

Banking Committee JOINT FAVORABLE REPORT

Bill No.: SB-1399

Title: AN ACT CONCERNING LIMITED PURPOSE TRUST COMPANIES.

Vote Date: 3/11/2025

Vote Action: Joint Favorable Substitute

PH Date: 3/4/2025

File No.:

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SPONSORS OF BILL:

The Banking Committee

REASONS FOR BILL:

A limited-purpose trust company is an organization that provides fiduciary services without the many restrictions that traditional banks must follow, allowing for specialized services to address specific needs. This bill would allow the establishment of limited-purpose trust companies while also establishing regulatory requirements and oversight to ensure these companies comply with state laws and maintain financial stability.

SUBSTITUTE LANGUAGE:

The substitute language in this bill changes the bill to a study which the Department of Banking must conduct on limited purpose trust companies and submit a report on their findings by December 1st, 2025.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Matthew Smith, Department of Banking, Director of Government Relations and Consumer Affairs:](#) He testified that laws currently provide trust bank charters that allow for the chartering of institutions organized to function solely in a fiduciary capacity. He explained that this bill would give trust bank charters an alternative without all the current safeguards.

NATURE AND SOURCES OF SUPPORT:

[Gideon Rothschild, PLLC:](#) He explained that present laws take extensive measures in the regulatory regime under current banking laws. He also showed an example of how this bill has impacted the neighboring state of Massachusetts. He cited that in 2012, Massachusetts

had enacted a law regarding limited purpose trust companies, which caused those companies registered in the state to be unable to accept any deposit accounts and further lending activities, as they were subject to minimal regulatory oversight. Due to this law, Mr. Rothschild explained that law firms within the state of Massachusetts created entities to allow them to service trust clients and provide continuity that would not be accessible to them in the event an attorney is designated and either retires, resigns, or becomes deceased.

NATURE AND SOURCES OF OPPOSITION:

None Expressed.

Reported by: Morgan Dlugoleski

Date: 03/12/2025