

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR**

**Seventy-Ninth Session  
February 17, 2017**

The Committee on Commerce and Labor was called to order by Chair Irene Bustamante Adams at 12 p.m. on Friday, February 17, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/App/NELIS/REL/79th2017](http://www.leg.state.nv.us/App/NELIS/REL/79th2017)

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Irene Bustamante Adams, Chair  
Assemblywoman Maggie Carlton, Vice Chair  
Assemblyman Paul Anderson  
Assemblyman Nelson Araujo  
Assemblyman Chris Brooks  
Assemblyman Skip Daly  
Assemblyman Ira Hansen  
Assemblywoman Sandra Jauregui  
Assemblyman Al Kramer  
Assemblyman Jim Marchant  
Assemblywoman Dina Neal  
Assemblyman James Ohrenschall  
Assemblywoman Jill Tolles

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Jason Frierson (excused)

**GUEST LEGISLATORS PRESENT:**

None



**STAFF MEMBERS PRESENT:**

Kelly Richard, Committee Policy Analyst  
William Keane, Committee Counsel  
Earlene Miller, Committee Secretary  
Olivia Lloyd, Committee Assistant

**OTHERS PRESENT:**

Joseph (JD) Decker, Administrator, Division of Industrial Relations, Department of Business and Industry  
George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry  
Brian Cook, President, Charles Schwab Trust Company, Henderson, Nevada  
Gregory E. Crawford, President, Alliance Trust Company of Nevada, Reno, Nevada  
L. Scott Walshaw, Senior Trust and Compliance Officer, Creative Planning Trust Company, Reno, Nevada

**Chair Bustamante Adams:**

[The roll was called. A quorum was present.] I will open the hearing on Assembly Bill 54.

**Assembly Bill 54: Revises provisions relating to reports of certain accidents or motor vehicle crashes by employers. (BDR 53-160)**

**Joseph (JD) Decker, Administrator, Division of Industrial Relations, Department of Business and Industry:**

Assembly Bill 54 changes certain sections of our statute to match federal regulations that were changed within the last biennium. According to federal regulations, our Nevada statutes for Nevada Occupational Safety and Health Administration (OSHA) must be at least as effective as the federal program to qualify for continued federal grants. Assembly Bill 54 specifically changes some of our language to match the federal statutes ([Exhibit C](#)).

**Chair Bustamante Adams:**

Are there any questions from the Committee?

**Assemblyman Kramer:**

How much money flows to Nevada in grants that are administered by your agency? If we said we were not going to make these changes, would we be saying no to the grants that help the state and the businesses in Nevada?

**Joseph Decker:**

That is correct.

**Assemblywoman Carlton:**

It appears that the state requirements are actually more in-depth than the federal requirements.

**Joseph Decker:**

The federal changes tighten the reporting requirements. Prior to the federal change, there was no OSHA reporting required if there was an accident involving one or two employees. The standard was three or more hospitalizations in an accident that had to be reported to OSHA. The new regulation changes that to any individual who is involved in an injury accident.

**Assemblywoman Carlton:**

Do the federal regulations require this to be oral or can it be written? My concern is that anything oral cannot be tracked or documented. If it is written, there is a paper trail.

**Joseph Decker:**

The federal standard is oral or written. We insist that we at least be notified orally within the time period, but we require written follow-up.

**Assemblywoman Carlton:**

When is the written report required?

**Joseph Decker:**

According to the current standard, it would be within eight hours. According to the new standard, it would be within 8 hours for a fatality or within 24 hours for a vehicular injury or subsequent injuries.

**Assemblywoman Carlton:**

I do not see the delineation for the written notification, so we could look at that more closely to make sure that is clear. In the deleted language on page 2, lines 33-42, I understand that you are eliminating that to deal with these new qualifications, but it is also eliminating the reporting on occupational diseases that are reported. Are we going to be eliminating our monthly reporting on occupational diseases?

**Joseph Decker:**

The only deletion is of the monthly report. We receive reports on each individual accident. We create weekly reports. This takes the onus off the employer in creating the reports for OSHA. Because employers are required to report each incident, we do not have a need for them to report to us monthly.

**Assemblywoman Carlton:**

Are you including occupational disease incidents?

**Joseph Decker:**

It includes occupational injury or disease as outlined in the federal regulations and in Nevada statutes.

**Assemblywoman Carlton:**

I only see accidents, not disease in the new language. I want to be sure all of the reporting happens, so I want to make sure all of that is in there.

**Assemblyman Brooks:**

By removing the monthly report, how does it help us conform to the federal regulations?

**Joseph Decker:**

We consider the new federal standard to be more restrictive because it requires each individual accident to be reported, where previously there was a threshold of three people who needed to be injured before we had to be notified. The deletion of the old section 2 removed the requirement for an employer to report to us monthly. We do not use that monthly report because we track each individual accident in our own database as we produce our own weekly reports so we can track them more closely. The monthly report section was also deleted from the federal requirement.

**Assemblyman Daly:**

How is the oral report made?

**Joseph Decker:**

We have a 24-hour on-call duty officer. We have someone on call from our staff at all times to answer calls from employers and respond to the site.

**Assemblyman Daly:**

Is there another section which requires the reports about industrial diseases? Is there still a mechanism for those things to be reported?

**Joseph Decker:**

The phrase, "occupational injury or disease," is defined elsewhere in the statute and it is also included in all of the other sections of the statute. It is mentioned in this change not to be deleted from the reporting requirements, but simply to apply to the monthly report that we are deleting out of the language.

**Assemblywoman Carlton:**

You said this is in statute and you are not doing this in the *Nevada Administrative Code*. Is that correct?

**Joseph Decker:**

That is correct. The only changes to comply with the federal changes are in this bill.

**Assemblywoman Carlton:**

The reporting is also in statute and cannot be changed by regulations.

**Joseph Decker:**

That is correct. The changes to section 1 indicate the requirement of each individual hospitalization, loss of an eye, amputation, or fatality to be reported individually.

**Assemblyman Brooks:**

We are removing the requirement for a monthly report because every incident will now have an oral report. Are we replacing all incident reports in the monthly report with real-time oral reports, or is there a requirement for a written report for every incident?

**Joseph Decker:**

We currently have individual incident reporting in statute. This reduces the number of injuries or hospitalizations before the report is required. We are tightening the reporting on an individual basis. The written reporting is in regulation. I will get the information about the regulations for the Committee.

**Assemblyman Ohrenschall:**

If this bill is passed as written, and you have an employee who has a near amputation of an arm on the job, but the injury does not fit into one of the categories, does the injury not get reported?

**Joseph Decker:**

We currently have a system where just about every injury on the job is reported to OSHA, because it states any accident in which an employee is hospitalized, in addition to the added categories of an amputation or loss of eyes, is to be reported.

**Assemblyman Ohrenschall:**

Is the need to report a near amputation of an arm based on the percentage of loss of bodily function?

**Joseph Decker:**

In the situation you described, we would probably consider it to be an amputation. It could be considered a partial amputation, which might be disputed under the Workers' Compensation Section of the Division of Industrial Relations as to what the percentage of use and payments would be. From the OSHA perspective, that would be an occupational injury that we would expect to be reported regardless of whether the employee was hospitalized under this section.

**Assemblyman Ohrenschall:**

With this new proposed language, are you expecting more events to be reported?

**Joseph Decker:**

That is correct. Because of the three-person trigger, theoretically, one or two people could have the injury you described and there would not necessarily have been a requirement for OSHA to be notified. Under these changes, any individual injury of that type would be required to be reported. This would increase the reporting requirements on employers. There would be no threshold trigger; it would apply to every individual accident.

**Chair Bustamante Adams:**

Are there any questions from the Committee? Seeing none, is there anyone in support of this bill? [There was no one.] Is there anyone in opposition? [There was no one.] Is there anyone to testify from a neutral position? [There was no one.] I will close the hearing on A.B. 54 and open the hearing on Assembly Bill 61.

**Assembly Bill 61: Revises provisions governing trust companies. (BDR 55-162)**

**George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry:**

Existing statute on trust companies, which is found in *Nevada Revised Statutes* (NRS) Chapter 669, provides that it is unlawful for any retail trust company to engage in the business of a trust company without complying with the provisions of existing law governing trust companies and having a license issued by the Commissioner of the Division of Financial Institutions of the Department of Business and Industry.

This bill authorizes foreign trust companies licensed through the laws of another state, which seek to engage only in the solicitation of trust company business in the state, to submit a written request for authorization to solicit trust company business to the Commissioner. The bill also provides reciprocal authority for Nevada trust companies to conduct similar activities in other states.

The proposed legislation has the support of Nevada trust companies. The provisions enable Nevada trust companies to have a reciprocal opportunity to offer the unique advantages of Nevada's trust laws to residents of other jurisdictions while preserving the advantages of a Nevada charter.

In 2009, we overhauled NRS Chapter 669 and rewrote the trust statute. We did it for two reasons. One was to modernize the trust statute. The other was to breakout family trust companies into a separate statute, NRS Chapter 669A. At the time that was done, our trust industry in Nevada was having a lot of problems. Therefore, in the rewrite, I was very conservative. I wanted our Nevada trust companies to stay within our borders. I also did not want out-of-state trust companies coming into Nevada because I had no means of controlling them. In the seven years since then, we have gotten our trust company industry mostly cleaned up. I have a specialized staff which is fully trained in examining trust companies. I currently do not have any poorly run trust companies or any that are causing any problems

within the state. I am comfortable with the fact that now is the time for us to be able to allow our trust companies to have the ability to go outside the state and for trust companies chartered in other states to be able to come to Nevada.

I have provided the Committee with a section-by-section analysis of the bill ([Exhibit D](#)). I will go over the highlights.

There currently exists in the United States a Conference of State Bank Supervisors' interstate trust agreement of which Nevada is a member. It basically establishes the parameters for a trust company from one state, or the home state, going to another state, the host state, in order to conduct its business. It says the home state is fully responsible for making sure the trust company is complying with all the laws and if there are any consumer complaints in the states in which they are operating, the home state regulator will address those. It works in a reciprocal way. This bill has come through the Legislature previously, but it lacked some of the safeguards which are in this bill. One of those is that any trust company wanting to go outside of the state needs the approval of the Commissioner. If they have a poor rating or we have been having problems with them, they would not be approved or the approval may be revoked. The other authority given to the Commissioner by this bill is that any trust company coming into Nevada has to apply and has to meet our requirements, and will be reviewed by the Commissioner in conjunction with the state regulator who issued the charter. The Commissioner then has the basis to deny their coming into the state if he has any knowledge or information of concern that it would not be in the public's interest for them to come into this state.

As you are aware from my previous testimony on trust companies, not all trust companies are trustworthy. Among regulators, we know who those people are and we try to contain them. That is why I wanted the authority in the changes to NRS 669. I think we are in a good position now to begin to be able to expand, and for Nevada to begin to generate more trust company business because of that ability which had previously been restrained and restricted. Anyone who was looking for a trust charter in Nevada was well aware that they would not be able to operate outside of the state. That was for a good reason for a good period of time, but I think we have moved past that. We now have it under control and the Commissioner now has the authority to make sure it stays under control. For those reasons, I will ask the Committee to move favorably on the bill.

There is a technical amendment to the bill ([Exhibit E](#)). It was done to correct an error in the original bill. It also makes a change to eliminate changes in section 16, and it incorporates new language that clarifies that a foreign independent trust company authorized to solicit business in Nevada is not qualified to serve as a trustee of the Nevada spendthrift trust. That is something we want to preserve specifically for Nevada state-chartered institutions.

**Chair Bustamante Adams:**

Are there any questions from the Committee on sections 1 through 7 of the bill?

**Assemblywoman Tolles:**

How many trust companies do we have in Nevada?

**George Burns:**

Currently, we have 21 licensed retail trust companies in Nevada. They vary in size from very small to relatively large.

**Assemblyman Kramer:**

We talk about people from other states who want to solicit trust business to go back to their state and the qualifications they will need. How many of those are there and will it significantly impact the trust business in Nevada?

**George Burns:**

It is difficult to determine at this time how many trust companies outside of Nevada would be interested in coming here. I believe there will be a good deal of interest simply because of the advantages of trust law in Nevada. The situs we have here, and the ability for there to be generational trusts are some of the advantages in Nevada. I spoke with the industry about opening the door to outside competition. The feedback I got was they are prepared to compete with the out-of-state institutions. The only way they can go out of the state is to have reciprocal authority with the states they want to go into.

**Chair Bustamante Adams:**

Are there any questions on section 8?

**Assemblywoman Jauregui:**

Why would we want to open our market for other trust companies to solicit business away from our current 21 trust companies? If an out-of-state trust company does set up a representative office in our state, is it subject to the laws and regulations of our state or their home state?

**George Burns:**

For our trust companies to be able to go into another state, we have to give them reciprocal authority for their trust companies to come into our state. It is a quid pro quo. That is the reason we would be doing that. The statutory and regulatory requirements for that trust company are that of the home state. However, that trust company, if it has a representative office in Nevada, is required to comply with all Nevada laws.

**Assemblywoman Jauregui:**

So would they be under our Commissioner and not the Commissioner of their home state?

**George Burns:**

In the changes we are proposing, the Nevada Commissioner retains the authority to be able to examine that out-of-state trust company at any time. However, in accordance with the interstate trust agreement among all the state regulators, they will be examined and regulated within their home state because that is their headquarters. They have to share those exams



with the Commissioner so we know what their status is and what their ratings are. They have to reapply every year to be able to remain in Nevada. If their ratings have gone down, their ability to be here is not renewed. That will be on a case-by-case basis. That does not mean our trust companies would be kicked out of that state. In the statutory changes, the Commissioner reserves the right to examine them at any time. If I start to get a lot of consumer complaints about them and I do not feel the home state is addressing them properly, my examiners have the jurisdiction to go into their offices in Nevada.

**Assemblywoman Tolles:**

Is the \$1,000 a one-time fee? Will there be any income to the state?

**George Burns:**

That is the initial application fee for the first year. There is also a provision for an annual renewal fee of \$500. That is to cover our cost of processing the application and renewals. It is pretty much a break-even rate. I do not anticipate there will be any additional great amount of revenue. The Division of Financial Institutions (FID) is a fee-funded agency. Any margin will help us continue to run our Division. During the financial crisis, Nevada lost over 50 percent of our banks so our assessment base has contracted greatly. There have been a number of initiatives regarding the FID introduced to this legislative session in order to expand the assessment base so that we can continue to be fully self-funded. One of the ideas is that it is good for the industry and good for the FID. Another idea is we are doing a modernization of our savings and loans statute in order to help bring in savings banks. We are going with a number of initiatives, but it is not meant to make money.

**Assemblywoman Neal:**

What are we opening the door to, and who is the customer for a retail trust?

**George Burns:**

A retail trust company is a trust company that holds itself out to the public. It is any citizen who may be looking for trust services. That is differentiated from a family trust company which serves only the family for which the trust company was established. Companies coming into this state will be looking for customers. They will also be looking to establish trusts for those customers under Nevada trust law.

**Assemblywoman Neal:**

You mentioned in 2009 that you did not want to expand because you did not have enough staff and you did not feel you could control the out-of-state companies. What were you trying to control them against? What are the typical behaviors that we should be mindful of that could happen?

**George Burns:**

When I became FID Commissioner in the middle of 2007, there were a lot of trust companies operating in the state which were chartered here but owned by people outside the state. All they did was have a resident agent, get a charter here, hang the charter with the resident agent, and then they went to another state. They conducted their business in another state

and had a lot of problems. There were defalcations, embezzlements, and so forth. There was one trust company in 2008 which resulted in a \$48 million loss to the residents of Illinois. They got their charter here, hung their charter here, went to Illinois, and lost all the money in the commodities market. Those were the types of things I was trying to restrain at the time. They were operating without sufficient examination and standards. We did not have a sufficiently well-trained staff to control them or know what we were seeing. Trust is a very specialized area of operation. It is quite a bit different from a bank, credit union, or a payday lender. Now we have examiners whom we have purposely made sure are nationally certified in trust examination.

**Assemblywoman Neal:**

Why do you not have larger fines than \$10,000 per violation? Should you have larger fines than that?

**George Burns:**

The fine of \$10,000 per violation is sort of a standard among all the types of licensees we regulate. In the \$48 million loss, there were probably 1,000 customers affected by that, so it would be 1,000 violations at \$10,000 apiece.

**Assemblyman Brooks:**

Of the states we would consider to reciprocate, how many, in your opinion, would meet the current state standards of Nevada as written in section 8?

**George Burns:**

That is something I am going to seriously consider. There are states that have much higher standards than Nevada and there are those with much lower standards. Prior to 2009, the minimum capitalization for a trust company in Nevada was \$300,000. With the revisions that we made to the statute, it is now \$1 million. In the state of New York, to get a trust charter, you have to have \$10 million in capital. We still have states with very low capitalization of \$300,000. Those particular states are going to be ones which I look at very closely. That is one of the reasons I included a provision that we can require a surety bond of a minimum of \$100,000 for an out-of-state trust company to come into Nevada. It may be increased at the Commissioner's discretion with reasonable cause based on the size and complexity of that trust company. My intention would be for states with very low capital standards, and that trust company is running a very complex type of a trust company, we are going to give serious consideration of raising the amount of the bond to our standards. We have to maintain a balance because if we require something more onerous of the other state, they will refuse to allow reciprocity. The majority of states that our trust companies want to function in are states with equal or greater capital requirements than Nevada. The states with the lower capital do not have much business to gather there.

**Assemblyman Brooks:**

What is the risk of us not being able to do business in other states that have the higher levels of capitalization because they do not want to reciprocate with us? Is there a risk that our businesses would have to pay the same bond in their state to be able to do business there?

**George Burns:**

That is something we have looked at with the industry. We are going to want it to be an equitable arrangement. We know that another state may refuse reciprocity. The issue we have now is the fact that if our trust companies have the ability to go outside of the state and we do not have this change in law, there is no way the other state would allow them to go in there because we cannot offer reciprocity at all. When our trust companies apply to go into another state, they have to meet the out-of-state requirements of that state.

**Assemblyman Brooks:**

How many states is that?

**George Burns:**

Currently, all 50 states are signatories to the interstate trust agreement. Therefore, that ability exists. There are a number of states that do not allow out-of-state trusts at all, similar to Nevada. There are about five of those, including Arizona. Part of the reason for that is not just the issue of safety and soundness which is the reason we did it, but it is to provide protection to the state-grown industry. It is a two-edged sword. If you protect the industry here, you restrict it from being able to go outside of the state as well.

**Assemblyman Araujo:**

You mentioned that the Division is complaint-driven. Are there set numbers of complaints before you are able to take action? What triggers an investigation if there were to be any wrongdoing?

**George Burns:**

If we get a complaint from a Nevada citizen, we refer it to the home state. If they do not address it in a timely and adequate manner, we would investigate it ourselves. On our complaints, it is not just numbers, but also severity. We could have five or ten minor complaints that create an investigation, or one severe one. We are always looking for a pattern of practice as to what would justify our investigating a company.

**Assemblyman Kramer:**

We have an industry in Nevada with white-collar workers who are well educated and experienced people who probably make good money. They service trusts that require legal assistance and accountants and whatever other necessary services which are also fairly well-paying, white-collar jobs in Nevada. Nevada has generational trusts and some other laws that make Nevada attractive for trusts. Some of these trusts are worth hundreds of millions of dollars. We are trying now to allow our companies to go to other states and sell the attractiveness of Nevada trusts in the other states. But in order to do this, we have to open that door to their people to come into our state to try to get people in Nevada to set up trusts in their states. Is that what is happening?

**George Burns:**

You are absolutely correct. That is why, in the very serious conversations I have had with the industry, I have asked, "Are you ready to compete?" The majority of them said, "Yes, we

are ready to compete because we know we provide the best service to Nevada citizens." We do not believe we will have any pilfering and they will be able to maintain their current business models.

**Assemblywoman Jauregui:**

Would 45 states offer reciprocity?

**George Burns:**

That is correct. This is a very fluid situation. As more states open up to reciprocity, more states follow. So the states that are not currently open to reciprocity may eventually do it.

**Chair Bustamante Adams:**

Are there any questions on sections 10 or 11? This eliminates more burdensome requirements, and section 11 addresses the method to serve the process for a trust company in this state.

**Assemblywoman Jauregui:**

I have a clarifying question on section 11, subsection 1, which says, "A foreign trust company acting in this State in a fiduciary capacity or engaging in this State in the solicitation of trust company business . . ." appoints the Commissioner as the agent of that trust company. What is the benefit of having the Commissioner appointed as an agent of that trust company?

**George Burns:**

One of the concepts in these changes is that there are basically two types of retail trust companies. There is a foreign independent trust company, which is a stand-alone trust company. There are foreign trust companies that may be a subsidiary of a bank or some other financial holding company that also has a federal regulator overseeing them, be it the Federal Reserve, the Federal Deposit Insurance Corporation, or the Office of the Controller of the Currency. Sections 10 through 12 are specifically addressing foreign trust companies that would also have a federal regulator. They need to have someone appointed, as do the independent trust companies that would come in from other states to be the agent for legal processes. The reason I am willing to do that is, if we have Nevada citizens who have a legal case against an out-of-state trust company, be it independent or foreign, they can serve that legal process on the Commissioner in order for it to be binding and be able to draw them into Nevada courts.

**Chair Bustamante Adams:**

Can you address the fee paid to the Commissioner in section 11, subsection 5?

**George Burns:**

We are trying to cover the costs to act as the agent. Normally, that is not extensive, but there may be some filing that needs to be done. We want to be sure we cover our costs. I think I will need to define that more in regulation. I do not have a good idea because it can vary. I do not know if we should charge whatever it costs or try to define the fee.

**Assemblywoman Jauregui:**

Do you receive any compensation for being an agent of the foreign trusts?

**George Burns:**

No, we do not. We feel that is covered by the initial application fee and the renewal fees.

**Chair Bustamante Adams:**

Are there any questions on sections 12 through 14? Seeing none, are there any questions on sections 15 through 17? In section 15, subsection 3, can you expand on the branch locations?

**George Burns:**

It says, "... organized under the laws of another state and authorized to do business in this State, a request for approval and, if applicable, licensing must be filed with the Commissioner . . . ." The "if applicable" is there because there are two types of licensing. One type is to be able to solicit business in the state, which means they do not have a physical location here. They could contact Nevada citizens from outside the state. The other type of license requires the company to have a physical location in Nevada. That is why that section has "if applicable" with regard to brick and mortar.

**Assemblyman Ohrenschall:**

In section 12, subsection 5, it says, "The Commissioner may: (a) Rely on the applicable regulatory authority of the home state and the applicable federal banking regulator to examine and investigate activity conducted by the foreign trust company . . . ." Can you clarify what that means?

**George Burns:**

That means the Commissioner can rely on the authority of the home state or the applicable federal regulator to examine and investigate the activity of that foreign trust company. The home state is the one that will be doing the annual examinations on the trust company it chartered. They will provide the Commissioner with the reports of examination to review on an annual basis when their license is to be renewed. The standard for trust examinations is very standard among state and federal regulators. We all use the same Federal Financial Institutions Examination Council standards for examining trusts. We are comfortable with being able to rely on the examinations that they have done.

**Assemblywoman Neal:**

The market is narrow, so what influx could we potentially see?

**George Burns:**

I am going to defer to the trust industry representatives who will testify in support. I think Nevada trust companies will be able to get more business from outside the state than outside trust companies will be able to get in Nevada.

**Chair Bustamante Adams:**

Are there any people to testify in support of A.B. 61?

**Brian Cook, President, Charles Schwab Trust Company, Henderson, Nevada:**

With me today is Matt Policastro, Director-Trust Counsel, Charles Schwab Trust Company. Charles Schwab serves millions of individual investors who invest on their own, through a workplace retirement plan or with the help of an independent financial advisor. Charles Schwab Trust Company is a Nevada state-chartered retail trust company headquartered in Henderson, Nevada, and a wholly owned subsidiary of the Charles Schwab Corporation, which is the largest savings and loan holding company in the country. Charles Schwab Trust Company was established to provide personal trust services to Schwab's brokerage and wealth management clients in all 50 states from the company's trust headquarters in Henderson, Nevada.

We commend and appreciate the efforts of Bruce Breslow, Director of the Department of Business and Industry, and George Burns, Commissioner of the Division of Financial Institutions, and his staff to improve the ability of Nevada state-chartered trust companies to do business in other states. As a Nevada trust company, we share the goal of strengthening the corporate trust and financial sector of the state's economy. In recent years, Nevada has adopted trust statutes that make it an ideal place for trust companies and individuals, including those who reside in other states, to conduct their trust business by providing direct access to Nevada's favorable statutes. That was one of the key factors in our decision to establish our headquarters in Nevada and seek a state charter which was issued in 2015. While there are many benefits to a state charter versus a national charter, it does make doing business across state lines more complex. This is why many large financial institutions such as Wells Fargo, Bank of America, and U.S. Trust opt for a national charter with federal supervision and regulation. A national charter bypasses state regulation while still doing business in the state. This is possible due to federal preemption which is not available to a state-chartered trust company.

To level the playing field, 45 states have signed on to the national Cooperative Agreement for Supervision and Examination of Multi-state Trust Institutions as adopted by the State Conference of State Bank Supervisors. The approval of A.B. 61 will enhance the ability of Nevada state-chartered trust companies to take advantage of the cooperative agreement through reciprocity and compete directly with their nationally chartered counterparts while maintaining the benefits of a state charter. We are in support of the technical amendment.

**Chair Bustamante Adams:**

Are there any questions from the Committee?

**Assemblyman Kramer:**

What do you see as the potential job growth in Nevada, and what level of pay will those jobs bring? What impact will we see?

**Brian Cook:**

Two years ago, Charles Schwab established a trust company in Nevada primarily to meet the needs of Schwab's wealth management clients who need a corporate trustee. The reasons we

chose Nevada were the hospitable business climate, the excellent trust statutes that were passed recently, and the thriving trust industry including all of the ancillary positions that Assemblyman Kramer referenced. We have been open for business for just under a year and we have hired ten people in new jobs in Henderson, Nevada, and we have eight additional job openings. We are just getting started. We are here to meet the trust needs in all 50 states but with Nevada administration. That means the support of Nevada attorneys and Nevada jobs. We are building our trust company out of Nevada to meet the needs of all 50 states.

**Assemblyman Kramer:**

Can you project a number of jobs that will be added in the industry in a couple of years?

**Brian Cook:**

I am hesitant to speculate on behalf of the entire industry. For Schwab, this is a significant growth opportunity.

**Chair Bustamante Adams:**

Are there any other questions from the Committee? [There were none.] Are there others in support of the technical amendment?

**Gregory E. Crawford, President, Alliance Trust Company of Nevada, Reno, Nevada:**

I also am representing the Nevada Trust Companies Association.

**L. Scott Walshaw, Senior Trust and Compliance Officer, Creative Planning Trust Company, Reno, Nevada:**

I am also representing the Nevada Trust Companies Association.

**Chair Bustamante Adams:**

Do both representatives of the Nevada Trust Companies Association support the bill with the technical amendment?

**Scott Walshaw:**

That is correct.

**Chair Bustamante Adams:**

Will you talk about the number of people you employ in Reno as part of your business?

**Scott Walshaw:**

This is not a labor-intensive business. Currently there are two people working at the trust company where I am. There are plans to expand the staff within the next three years, but it is not going to be labor intensive. There are not going to be hundreds of jobs created unless you have a massive influx of trust companies to the state.

**Chair Bustamante Adams:**

These are well-paying jobs and you are employing Nevadans.

**Scott Walshaw:**

There will be collateral effects because attorneys, accountants, and other jobs will be affected by the creation of trust companies or the growth of existing trust companies. I am not in a position to know what impact there will be in terms of dollars or numbers of jobs.

**Gregory Crawford:**

It is difficult to project the growth in the trust business, but we are very encouraged by the recognition of Nevada trust companies, not only in the United States, but around the world, as very solid situs locations for people doing their estate planning. The projections are difficult, but very encouraging. The trust companies association a couple of years ago used the same methodology that Northwestern University used to analyze the Delaware trust industry. Using that criteria, the annual economic impact to the state of Nevada on the industry with lag data is about \$280 million. Not included in that figure is the fact that many of these trusts use limited liability companies inside the trusts as an extra planning strategy. If you use the same criteria and apply it to the numbers in Nevada, we would estimate that \$3.5 million goes to the Office of the Secretary of State directly as the result of people using Nevada limited liability companies inside the trusts. We have a solid economic impact in Nevada. Predicting the exact growth is difficult, but when you see companies like Charles Schwab and National Global coming to Nevada, you recognize that we are doing something right, and there is a large amount of growth on the horizon for all of us.

**Chair Bustamante Adams:**

Mr. Walshaw will present the amendment.

**Scott Walshaw:**

We are also here to address the technical amendment ([Exhibit E](#)). The amendment to section 16 of [A.B. 61](#) was intended to clarify some confusion that was created in drafting. There was language inserted in that section that created a lot of problems. We are attempting to clarify why that particular change is necessary. The way reciprocity is designed to work here is that it allows out-of-state trust companies to come to Nevada and solicit business. The exception to that rule will be the federally regulated entities. They can administer trusts in Nevada. Those that are independent trust companies that are state chartered in other states are not going to be allowed to administer trusts in Nevada. That is the purpose of the change in section 16. We want to make it clear that an out-of-state, state-chartered trust company, as it is defined in the statute as an independent trust company, is not allowed to act as trustee of a spendthrift trust in Nevada. That is the sole purpose of this.

There were some questions about who was going to come into the state. There are about six states that have statutes similar to Nevada's. By most people's metrics, Nevada's are probably the best or tied for the best. Looking at it in that context, Nevada has a competitive advantage. Under the terms of reciprocity, if a Nevada state-chartered trust company goes to another state to solicit business, it is going to want to administer that business in Nevada to take advantage of Nevada law. The state that is coming here, unless it is one of the competitive states, is probably not going to have that advantage with Nevada residents.



**Assemblyman Kramer:**

I thought we were looking for reciprocity, and what you said is that you will not allow another state to come here unless they are a Nevada-chartered institution. That to me is not reciprocity.

**Scott Walshaw:**

Under the provisions of the bill that would change the statute, a state-chartered trust company, one that is not federally regulated in this state, will seek to solicit business in another state. In order to do that, there has to be reciprocity established between the two states. That means that the other state's state-chartered trust companies will need to have the authority to come to Nevada under Nevada law. That is the purpose of the bill.

**Chair Bustamante Adams:**

Are there any other questions from the Committee? Seeing none, is there anyone to speak in opposition? [There was no one.] Is there anyone to testify from a neutral position? [There was no one.]

**George Burns:**

Hopefully, you have seen the benefits that this bill will provide not only to the trust industry, but to the state as a whole. It will make Nevada a place for people to find the advantages of a Nevada trust throughout the country. Remember, when people have their trusts here, they also tend to visit here. That brings us more tourism as well. I feel very comfortable that our industry is now stable, safe, sound, and well-regulated enough for us to venture outside of our borders, and we would be able to control those who come into our state as well. I ask the Committee to support this bill for all of the reasons I have given.

**Chair Bustamante Adams:**

Our legal counsel has a statement.

**William Keane, Committee Counsel:**

At the top of the proposed amendment, there was the note, the initial language in section 10, which said, "In addition to the authority provided in subsection 3 . . . ." That is a mistake and should say, "In addition to the authority provided in section 12 . . . ."

**George Burns:**

That is my understanding.

**Chair Bustamante Adams:**

I will close the hearing on A.B. 61. Is there any public comment? [There was none.]  
The meeting is adjourned [at 1:19 p.m.].

RESPECTFULLY SUBMITTED:

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Earlene Miller  
Committee Secretary

APPROVED BY:

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Assemblywoman Irene Bustamante Adams, Chair

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a Section-by-Section Explanation regarding [Assembly Bill 54](#) presented by Joseph (JD) Decker, Administrator, Division of Industrial Relations, Department of Business and Industry.

[Exhibit D](#) is a Section-by-Section Explanation regarding [Assembly Bill 61](#) presented by George E. Burns, Commissioner, Financial Institutions Division, Department of Business and Industry.

[Exhibit E](#) is a proposed amendment to [Assembly Bill 61](#) submitted by the Nevada Trust Companies Association and presented by L. Scott Walshaw, Senior Trust and Compliance Officer, Creative Planning Trust Company, Reno, Nevada.