

State of South Dakota

SEVENTY-SEVENTH SESSION
LEGISLATIVE ASSEMBLY, 2002

553H0444

HOUSE BILL NO. 1078

Introduced by: Representatives Broderick and Pummel and Senators Munson and Duxbury

1 FOR AN ACT ENTITLED, An Act to revise certain bond and insurance requirements for trust
2 companies.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That § 51A-6A-18 be repealed.

5 ~~— 51A-6A-18. A trust company must, at all times, maintain a surety bond appropriate to the~~
6 ~~size and scope of the company's business, but in no event, in an amount less than one million~~
7 ~~dollars. In determining the amount of surety bond, the company's governing board shall give due~~
8 ~~and careful consideration to known elements and factors constituting risk and hazards for the~~
9 ~~company. Any surety bond secured by a trust company shall provide that the bonding company~~
10 ~~providing the bond shall give at least ninety days notice of cancellation or nonrenewal of the~~
11 ~~bond to the trust company and to the director.~~

12 Section 2. That § 51A-6A-19 be amended to read as follows:

13 51A-6A-19. For purposes of this section, the capital of a trust company ~~shall be~~ is the total
14 of the aggregate par value of its outstanding shares of capital stock or ownership units, its
15 surplus, and its undivided profits. The minimum capital of a trust company shall be two hundred



1 thousand dollars. The commission may require that the trust company have more capital than the
2 amount specified if the commission determines that the amount and character of the anticipated
3 business of the trust company and the safety of the customers so require. This chapter recognizes
4 that capital for a trust company serves a different purpose than does capital for a bank. It is not
5 intended that capital requirements for trust companies be judged by the same standards as banks.
6 Basic protection for fiduciary clients of a trust company shall be provided by the purchase of a
7 ~~surety~~ bond or fidelity insurance, or both, as ~~provided in § 51A-6A-18~~ may be required by the
8 director. If a bond is required, the bond shall be in an amount of not less than one million dollars.
9 Any bond required to be secured by a trust company shall provide that the bonding company
10 providing the bond shall give at least ninety days notice of cancellation or renewal of the bond
11 to the trust company and to the director. Except as may be provided elsewhere in this chapter,
12 no trust company may reduce voluntarily its capital stock or ownership units or surplus below
13 the amount required in this section.