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FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/13
LAST UPDATED 02/18/13 **HB** _____

SPONSOR Neville

SHORT TITLE Trust Company Certificate Fees & Requirements **SB** 180/aSCORC

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 Senate Corporations and Transportation Committee amendment to Senate Bill 180.

1. 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 (\$500,000.0) on or before December 31, 2017.". This makes the provisions retroactive but allows a grace period until Dec. 31, 2017 to be fully compliant.
2. On page 3, between lines 10 and 11, insert the following new section:

Section 5. Effective Date—

 - A. The effective date of the provisions of Sections 1 through 3 of this act is June 14, 2013.
 - B. The effective date of the provisions of Section 4 of this act is July 1, 2017.

Synopsis of Bill

Senate Bill 180 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 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capital stock structure requirement has not been revised since 1973 the current \$150,000 threshold requirement is outdated, and no longer remains healthy in today's risk environment.

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