFI Act. A written bill draft was attached to the Commissioner's testimony, and he summarized the proposal as:

- Clarifying some issues unique to TEFFIs, including what the OSBC will evaluate during an exam, when the pilot program will end, what happens if a TEFFI fails or stops operating, that certain required notifications to the OSBC must be prompt and in writing, that a fidfin transaction is a sale from the perspective of the customer, and when the first yearly assessment will be due;

- Adding authority for the OSBC to set concentration limits for fidfin transactions based on asset class, geography, or industry sector, based on the unique risk for each category of transactions; and
- Harmonizing some provisions with existing approaches for banks and trust companies, specifically that initial fees are received at the time of application, how fees and assessments will be paid, the grounds for which an application can be denied, that the OSBC can examine a fiduciary financial institution's service providers, that the OSBC can require insurance and extra capital, that the OSBC can require disclosures to consumers, that assessments are allocated and paid in July, to what extent a TEFFI can engage in traditional trust business, and that fiduciary financial institutions are mandatory reporters for the purpose of elder abuse.

The Commissioner indicated the proposal also included some technical corrections and updates to language to better fit the TEFFI context. He noted Beneficient has agreed to several of the technical corrections and some of the items previously noted (assessment allocation and payment in July, engagement in trust business, and mandatory reporters).

Committee Discussion; Conversation with the Applicant and the Regulator

Following the formal presentations from the Beneficient representatives and the Commissioner, the Committee participated in a formal question-and-answer session with the applicant first and then the OSBC representatives. Discussion topics for the applicant included the impact of any proposed federal consideration on high wealth individuals and unrealized gains; the items delaying the issuance of the full charter and whether the financial statements and fingerprint checks were required or the TEFFI Act provided permissive authority; the timing of the pilot program and when and whether fidfin transactions could commence; the estimated growth from the original estimate for the qualified charitable contribution and industry changes; the process for resolving customer complaints; and the applicant's

transparency to its customers as well as the topic of intellectual property and proprietary software. The Sage Law representative addressed the timeline for the pilot program (during discussion, a 12-week period was suggested) and the need to proceed with the charter application process to make it clear that Beneficient holds a standard, not conditional, charter.

Discussion topics with the Commissioner and OSBC staff representatives included the timing of approval for the commencement of fidfin transactions (whether a six-month extension is needed) and the impact if such transactions cannot be audited as part of examination; how consumer complaints regarding TEFFIs would be addressed by the agency; the timeframe that would be in place prior to the first examination under charter and timing of the pilot program's provisions in the TEFFI Act (Section 25(f) of the TEFFI Act was referenced during this discussion); statutory requirements for background and fingerprint checks applicable to the provisions in the TEFFI Act; and the issue of reputational risk, from both the perspective of the applicant and the regulator, related to the timing of the charter.

The Commissioner confirmed in discussion that the pilot program started on July 1, 2021, with the issuance of the conditional charter on June 30. He further indicated he has no intention to stand in front of the progress, but must also take into consideration future TEFFIs and regulation of the industry, not just Beneficient. Committee members further discussed legislative intent surrounding the issuance of the full charter, the pilot program, and the commencement of fidfin transactions.

CONCLUSIONS AND RECOMMENDATIONS

Following the formal presentations and reflecting its discussion, the Committee submits the following comments and recommendations:

- **Legislative intent.** On the subject of legislative intent, the Joint Committee recommends, and clearly states, that a permanent charter be issued no later than December 31, 2021, so that practical actions can be taken with the pilot program and other requirements. Addressing such actions would allow requirements and processes associated with the TEFFI Act, including those items that remain at the discretion of the Commissioner (*e.g.*, promulgation of agency rules and regulations and the timing of the examination and conclusion of the pilot program), to move forward;
- **Legislative proposal from the State Bank Commissioner.** The Committee recommends the draft legislation presented by the OSBC be introduced during the 2022 session by the respective House and Senate financial institutions standing committees.

The Committee further recommends its report be submitted to the House Committee on Financial Institutions and Rural Development and the Senate Committee on Financial Institutions and Insurance to permit review and consideration of 2021 Senate Sub. for HB 2074 (Law) and its implementation.

Appendix A

Timeline of Select Provisions in the Act

Date Specified	Description
July 1, 2021	<p>The Bank Commissioner is directed to issue a conditional charter to The Beneficient Company (Beneficient) and establish a fidfin fiduciary institution pilot program with an economic growth zone designated in Harvey County. (The bill required the Bank Commissioner to grant this conditional fiduciary financial institution charter upon the filing of an application and satisfying requirements as detailed in the bill.)</p> <p>The bill requires every fiduciary financial institution (or “TEFFI”) be assessed an initial fee of \$500,000 to be remitted concurrently with the issuance of such fiduciary financial institution’s charter. [Note: See December 31 for additional information about related reporting requirements on the fiduciary financial institution.]</p>
December 31, 2021	<p>Upon the issuance of the conditional charter, Beneficient will be subject to all requirements imposed on fiduciary financial institutions under the Act, but will not be permitted to conduct fidfin transactions, custodial services, or trust business in Kansas until the earlier of December 31, 2021, or the date the Bank Commissioner adopts rules and regulations.</p>
December 31, 2021	<p>The Joint Committee must receive a report from the OSBC prior to December 31, 2021, that provides an update on the Act’s implementation and pilot program, along with recommendations for any future legislation.</p>
January 1, 2022	<p>The Bank Commissioner is required to adopt rules and regulations on or before January 1, 2022, as necessary to administer the Act. (The OSBC is permitted to enter into contracts for technical assistance and professional services as necessary to administer the provisions of the act and to meet the specified deadline for adoption of the rules and regulations.)</p>
January 10, 2022	<p>The Bank Commissioner is required to submit a report, if the Commissioner chooses to extend the period of time in which Beneficient may not commence fidfin transactions, custodial services, or trust business in Kansas for a period not to exceed six months. Such report must be submitted to the chairperson of the Senate Committee on Financial Institutions and Insurance and the House Committee on Financial Institutions and Rural Development identifying the specific reasons for which such extension was necessary on or before January 10, 2022.</p>
January 10, 2022	<p>The OSBC, on or before January 10, 2022, is required to provide a report to the House Committee and the Senate Committee with an update on the progress of the pilot program. The report must include recommendations from the OSBC for any legislation necessary to implement the provisions of the Act.</p>
January 1, 2023	<p>For fiduciary financial institutions chartered after this date, the Department of Commerce will be authorized to publish one or more schedules (applicable distributions) in the <i>Kansas Register</i> as it deems reasonably necessary to facilitate economic growth and development in one or more economic growth zones.</p>

Late June	The Bank Commissioner, prior to the beginning of each fiscal year, is required to make an estimate of fiduciary financial institution expenses to be incurred by the OSBC during such fiscal year in an amount not less than \$1.0 million.
December 1	The Bank Commissioner is required to transmit the statement of assessment December 1 or the next business day to each fiduciary financial institution.
December 31	The TEFFI is required to file a report with the Bank Commissioner regarding its fidfin transaction balances. The Commissioner must allocate and assess costs based on these reported balances.
December 31, 2020; taxable years commencing after such date	After December 31, 2020, a credit for the fiduciary financial institution's tax liability is allowed against its income and financial institutions' privilege taxes owed in an amount equal to the qualified charitable distribution. (Specified conditions must be met.)