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FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/13
LAST UPDATED 03/14/13 **HB** 347/aHBIC/aSCORC

SPONSOR Rodella

SHORT TITLE Trust Company Certificate Fees **SB** _____

ANALYST Weber

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
	Not Determined		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment to House Bill 347 adds Section 5. EFFECTIVE DATE. This makes Sections 1 to 3 of the bill effective June 14, 2013 and Section 4 effective July 1, 2017. Sections 1-3 provide for the application for certificate, fee and a minimum capital requirement of \$500 thousand dollars. Section 4 provides for receivership if the capital of a trust company is either reduced or impaired below \$500 thousand.

Synopsis of HBIC Amendment

The House Business and Industry Committee amendment to House Bill 347 does the following:

On page 2, line 14, after the period, insert "All trust companies that have been issued certificates pursuant to the Trust Company Act as of December 31, 2012 shall meet the increased paid-up capital requirement of five hundred thousand dollars (\$500,000) on or before December 31, 2017.".,

This makes the \$500,000 capital requirement apply to existing trust companies but allows for a grace period until December 31, 2017.

Synopsis of Original Bill

House Bill 347 amends the Trust Company Act by increasing the application fee from \$500 to \$1,000 and the minimum paid-up capital structure (the amount of money) that an organizer of a new trust company must demonstrate, from \$150,000 to \$500,000.

FISCAL IMPLICATIONS

The non-refundable application fee for a certificate is increased by \$500 resulting in a potential revenue increase but the number issued is not projected by the RLD.

SIGNIFICANT ISSUES

Because the minimum paid-up capital stock structure requirement has not been revised since 1973 the current \$150,000 threshold requirement is outdated, and no longer remains healthy in today's risk environment.

The RLD continues, that currently New Mexico's minimum paid-up capital requirements for newly organized trust companies is significantly lower than in surrounding states' Arizona, Texas and Oklahoma. This lower threshold requirement places trust companies in New Mexico at risk in the current regulatory environment by allowing them to form at an undercapitalized standard. As such, the current requirement of \$150,000 is contrary to the public policy enumerated in the Trust Company Act, which mandates that the Director of the Financial Institutions Division "act in the interest of promoting and maintaining a sound trust company system, the security of assets and trust accounts and the protection of persons utilizing trust services." §58-9-9 NMSA 1978.

Increasing the minimum paid-up capital requirements for trust companies will allow the Director of the Financial Institutions Division to regulate trust companies under a modern capital standard. Such an increase will promote a safe and sound trust system in New Mexico, and discourage the formation of inadequately capitalized trust companies.

MW/blm:svb