

**FISCAL NOTE**  
**Requested by Legislative Council**  
**03/10/2017**

Amendment to: SB 2266

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

There is no fiscal impact to add OMB to the study.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

N/A

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Pam Sharp

**Agency:** OMB

**Telephone:** 328-4606

**Date Prepared:** 03/13/2017

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/02/2017**

Amendment to: Engrossed SB 2266

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill seeks to merge the Department of Securities into the Insurance Department.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The Insurance Department is unable to project in a meaningful manner the fiscal impact of SB 2266. The proposed change could potentially result in some future administrative efficiencies and savings, but those cannot be determined at this time. At the outset, there would be transitional costs, particularly one-time expenditures to consolidate the two departments. These might include website and letterhead redesign, and the costs of integrating the IT systems of the two departments, if such integration is feasible. These are impossible to predict today. Therefore, this fiscal note does not project an impact.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Melissa Seifert

**Agency:** Insurance Department

**Telephone:** 328-2930

**Date Prepared:** 02/02/2017



**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/16/2017**

Bill/Resolution No.: SB 2266

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
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N/A

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

N/A

**Name:** Melissa Seifert

**Agency:** Insurance Department

**Telephone:** 328-2930

**Date Prepared:** 01/20/2017

**2017 SENATE INDUSTRY, BUSINESS AND LABOR**

**SB 2266**

# 2017 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee  
Roosevelt Park Room, State Capitol

SB 2266  
2/1/2017  
Job Number 27699

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Eva Libelt*

## Explanation or reason for introduction of bill/resolution:

Relating to the insurance commissioner taking over the duties of the department of securities

## Minutes:

Attachments 1-3

**Chairman Klein:** Called the committee to order.

**Senator Casper:** Introduced the bill. This bill would put the Securities Department under the Insurance Department. We had a mandate to look at all agencies and departments of government and to have a discussion about how we can be more efficient and more effective. It can to me and it started a discussion and I always assumed putting departments of government together would be more complicated then could get done in one session. I always assumed this would be something that would turn into a study. Subsequent to putting in this bill, I have had discussions with people in the administration and people doing this job day in and day out. It seems there are already discussions about putting securities with the department of financial institutions. I had an amendment drafted that I will pass around. This amendment would hog house the bill and change it into a study. Amendment, see attachment #1.

**Chairman Klein:** Committee we are going to concentrate at looking at the amended version. We would need a motion to accept the amendment and we can move on from there.

**Senator Poolman** moved to adopt the amendment, 17.0780.01001.

**Senator Burckhard** seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

**Karen Tyler, State Securities Commissioner:** In favor in the amended form. Written testimony, see attachment #2. (5:10-10:04)

**Senator Casper:** Would you recommend those specific items be added to the amendment for the study?

**Karen Tyler:** I don't think that is really necessary given what I understand to be the language of the amendment. We can surely craft some of the architecture of the study with Legislative Councils input.

**Chairman Klein:** How many employees do you have currently?

**Karen Tyler:** I have nine employees in the department.

**Chairman Klein:** In this environment with the age of everyone knowing what is going on you would think that people would stop trying to take advantage of the consumer or their long time clients. With the rules we pass and the suitability issues and all that you aren't running out of work?

**Karen Tyler:** Are case load continues to trend up. The area that gets the most focus is protecting our seniors.

**Robert J. Entringer, Commissioner of the Department of Financial Institutions:** Written testimony, see attachment #3. (13:30-15:36)

**Chairman Klein:** The concerns that we would have being autonomous, provides a direction in each agency to more closely focus on what they do?

**Robert J. Entringer:** That is correct. If you combine banking and securities, I can't take a bank examiner or a credit union examiner and send them over to do a securities examination. They are experts in their particular field. (16:00-17:01)

**Rick Clayburgh, President and CEO of the North Dakota Bankers Association:** Our legislative committee has not reviewed the amended 2266 but I had a discussion with our executive committee and I have been authorized to support the idea of studying the consolidation of the two agencies. We are not opposed to taking a look at that. We will participate in the interim in that study to insure that we maintain that relationship between our banks in the state and our regulator. We have a good working relationship now with the department of financial institutions but we do believe at taking a look at possibly how to streamline state government and our supportive of that.

**Chairman Klein:** Closed the hearing.

**Senator Campbell** moved a do pass as amended.

**Senator Poolman** seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

**Senator Casper** will carry the bill.



January 23, 2017

CM  
2/1/17

PROPOSED AMENDMENTS TO SENATE BILL NO. 2266

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a study by the department of financial institutions and securities department and a report to the legislative management.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. DEPARTMENT OF FINANCIAL INSTITUTIONS AND SECURITIES DEPARTMENT STUDY OF OPERATIONS - REPORT TO LEGISLATIVE MANAGEMENT.** During the 2017-18 interim, the commissioner of financial institutions and the securities commissioner shall undertake a comprehensive study of the operations of the department of financial institutions and the securities department to evaluate and determine whether cost-savings and increased efficiency may be achieved by combining the agencies into a single department. Before August 1, 2018, the commissioner of financial institutions and the securities commissioner shall present to the legislative management the findings of the study and any recommendations, together with any legislation required to implement the recommendations."

Renumber accordingly

**2017 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2266**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: 17.0780.01001

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar  
 Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Senator Poolman    Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total    (Yes) 7    No 0

Absent 0

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

**2017 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2266**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: 17.0780.01001

Recommendation:  Adopt Amendment  
 Do Pass     Do Not Pass     Without Committee Recommendation  
 As Amended     Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider     \_\_\_\_\_

Motion Made By Senator Campbell    Seconded By Senator Poolman

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Marcellais	x	
Vice Chairman Campbell	x				
Senator Roers	x				
Senator Burckhard	x				
Senator Casper	x				
Senator Poolman	x				

Total    (Yes) 7    No 0

Absent 0

Floor Assignment Senator Casper

If the vote is on an amendment, briefly indicate intent:



**REPORT OF STANDING COMMITTEE**

**SB 2266: Industry, Business and Labor Committee (Sen. Klein, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2266 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a study by the department of financial institutions and securities department and a report to the legislative management.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. DEPARTMENT OF FINANCIAL INSTITUTIONS AND SECURITIES DEPARTMENT STUDY OF OPERATIONS - REPORT TO LEGISLATIVE MANAGEMENT.** During the 2017-18 interim, the commissioner of financial institutions and the securities commissioner shall undertake a comprehensive study of the operations of the department of financial institutions and the securities department to evaluate and determine whether cost-savings and increased efficiency may be achieved by combining the agencies into a single department. Before August 1, 2018, the commissioner of financial institutions and the securities commissioner shall present to the legislative management the findings of the study and any recommendations, together with any legislation required to implement the recommendations."

Renumber accordingly

**2017 HOUSE INDUSTRY, BUSINESS AND LABOR**

**SB 2266**

# 2017 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee  
Peace Garden Room, State Capitol

SB 2266  
3/7/2017  
28788

- Subcommittee  
 Conference Committee

*Kathleen Davis*

## Explanation or reason for introduction of bill/resolution:

Provide for a study by the department of financial institutions & securities department and a report to the legislative management.

## Minutes:

Attachments 1, 2

**Chairman Keiser:** Opens the hearing of SB 2266.

**Senator Casper ~ District 27:** Introduces SB 2266. Discussing potentially combining the securities department and financial institutions, efficiencies with 2 agencies becoming closer all the time.

**Rep Becker:** I'm looking at the study, who supports the study? Seems you should have someone on the outside to determine if there's efficiencies and whether they should merge.

**Sen Casper:** That makes some sense. I will give them the benefit of the doubt that they will do a good job.

**Karen Tyler ~ State Securities Commissioner:** Attachment 1.

10:40

**Rep Ruby:** You give some example where they do merge. Do you see where the study would glean out in a regulatory sense?

**Tyler:** When we talk about regulatory function, we're really talking about the structure of financial regulation in the US. There are 4 different types. (1) Functional regulation, (2) institutional regulation, (3) the twin peaks model and (4) a consolidated or integrated model of regulation. When we talk about the functional regulation, it's the system of regulation, banking, securities and insurance. One institution engaging in the function of selling securities, selling insurance, and engaging in banking with 3 different regulators. What we would be looking at is operationally. Is there the potential for human resource functions, administrative, legal analysis to be consolidated?



**Rep Ruby:** Do feel when you have complex investigations, you have the communication between agencies you need to work together, or there would be more synergy if it was combined?

**Tyler:** I feel we have good cooperation now and share information. Reconstructing that trail is so critical for the harmed investor, we will engage in that. Sometimes we have to use a forensic accountant, at a cost. But a bank examiner might be in a great position to also engage in that type of work in conjunction with a securities investigator. That's just one example.

**Rep Lefor:** What do neighboring states do in terms of regulation? Are we unique in the fact that DFI and securities are separate?

**Tyler:** The bank commissioner has a chart for you. We have looked at 20 states that have standalone agencies like here in ND. 12 states with the next most common model, 12 states that have combined the banking regulator and the securities regulation under 1 department but still separating them along divisional lines we just talk about. What we have today is the most common. We would be studying the next most common.

**Rep Bosch:** What is the number of employees in DFI and Securities?

**Tyler:** Securities 9 and banking 30.

**Rep Bosch:** The areas that have the opportunity for consolidation, administrative, HR, IT perhaps, what are the other opportunities?

**Tyler:** This is not a big money saver because we don't have an overlap in the types of employees. We don't have an administrative staff. Both banking and securities are part of the desktop support services passed last session. There would be efficiencies in administratively and legal services.

**Rep Becker:** On page 2 of your testimony, a list of aspects to be included as far as analysis in the study. Also that the study would be to clarify the study would be regarding consolidation of agency operations but not regulatory function. Are you looking at how each of your departments can be more efficient by not having redundancy? Are you looking at the original bill was intending whether that's feasible which is a consolidation of the actual departments or agencies? What are you looking at?

**Tyler:** This is just a starting point. Then we have to build out from there. It's important to look. We feel it's important to separate the ideas of function from operation. There are different policy issues. We think it important to look at.

**Rep Becker:** Even if there were one department that can't be combined, you would be looking for those efficiencies while keeping the departments separate?

**Tyler:** That is correct.

**Rep Becker:** Clearly there would be 2 divisions within 1 department, is that correct?

**Tyler:** Correct.

**Chairman Keiser:** There is nothing prohibiting you from making program transitions now. If the financial institutions are doing consumer education, is there anything prohibiting them from stepping back and saying you take it? Do we need legislation to do that?

**Tyler:** No for that type of activity.

**Chairman Keiser:** We could do that now. This is a shall study, not shall consider studying. If we pass this, it's an obligation. If the governor is already doing, this measure would require you to do what the governor's already doing which I didn't know until this morning. Then limiting it to those 2 groups, I have a reservation. I don't want to limit it to those 2 groups. We need to find a way to provide the opportunity, if the governor wanted to say, OMB you bring those two groups in. It doesn't allow a 3<sup>rd</sup> party. That's the only reservation I have is if the governor is already doing it. I don't want to limit the study. If we amend it that way, what does this do for us that we're not having right now? Does it do anything more than what the governor is doing right now in your opinion?

**Tyler:** It would achieve support from this legislative body. If this does not pass, we will be taking a look at this issue anyway.

**Chairman Keiser:** In your roll, do you run into this issue, or are you high enough up, when the commission calls you get directly to the commissioner in another state and it's taken care of? 2 extremes, NY; they've gone to a consolidated approach. What we have is pretty great. In South Dakota I went to meet with the insurance commissioner, and the first question was have you talked to my boss and I said no, and he said you haven't talked to the governor and I said no. I didn't understand their protocol. All it did was add another layer of bureaucracy.

**Tyler:** No I have not had that experience. I work directly with my colleagues and I have contacts and know who to contact based on our national organization. We have currently the most popular model. We felt was worth taking a look. I could see some advantages of a smaller agency. We are a revenue generating agency. We generate 10 times more than we spend and we have general fund status.

**Robert Entringer** ~ Commissioner of Dept of Financial Institutions: Attachment 2.

**32:15**

**Rep Becker:** Most states have retained an autonomous model but it's 40%, 20 out of the 50 states. The "some form of consolidation" is a false comment if we look at consolidation versus no consolidation, just to clarify, agreed?

**Entringer:** Agree.

**Chairman Keiser:** further support, opposition?

**33:10**



**Barry Haugen** ~ President of Independent Community Banks of ND: My concern is the prize? There's limited cost savings, we know the regulatory functions are very different. There's still going to be 2 divisions with 1 boss, how does that work. Our biggest concern is the potential delusion the high quality, regulatory system the DFI performs today, I don't think the prize is there.

**Rep Kasper:** I agree with you. In 1999 Grand Leech Wriley Act, at the end of the day about 8-10 years when the meltdown occurred in 2007-08. Nobody was watching the henhouse. The banks, securities industries, the insurance companies weren't regulated as they should have been. Everyone was in everyone else's business. Is this what you're implying might happen if combined?

**Haugen:** Yes, they have very focused missions. My concern is, are they going to take their eye off the ball.

**Rep Beadle:** Isn't that the point of the study to see what the other states are doing?

**Haugen:** I can see, we could we learn more from a study. My concern is the study will be done by someone who knows nothing about either agency.

**Rep C Johnson:** We have the securities department and the banking industries, there is no overlap in function. If we try to do some type of combination, we're going to end up with an extra administrative layer?

**Haugen:** Yes, I would have a concern about that.

**Rick Claybrough** ~ President of the ND Banker's Association: As we have looked at the idea of the study, we've had a few weeks, talked to a few bankers. The two commissioners already have had some discussion. The idea of putting a study together, means they need to reporting means that they have to report something back. I don't know if a study passed by the legislature is necessary.

**Rep Beadle:** Do you feel you are in an odd position, when you are a former legislator?

**Claybrough:** I don't oppose the concept at looking at, but we do have 2 very different regulators here. One goes in to insure safety and soundness, and the other in protecting people from the securities prospective. There not prohibited, allow them to do that, if things make sense the governor will come back with recommendations in his next budget. Allow them to do it, it doesn't necessary say study and come up with something.

**Rep Beadle:** What would be the banker's position be, or how much more would it embolden the tentative opposition, if we were to take what the majority of the states do and incorporate the insurance commissioner do a study as well?

**Claybrough:** We have a system here in ND that works very well. The bankers are a special fund; we pay the full amount. The others are general fund agencies. Our system work and we are comfortable with it, and the banks are comfortable with it.

**Rep Becker:** Initially, the bill was insurance and securities, and now we're looking at financial institutions and securities. Is there is a reason why the study wouldn't be looking at all three? If we are looking at the aspect of cost savings and efficiencies, are you aware of why insurance isn't included, so you can tell legislators, here's why insurance shouldn't be because we've studied. Or here's why financial institutions should be looked at as far as consolidation.

**Claybough:** I did not have conversation with purpose for the reason for the hoghouse in the Senate. I do know the day of the hearing; the insurance industry didn't support the study.

**Chairman Keiser:** The insurance commissioner in ND is elected which is different. In all those other states, there's no elected insurance commissioner. If it's in the constitution we're going to basically have an insurance department and a commissioner and they're going to regulate the business of insurance. Which means the only direction that other office could have gone was to the insurance department.

**Claybough:** I recall that discussion as well.

**46:21**

**Jeff Olson** ~ president and CEO, Credit Union Association of the Dakotas: We oppose the bill, we think we have great access and enjoy that. We have a concern about what these layers may have for our members.

**Chairman Keiser:** Because we are in ND, if 2 of our departments came together, wouldn't you anticipate the management would be reasonably comparable in terms of access and performance?

**Olson:** Yes I would agree to that and lightly oppose.

**Chairman Keiser:** anyone else in opposition? Neutral? Closed the hearing.

**Rep Becker:** You indicated, there could only be one way of consolidation but that doesn't mean there wouldn't be benefit to consolidating

**Chairman Keiser:** absolutely not

**Rep Kasper:** Moves a Do Not Pass.

**Rep C Johnson:** Second.

**Chairman Keiser:** Further discussion.

**Rep Kasper:** If it's not broke, why fix it? Sometimes you have small and efficient, and you get bigger and a bureaucracy.

**Rep Laning:** I somewhat agree; sounds like they are already looking at it.



**Rep Ruby:** I'm going to resist the motion. I would have appreciated the oversight of OMB. Certainly we could look at it.

**Rep Lefor:** I'm also going to resist the motion. You have 2 agencies to look at the efficiencies. Sometimes just having the discussion you learn things. The governor is certainly looking at efficiencies. We all have a fiduciary responsibility to the taxpayer and citizens.

**Rep Kasper:** I'm licensed in insurance and securities and I do banking. I'm licensed in the state of MN that has a combined commerce department. I can tell the difference dealing with MN and ND is like day and night. In MN you don't get the same people and to get an answer takes forever. In ND I think they are that much in tune with doing what's right for the people of ND.

**Rep Becker:** I'm going to echo what Rep Ruby said. I appreciate Rep. Kasper's comments except that I don't know that we know there wouldn't be benefit unless the study is done.

Roll call was taken on SB 2266 for a Do Not Pass with 6 yes, 6 no, 2 absent. Motion fails.

**Rep Becker:** We could amend having someone like OMB, as determined by the governor, or whether we want to include insurance. I'd look for discussion on a 3<sup>rd</sup> party as assigned or determined by the governor.

**Rep Lefor:** I would like to ask Sen Casper why insurance was amended out on the Senate side.

**Sen Casper:** The discussion taking place. We can bring it back next session and make a determination with proper education in a place where the legislature can make that decision for the future of the various agencies.

**Chairman Keiser:** that doesn't answer why the Senate took out insurance.

**Sen. Casper:** the discussion taking placed involved DFI and securities and I wasn't looking at. That's the direction the administration was looking at taking and that seemed to make sense to study. Both department heads were here today and part of that discussion.

**Rep. Becker:** I'll make a motion to include insurance department as a 3<sup>rd</sup> agency.

**Rep. Beadle:** second

**Rep Ruby:** Is the motion going to have it at the direction of the governor?

**Chairman Keiser:** Not yet. Further discussion?

Roll call was taken on SB 2266 to add the insurance department to the study. 6 yes, 7 no, 1 absent. Motion fails.



**Rep. Ruby:** You mentioned possibly OMB. I think that's a good place to direct it.

**Chairman Keiser:** Is that a motion?

**Rep. Ruby:** yes

**Rep. Beadle:** second

**Rep Kasper:** What possible reason to add OMB? I don't understand the connection.

**Chairman Kasper:** The discussion was around the fact that you have 2 agencies that have a lot at stake. They're going to negotiating the possibility of a merger and how things come out. Should there be a 3<sup>rd</sup> somewhat independent part that has a function relative to their agency that can also participate, and in the sense break a tie vote or if there's a question that developed that we couldn't reach an impasse. Whether it's OMB or let the governor identify an additional agency.

**Rep. Kasper:** So the study is these 2 agencies that are already studying, are going to be authorized to do a study? That's what we're voting on?

**Rep Lefor:** The addition of OMB would be that we look for efficiencies within the OMB with these 2 agencies or they're acting as an arbitrator?

**Chairman Keiser:** No. They're a 3<sup>rd</sup> party in the study to help make a decision relative to these to.

**Rep Kasper:** We want legislature in the process, legislature is not going to be involved in this. You're talking about OMB and the banking and securities department. Where's the legislature?

**Chairman Keiser:** No but there's a report to legislative management.

**Rep Kasper:** But the legislators are not involved. We get a report from them and they're studying each other.

**Rep Becker:** As a general rule of thumb, we don't want the people being affected being the only people involved. You generally want a 3<sup>rd</sup> party involved that doesn't have a stake in the outcome.

**Rep Ruby:** If you are going to talk with other legislators in that state you might have to go through some stuff. ND does things different. It seems the most passionate opponent was not here for the pro testimony.

**1:04:17**

**Chairman Keiser:** all those in favor, aye, opposed? Ok, recorded roll call vote. 9 yes, 4 no, 1 absent. Motion carries.  
We have Engrossed SB 2266 as amended before us.

**Rep. Ruby:** I'll try a Do Pass as Amended.

**Rep. Beadle:** second

**Chairman Keiser:** discussion? Clerk will take a roll call vote on a Do Pass as Amended on SB 2266. 5 yes 8 no 1 absent. Motion fails.

**Rep. Kasper:** motion for a Do Not Pass as Amended on SB 2266

**Rep. Boschee:** Second

**Chairman Keiser:** Rep. Kasper moves a Do Not Pass as Amended SB 2266, Rep. Boschee seconded. Roll call vote. 9 yes, 4 no, 1 absent. Motion carried. Rep. C. Johnson is carrier.

3/7/17 DP

17.0780.02001  
Title.03000

Adopted by the Industry, Business and Labor  
Committee

March 7, 2017

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2266

- Page 1, line 1, after "by" insert "the office of management and budget,"
- Page 1, line 1, after "institutions" insert a comma
- Page 1, line 1, after "and" insert "the"
- Page 1, line 2, after "department" insert a comma
- Page 1, line 2, after "and" insert "to provide"
- Page 1, line 2, remove "the"
- Page 1, line 6, after the comma insert "the office of management and budget shall conduct a study with participation by"
- Page 1, line 7, after "commissioner" insert ". The agencies"
- Page 1, line 9, after "the" insert "two"
- Page 1, line 10, after the second comma insert "the office of management and budget,"
- Page 1, line 10, after "institutions" insert a comma
- Renumber accordingly

Date: Mar 7, 2017

Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE**  
**ROLL CALL VOTES**  
BILL/RESOLUTION NO. 2266

House \_\_\_\_\_ Industry, Business and Labor \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

**Recommendation**

- Adopt Amendment
- Do Pass     Do Not Pass     Without Committee Recommendation
- As Amended     Rerefer to Appropriations
- Place on Consent Calendar

**Other Actions**

- Reconsider
- \_\_\_\_\_

Motion Made By Rep Kasper    Seconded By Rep C Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	X		Rep Lefor		X
Rep Beadle		X	Rep Louser	<del>No</del>	
Rep R Becker		X	Rep O'Brien	<del>No</del>	
Rep Bosch	X		Rep Ruby		X
Rep C Johnson	X		Rep Boschee		X
Rep Kasper	X		Rep Dobervich		X

Total (Yes) 6    No 6

Absent 2

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Motion



Date: Mar 7, 2017

Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2266

House \_\_\_\_\_ Industry, Business and Labor \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation

- Adopt Amendment
- Do Pass     Do Not Pass     Without Committee Recommendation
- As Amended     Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions     Reconsider     \_\_\_\_\_

Motion Made By Rep. Becker    Seconded By Rep Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep Laning		X
Vice Chairman Sukut		X	Rep Lefor		X
Rep Beadle	X		Rep Louser	Ab	
Rep R Becker	X		Rep O'Brien		X
Rep Bosch	X		Rep Ruby	X	
Rep C Johnson	X		Rep Boschee	X	
Rep Kasper		X	Rep Dobervich		X

Total (Yes) 6    No 7

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
include insurance dept  
motion fails

Date: Mar 7, 2017

Roll Call Vote #: 3

**2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES**  
BILL/RESOLUTION NO. 2266

House \_\_\_\_\_ Industry, Business and Labor \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

**Recommendation**

- Adopt Amendment
- Do Pass     Do Not Pass     Without Committee Recommendation
- As Amended     Rerefer to Appropriations
- Place on Consent Calendar

Other Actions     Reconsider     \_\_\_\_\_

Motion Made By Rep Ruby    Seconded By Rep Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	x		Rep Lefor		X
Rep Beadle	X		Rep Louser	Ab	
Rep R Becker	X		Rep O'Brien	X	
Rep Bosch		X	Rep Ruby	X	
Rep C Johnson		X	Rep Boschee	X	
Rep Kasper		X	Rep Dobervich	X	

Total (Yes) 9    No 4

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
add OMB as an 3rd unit party

Date: Mar 7, 2017

Roll Call Vote #: 4

2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2266

House \_\_\_\_\_ Industry, Business and Labor \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation

- Adopt Amendment
- Do Pass     Do Not Pass     Without Committee Recommendation
- As Amended     Rerefer to Appropriations
- Place on Consent Calendar

Other Actions     Reconsider     \_\_\_\_\_

Motion Made By Rep Ruby    Seconded By Rep Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		X	Rep Laning		X
Vice Chairman Sukut		X	Rep Lefor	X	
Rep Beadle	X		Rep Louser	Ab	
Rep R Becker	X		Rep O'Brien		X
Rep Bosch		X	Rep Ruby	X	
Rep C Johnson		X	Rep Boschee		X
Rep Kasper		X	Rep Dobervich	X	

Total (Yes) 5    No 8

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

fails

Date: Mar 7, 2017

Roll Call Vote #: 5

**2017 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES**  
BILL/RESOLUTION NO. 2266

House \_\_\_\_\_ Industry, Business and Labor \_\_\_\_\_ Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

**Recommendation**

- Adopt Amendment
- Do Pass  Do Not Pass
- As Amended
- Place on Consent Calendar
- Reconsider
- Without Committee Recommendation
- Rerefer to Appropriations

Other Actions  \_\_\_\_\_

Motion Made By Rep Kasper Seconded By Rep Boschee

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Rep Laning	X	
Vice Chairman Sukut	X		Rep Lefor		X
Rep Beadle		X	Rep Louser	Ab	
Rep R Becker		X	Rep O'Brien	X	
Rep Bosch	X		Rep Ruby		X
Rep C Johnson	X		Rep Boschee	X	
Rep Kasper	X		Rep Dobervich	X	

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Johnson

If the vote is on an amendment, briefly indicate intent:



**REPORT OF STANDING COMMITTEE**

**SB 2266, as engrossed: Industry, Business and Labor Committee (Rep. Keiser, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2266 was placed on the Sixth order on the calendar.

Page 1, line 1, after "by" insert "the office of management and budget,"

Page 1, line 1, after "institutions" insert a comma

Page 1, line 1, after "and" insert "the"

Page 1, line 2, after "department" insert a comma

Page 1, line 2, after "and" insert "to provide"

Page 1, line 2, remove "the"

Page 1, line 6, after the comma insert "the office of management and budget shall conduct a study with participation by"

Page 1, line 7, after "commissioner" insert ". The agencies"

Page 1, line 9, after "the" insert "two"

Page 1, line 10, after the second comma insert "the office of management and budget,"

Page 1, line 10, after "institutions" insert a comma

Renumber accordingly

**2017 TESTIMONY**

**SB 2266**

17.0780.01001  
Title.

Prepared by the Legislative Council staff for  
Senator Casper  
January 23, 2017

PROPOSED AMENDMENTS TO SENATE BILL NO. 2266

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a study by the department of financial institutions and securities department and a report to the legislative management.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. DEPARTMENT OF FINANCIAL INSTITUTIONS AND SECURITIES DEPARTMENT STUDY OF OPERATIONS - REPORT TO LEGISLATIVE MANAGEMENT.** During the 2017-18 interim, the commissioner of financial institutions and the securities commissioner shall undertake a comprehensive study of the operations of the department of financial institutions and the securities department to evaluate and determine whether cost-savings and increased efficiency may be achieved by combining the agencies into a single department. Before August 1, 2018, the commissioner of financial institutions and the securities commissioner shall present to the legislative management the findings of the study and any recommendations, together with any legislation required to implement the recommendations."

Renumber accordingly

**SB 2266****Testimony of Securities Commissioner Karen Tyler  
Before the Senate Industry, Business and Labor Committee****February 1, 2017**

I am Karen Tyler, the state securities commissioner and I am here to testify in favor of legislation that creates a study by the department of financial institutions and the securities department, to identify potential operating efficiencies between the two agencies.

The banking commissioner and I fully appreciate and agree that consolidation of agency operations is not something to be entered into lightly. We also agree that this is especially true for agencies that serve regulatory functions that have historically benefited from an autonomous structure. Among other advantages, regulator autonomy can mitigate conflicts of interest, prevent in-equitable allocation of resources, and promote regulatory expertise to better dispatch a statutory mandate.

The universal list of regulatory policy goals has long included: safety and soundness, systemic risk mitigation, fair and transparent markets, and consumer and investor protection. To that list more recently has been added the policy goal of more efficient, cost effective regulation. And we have already begun the dialog about the benefits of, and the approach to, an analysis that could identify efficiency opportunities.

Through our discussions at a high level we have determined that such a study must include an analysis of:

1. The Regulatory Policy Priorities of banking and securities regulators and how they align
2. The roles of banking and securities regulators, both state and federal, in the system of functional regulation that is utilized in the United States
3. The Regulatory Architecture at the state level in the US, and the impact that structure has on the support of functional regulation (the banking commissioner will cover this in more detail)
4. The impact of operational partnerships or consolidations on client service

Other aspects of the study would be more granular, but these are threshold issues that would need to be addressed and understood. I think it is also important to clarify, especially for industry, that the banking commissioner and I do not view this as a study pertaining to consolidation of regulatory function, but a study pertaining to consolidation of agency operations.

While securities regulation is enforcement oriented, and banking regulation is largely prudential, there are notable areas of commonality worth examining through the study process. For example, there are now 129 bank locations in North Dakota that offer on-site investment services through either a bank-owned



broker-dealer or a 3<sup>rd</sup> party broker-dealer. On a larger scale, both banking and securities regulators and their regulated industries, are dealing with growing threats posed to client financial security by cybersecurity attacks. And in the fintech space, both banking and securities regulators are working to address regulatory challenges presented by innovations in block-chain currency.

Through our discussions, the banking commissioner and I have been able to identify a few consolidation benefits that are quite obvious even without a study:

I would like his administrative staff, and he would like my lawyer.

He would like my financial education director, and I would like his special fund status.

The Securities Department and the Department of Financial Institutions are both revenue generating agencies. The securities department will generate approximately \$21.5 million in revenue this biennium which is 10 times more than what we spend. Post-allotment, after a 6.5% cut, our operating budget is now below 2005 levels, and we haven't added an employee in 10 years.

So to conclude, I think the study is a worthwhile undertaking and request your support. The process will lead us to substantive answers to the important questions of 1) What problem are we trying to solve 2) Is it good policy and 3) Will it help us better serve the people of North Dakota.



Robert J. Entringer  
*Commissioner*

Aaron K. Webb  
*Assistant Commissioner*

I. Lise Kruse  
*Chief Examiner - Banks*

Corey J. Krebs  
*Chief Examiner - Credit Unions*

CSBS ACCREDITED 1993  
NASCUS ACCREDITED 2000  
CSBS/AARMR MORTGAGE ACCREDITED 2015

# MEMORANDUM

**DATE:** February 1, 2017

**TO:** Senate Industry, Business and Labor Committee

**FROM:** Robert J. Entringer, Commissioner

**SUBJECT:** Senate Bill No. 2266

Chairman Klein and members of the Senate Industry, Business and Labor Committee, thank you for the opportunity to testify in support of Senate Bill No. 2266 which provides for a study by the Department of Financial Institutions and the Securities Department to determine whether there could be cost-savings and efficiencies by combining the agencies into a single department.

Mr. Chairman and members of the Committee, included with my testimony is a chart which sets forth the present structure of banking, securities and insurance department's across the nation. The chart separates states which currently have an independent structure whereby the 3 functional regulators are separate agencies and a consolidated structure

with 6 different combination of agencies. At the state level, the regulatory architecture currently in place supports the delivery of functional regulation. As you can see, most states have retained an autonomous model, whereby bank, securities, and insurance regulators are independent from each other. Where regulators have been combined in an umbrella or consolidated structure, all but one state has retained the separation of regulatory functions by utilizing a divisional construct, with an appointed department director. I think it is important to note that a functional regulatory approach involves regulating by functional lines as opposed to legal entity lines. One significant strength of this approach is that it results in a single technically expert regulator applying consistent rules to the same activity, regardless of the entity in which the activity (function) is conducted.

As you can see from the chart 40% of states have the independent structure as we presently do in North Dakota. Among the states with the umbrella or consolidated structure, 12 states or 24% combine banking and securities under one department which is the structure we will study.

Mr. Chairman, thank you for the opportunity to provide this testimony, and I would be happy to answer any questions the Committee may have.



- INDEPENDENT STRUCTURE -

STATES WITH BANKING, SECURITIES AND INSURANCE IN THREE SEPARATE AGENCIES

ALABAMA  
ARIZONA  
ARKANSAS  
DELAWARE  
GEORGIA  
ILLINOIS  
INDIANA  
KANSAS  
MARYLAND  
MISSOURI  
MISSISSIPPI  
NEW HAMPSHIRE  
NORTH CAROLINA  
NORTH DAKOTA  
OKLAHOMA  
SOUTH CAROLINA  
TEXAS  
UTAH  
WEST VIRGINIA  
WYOMING

**20**

- CONSOLIDATED STRUCTURE -

<p>STATES WITH 2 DIVISIONS UNDER ONE DEPARTMENT</p> <ul style="list-style-type: none"> <li>BANKING</li> <li>SECURITIES</li> </ul>	<p>STATES WITH 3 DIVISIONS UNDER ONE DEPARTMENT</p> <ul style="list-style-type: none"> <li>BANKING</li> <li>SECURITIES</li> <li>INSURANCE</li> </ul>	<p>STATES WITH 2 DIVISIONS UNDER ONE DEPARTMENT</p> <ul style="list-style-type: none"> <li>BANKING</li> <li>INSURANCE</li> </ul>	<p>STATES WITH 2 DIVISIONS UNDER ONE DEPARTMENT</p> <ul style="list-style-type: none"> <li>SECURITIES</li> <li>INSURANCE</li> </ul>	<p>STATES WITH 2 DIVISIONS UNDER AUDITOR</p> <ul style="list-style-type: none"> <li>SECURITIES</li> <li>INSURANCE</li> </ul>	<p>STATES WITH SECURITIES COMBINED WITH INSURANCE</p>
CALIFORNIA CONNECTICUT FLORIDA IDAHO KENTUCKY LOUISIANA NEBRASKA NEW MEXICO OHIO PENNSYLVANIA WASHINGTON WISCONSIN	ALASKA COLORADO HAWAII MAINE MINNESOTA OREGON RHODE ISLAND SOUTH DAKOTA VERMONT VIRGINIA	MASSACHUSETTS MICHIGAN NEVADA NEW JERSEY NEW YORK	TENNESSEE	MONTANA	IOWA
<b>12</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>1</b>
ALL DEPARTMENT DIRECTORS APPOINTED -- 11 BY GOVERNOR 1 BY COMMITTEE	ALL DEPARTMENT DIRECTORS APPOINTED -- 9 BY GOVERNOR 1 BY COMMITTEE -- NO ELECTED INSURANCE COMMISSIONERS	ALL DEPARTMENT DIRECTORS APPOINTED BY GOVERNOR -- NO ELECTED INSURANCE COMMISSIONERS	DEPARTMENT DIRECTOR APPOINTED BY GOVERNOR	ELECTED AUDITOR	DEPARTMENT DIRECTOR APPOINTED BY GOVERNOR

ADMINISTRATION OF REGULATORY FUNCTION SEPARATED BY DIVISION

Engrossed SB 2266

**Testimony of Securities Commissioner Karen Tyler  
Before the House Industry, Business and Labor Committee**

**March 7, 2017**

I am Karen Tyler, the state securities commissioner and I am here to testify in favor of legislation that creates a study by the department of financial institutions and the securities department, to identify potential operating efficiencies between the two agencies.

The banking commissioner and I fully appreciate and agree that consolidation of agency operations is not something to be entered into lightly. We also agree that this is especially true for agencies that serve regulatory functions that have historically benefited from an autonomous structure. Among other advantages, regulator autonomy can mitigate conflicts of interest, prevent in-equitable allocation of resources, and promote regulatory expertise to better dispatch a statutory mandate.

The universal list of regulatory policy goals has long included: safety and soundness, systemic risk mitigation, fair and transparent markets, and consumer and investor protection. To that list more recently has been added the policy goal of more efficient, cost effective regulation. With Governor Burgum's support, we have already begun the dialog about the benefits of, and the approach to, an analysis that could identify efficiency opportunities.

Through our discussions at a high level we have determined that such a study must include an analysis of:

1. The Regulatory Policy Priorities of banking and securities regulators and how they align
2. The roles of banking and securities regulators, both state and federal, in the system of functional regulation that is utilized in the United States
3. The Regulatory Architecture at the state level in the US, and the impact that structure has on the support of functional regulation (the banking commissioner will cover this in more detail)
4. The impact of operational partnerships or consolidations on client service

Other aspects of the study would be more granular, but these are threshold issues that would need to be addressed and understood. I think it is also important to clarify, especially for industry, that the banking commissioner and I do not view this as a study pertaining to consolidation of regulatory function, but a study pertaining to consolidation of agency operations. In jurisdictions where a consolidation of operations has been pursued, the regulatory function remains separated and executed through a Division based structure.

While securities regulation is enforcement oriented, and banking regulation is largely prudential, there are notable areas of commonality worth examining



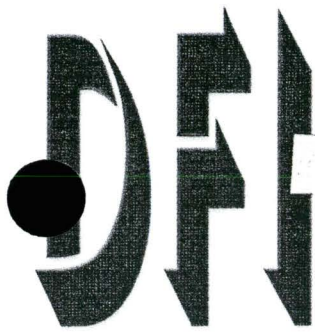
through the study process. For example, there are now 129 bank locations in North Dakota that offer on-site investment services through either a bank-owned broker-dealer or a 3<sup>rd</sup> party broker-dealer. On a broader scale, both banking and securities regulators and their regulated industries, are dealing with growing threats posed to client financial security by cybersecurity attacks. And in the fintech space, both banking and securities regulators are working to address regulatory challenges presented by innovations in block-chain currency technology.

Through our discussions, the banking commissioner and I have been able to identify a few consolidation benefits that appear evident even without a study – these fall generally in the categories of administration, legal services, and financial education programming. Another possible area for leveraging resources relates to ponzi scheme investigations. Notably, in virtually every ponzi scheme investigation, the most labor intensive and complex aspect of the investigation for the Securities investigative team, is the reconstruction of the money trail through the analysis of bank account records.

The Securities Department and the Department of Financial Institutions are both revenue generating agencies. The securities department will generate approximately \$21.5 million in revenue this biennium which is 10 times more than what we spend. Post-allotment, after a 6.5% cut, our operating budget is now below 2007 levels, and we haven't added an employee in 10 years.



So to conclude, I think the study is a worthwhile undertaking and request your support. The process will lead us to substantive answers to the important questions of 1) What problem are we trying to solve 2) Is it good policy and 3) Will it help us better serve the people of North Dakota.



State of North Dakota

DEPARTMENT  
*of* FINANCIAL  
INSTITUTIONS

Robert J. Entringer  
*Commissioner*

Aaron K. Webb  
*Assistant Commissioner*

I. Lise Kruse  
*Chief Examiner - Banks*

Corey J. Krebs  
*Chief Examiner - Credit Unions*

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NASCUS ACCREDITED 2000  
CSBS/AARMR MORTGAGE ACCREDITED 2015

2

## MEMORANDUM

**DATE:** March 7, 2017  
**TO:** House Industry, Business and Labor Committee  
**FROM:** Robert J. Entringer, Commissioner  
**SUBJECT:** Engrossed Senate Bill No. 2266

Chairman Keiser and members of the House Industry, Business and Labor Committee, thank you for the opportunity to testify in support of Engrossed Senate Bill No. 2266 which provides for a study by the Department of Financial Institutions and the Securities Department to determine whether there could be cost-savings and efficiencies by combining the agencies into a single department.

Mr. Chairman and members of the Committee, included with my testimony is a chart which sets forth the present structure of financial regulation across the nation. The chart separates states which currently have an independent structure whereby the 3 functional regulators are separate

agencies, and a consolidated structure with 6 different combinations of agencies.

At the state level, the regulatory architecture currently in place supports the delivery of functional regulation. As you can see, most states have retained an autonomous model, whereby bank, securities, and insurance regulators are independent from each other. Where regulators have been combined in an umbrella or consolidated structure, all but one state has retained the separation of regulatory functions by utilizing a divisional construct, with an appointed department director. I think it is important to note that a functional regulatory approach involves regulating by functional lines as opposed to legal entity lines. One significant strength of this approach is that it results in a single technically expert regulator applying consistent rules to the same activity, regardless of the entity in which the activity (function) is conducted. While the industries we regulate may have similarities, they may have different organizational structures and significantly different laws, not only at the state level but at the federal level as well.

This brings me to my next point - an operational consolidation that maintains a divisional construct is important because both state banking regulators and state securities regulators have federal counterparts. The federal counterpart to the state securities regulator is the Securities and

Exchange Commission. Our Department has several federal counterparts including the Federal Deposit Insurance Corporation, the Federal Reserve System, the National Credit Union Administration, and the Consumer Financial Protection Bureau. Effective relationships between these complementary state and federal components of financial regulation are critical for promoting safety and soundness, risk mitigation and investor protection.

As you can see from the chart 40% of states have the independent structure as we presently do in North Dakota. Among the states with the umbrella or consolidated structure, 12 states or 24% combine banking and securities under one department which is the structure we would study as it is the second most prevalent structure in the nation.

Mr. Chairman, thank you for the opportunity to provide this testimony, and I would be happy to answer any questions the Committee may have.



– INDEPENDENT STRUCTURE –

– CONSOLIDATED STRUCTURE –

STATES WITH  
BANKING, SECURITIES AND  
INSURANCE IN  
THREE SEPARATE  
AGENCIES

ALABAMA  
ARIZONA  
ARKANSAS  
DELAWARE  
GEORGIA  
ILLINOIS  
INDIANA  
KANSAS  
MARYLAND  
MISSOURI  
MISSISSIPPI  
NEW HAMPSHIRE  
NORTH CAROLINA  
NORTH DAKOTA  
OKLAHOMA  
SOUTH CAROLINA  
TEXAS  
UTAH  
WEST VIRGINIA  
WYOMING

**20**

STATES WITH  
2 DIVISIONS  
UNDER ONE  
DEPARTMENT  
----

- BANKING
- SECURITIES

CALIFORNIA  
CONNECTICUT  
FLORIDA  
IDAHO  
KENTUCKY  
LOUISIANA  
NEBRASKA  
NEW MEXICO  
OHIO  
PENNSYLVANIA  
WASHINGTON  
WISCONSIN

**12**

*ALL DEPARTMENT  
DIRECTORS  
APPOINTED --  
11 BY GOVERNOR  
1 BY COMMITTEE*

STATES WITH  
3 DIVISIONS  
UNDER ONE  
DEPARTMENT  
----

- BANKING
- SECURITIES
- INSURANCE

ALASKA  
COLORADO  
HAWAII  
MAINE  
MINNESOTA  
OREGON  
RHODE ISLAND  
SOUTH DAKOTA  
VERMONT  
VIRGINIA

**10**

*ALL DEPARTMENT  
DIRECTORS  
APPOINTED --  
9 BY GOVERNOR  
1 BY COMMITTEE  
-- NO ELECTED  
INSURANCE  
COMMISSIONERS*

STATES WITH  
2 DIVISIONS  
UNDER ONE  
DEPARTMENT  
----

- BANKING
- INSURANCE

MASSACHUSETTS  
MICHIGAN  
NEVADA  
NEW JERSEY  
NEW YORK

**5**

*ALL DEPARTMENT  
DIRECTORS  
APPOINTED  
BY GOVERNOR  
-- NO ELECTED  
INSURANCE  
COMMISSIONERS*

STATES WITH  
2 DIVISIONS  
UNDER ONE  
DEPARTMENT  
----

- SECURITIES
- INSURANCE

TENNESSEE

**1**

*DEPARTMENT  
DIRECTOR  
APPOINTED  
BY GOVERNOR*

STATES WITH  
2 DIVISIONS  
UNDER  
AUDITOR  
----

- SECURITIES
- INSURANCE

MONTANA

**1**

*ELECTED  
AUDITOR*

STATES WITH  
SECURITIES  
COMBINED  
WITH  
INSURANCE

IOWA

**1**

*DEPARTMENT  
DIRECTOR  
APPOINTED  
BY GOVERNOR*

*ADMINISTRATION OF REGULATORY FUNCTION SEPARATED BY DIVISION*