

Report of the Joint Committee on Fiduciary Financial Institutions Oversight to the 2026 Kansas Legislature

CHAIRPERSON: Representative Nick Hoheisel

VICE-CHAIRPERSON: Senator Brenda Dietrich

OTHER MEMBERS: Senators Ethan Corson (July 31), Marci Francisco (November 6), Michael Fagg, and Stephen Owens; and Representatives Mike King, Dan Osman, Laura Williams, and Rui Xu

CHARGE

Monitor and Make Recommendations on Fiduciary Financial Institutions in Kansas

Pursuant to KSA 2023 Supp. 46-4001, the Committee is directed to monitor, review, and make recommendations regarding fiduciary financial institutions' operations in the State of Kansas and the fiduciary financial institutions pilot program, and to receive a report from the Office of the State Bank Commissioner.

Joint Committee on Fiduciary Financial Institutions Oversight

ANNUAL REPORT

Conclusions and Recommendations

The 2025 Joint Committee on Fiduciary Financial Institutions Oversight (Committee) makes the following recommendations:

- The OSBC should earnestly engage with Beneficient and obtain any other private or professional assistance necessary to create rules and regulations as it pertains to the TEFFI industry in accordance with KSA 9-2322; and
- A monthly meeting, either in-person or virtual, should occur between the OSBC and all entities chartered under the TEFFI Act;

Proposed Legislation: Two bills. The Committee recommends the following:

- Drafting and prefiling legislation in both chambers to amend the TEFFI Act to authorize the OSBC to revoke a charter if a TEFFI does not comply with statutes or regulations, including a revocation appeal process through the Legislative Coordinating Council; and
- Drafting and prefiling legislation in both chambers that clearly states the State of Kansas will not accept receivership of a TEFFI that is insolvent or declares bankruptcy.

BACKGROUND

The Joint Committee on Fiduciary Financial Institutions Oversight (Committee) was established by the enactment of 2021 Senate Sub. for HB 2074, Section 29, codified at KSA 46-4001. This nine-member committee is required to:

- Monitor, review, and make recommendations regarding fiduciary financial institutions' operations in the state of Kansas;
- Monitor, review, and make recommendations regarding the FidFin Fiduciary Institution Pilot Program (pilot program); and
- Receive a report from the Office of the State Bank Commissioner (OSBC). [*Note:*

The bill also required the OSBC to submit an initial report prior to December 31, 2021, that provided an update on the implementation of the TEFFI Act and pilot program. The bill required this report to include recommendations from the OSBC for any legislation necessary to implement provisions of the Technology-enabled Fiduciary Financial Institutions (TEFFI) Act.]

The Legislative Coordinating Council authorized the Committee to meet for two days; the Committee met at the Statehouse on July 31, 2025, and November 6, 2025.

COMMITTEE ACTIVITIES

July 31, 2025, Meeting: TEFFI Act Overview and TEFFI Operations

The Committee met to review law regarding fiduciary financial institutions, perform the oversight assigned to the Committee, and receive updates on fiduciary financial institutions' operations and activities in the state.

Testimony was provided by representatives of the TEFFI recognized by the 2021 law. [Note: Beneficient Fiduciary Financial (BFF), LLC, is the TEFFI granted charter in Kansas and, as of 2025, is the only TEFFI in the country. The Beneficient Company Group, LP, is the parent company, and is often referred to as "Ben."]

As head of the regulatory authority authorized by the 2021 legislation, the State Bank Commissioner (Commissioner) testified before the Committee. A representative of the Kansas Department of Commerce (Department) also testified.

Overview of the Technology-enabled Fiduciary Financial Institutions Act and Statutory Requirements

Staff from the Office of Revisor of Statutes provided a summary of the statutory requirements under the TEFFI Act (KSA 9-2301 *et seq.*) as it applies to both the TEFFI and the OSBC.

Statutes in the TEFFI Act specify requirements for TEFFIs on the following topics:

- Application and approval for a charter and applicable distributions (KSA 9-2302);
- Application and examination fees (KSA 9-2303);
- Capitalization (KSA 9-2305);
- Board of directors (KSA 9-2306);
- Report to the Commissioner (KSA 9-2307(a));

- Naming and advertising restrictions (KSA 9-2308);
- Maintaining office space (KSA 9-2309(a) and (d));
- Principal office and maintenance of records (KSA 9-2309(c));
- Fiduciary and required distributions (KSA 9-2311);
- Disclosure to customers (KSA 9-2311(h));
- Notification when engaging a party to provide certain services (KSA 9-2312); and
- Custodial services (KSA 9-2313).

The OSBC is subject to the following requirements:

- Notification of approval or disapproval of application (KSA 9-2302(g));
- Assessment of fees and examination expenses (KSA 9-2303);
- Examinations (KSA 9-2307(b));
- Adoption of rules and regulations (KSA 9-2322); and
- Annual report to the Joint Committee on Fiduciary Financial Institutions Oversight (KSA 46-4001(g)).

Updates on Fiduciary Financial Institutions' Operation in the State of Kansas

Office of the State Bank Commissioner

The Commissioner reported on the regulatory activities conducted by the OSBC regarding the sole TEFFI chartered and existing in Kansas, BFF.

Charter; TEFFI Act. The Commissioner testified that the TEFFI Act established that each TEFFI pay an annual assessment of at least \$1 million to the OSBC, which then remits all moneys to the State Treasury. Three-quarters of each remittance is credited to the Bank Commissioner Fee Fund, and one-quarter is credited to the TEFFI Development and Expansion Fund with the Department. It was noted the OSBC has not received any additional applications or inquiries from potential TEFFI organizers.

Examination and oversight. The Commissioner testified the OSBC is the sole regulator for TEFFIs, unlike other financial institutions and entities that have a federal regulatory counterpart.

The Commissioner indicated the OSBC recently completed an examination consisting of a review of BFF's compliance with applicable laws and regulations and monitoring progress on addressing and resolving findings from previous examinations. The examination's scope did not include the Bank Secrecy Act, Anti-Money Laundering Act, or an information technology (IT) review. Findings were presented to the BFF board and certain executives in July 2025. The Commissioner noted that the findings are statutorily confidential and he cannot discuss any findings in detail.

Regulatory concerns: safety and soundness examination. The Commissioner discussed his ongoing concerns with some of the regulatory components contained in the TEFFI Act. He noted those concerns would exist for any entrant into the TEFFI marketplace, as the TEFFI legislation is not specific for just BFF, but rather legislation that will govern any future TEFFI, should there be interest from other entities. The Commissioner stated it remains impossible to conduct a meaningful safety and soundness examination. He highlighted the standard CAMELS rating system (which takes its name from its elements of review of capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk) used for state-regulated banks that follows international industry standards and assigns ratings in compliance with a uniform ratings system.

The Commissioner stated the TEFFI Act specifically prohibits an examination to consider earnings as a component and assigns any goodwill asset as a capital component, which departs from the Uniform Financial Institutions Rating System, the Uniform Interagency Trust Rating System, and generally accepted accounting principles (GAAP). No standard exists to determine the financial safety and soundness of a TEFFI.

Regulatory concerns: litigation and liquidation. The Commissioner noted several publicly disclosed adverse effects have occurred at Ben, raising concern about effects on BFF, including:

- Ben's most recent fiscal year-end audit included a lack of going concern clause, meaning auditors believe the company is on the verge of insolvency;
- Ben received a NASDAQ delisting notice for failing to maintain a \$1.00 bid requirement on its publicly traded stock on the NASDAQ exchange; the company requested a 180-day extension that has recently expired and the company intends to request a hearing and stay of any suspension;
- Former Ben employees brought claims against Ben with the Texas Workforce Commission; and
- Ben's Chief Executive Officer (CEO) and Board Chairman recently resigned and stated to the Securities and Exchange Commission that he believes the only viable course for Ben is to wind down its operations.

The Commissioner stated he is of the opinion that the Legislature should repeal the Act in its entirety and retract the TEFFI charter. He continued by stating Kansas trust companies can hold alternative assets in certain trusts and the market already exists for the assets that BFF is holding.

Discussion

The Commissioner responded to questions about the risks TEFFIs pose to the State and its residents, how much money OSBC has received from the TEFFI fees and assessments, and whether OSBC has established any additional TEFFI regulations since the previous Committee meeting.

Beneficient Fiduciary Financial, LLC

The Ben Interim CEO, the BFF President and Chief Fiduciary Officer, and the BFF Managing Director and Chief Operating Officer (COO) provided an overview of recent Beneficient and BFF activities.

[*Note:* BFF representatives later submitted two reports for the Committee’s reference and record: Beneficient Fiduciary Financial, LLC Management Report — an asset and distribution statutory allocation reporting of the Department and Beneficient Heartland Foundation, Inc. (Foundation) activities; and Legislative Report for Kansas TEFFI Charitable Activity—including audited consolidated financial statements for the Kansas TEFFI Economic Growth Trust and the Foundation—for the Fiscal Year ended March 31, 2024. These reports were not available for this meeting.]

BFF’s President presented information on the nature of the TEFFI, market factors that have slowed industry growth, an overview of the insolvency risks and mediation efforts underway, and explanation of fund distributions to the Foundation and the Department.

The BFF President described the alternative assets with which the TEFFI works as illiquid assets, such as private equity and structured credit funds, and the TEFFI serves to provide liquidity to its clients. It was reported that the initial public offerings market and the merger and acquisitions market have slowed down over the past few years, reducing their liquidity.

Ben’s Interim CEO noted he was previously employed with Ben as its Executive Vice President and Chief Legal Officer. He informed the Committee that the Company, Board of Directors, and executive management will renew focus on its core business objectives and believe this will help turn Ben’s performance around.

The BFF COO explained that 2.5 percent of BFF revenues is directed to the Kansas TEFFI Economic Growth Trust and is then split between the Foundation and the Department. An update was provided about the Hesston, Kansas, grocery store funded with TEFFI distributions. It was noted that while construction is not underway, a committee has been meeting weekly for the past two years to review the project’s status and progress. With recent developments, more control of the board has been given to community members.

Discussion

Discussion with the Committee centered around compliance with residency and office space requirements, creating a TEFFI regulatory framework and willingness to work with OSBC on creating one, challenges and contingencies for Ben and BFF, the effect on Kansas of repealing the Act, the business value of the TEFFI charter, and a breakdown of cash distributions to the Foundation and the Department.

Update on the Technology-enabled Fiduciary Financial Institutions Development and Expansion Fund and Distribution to the Economic Growth Zones and Promotion of Development, Growth, and Expansion

Kansas Department of Commerce

The Director of Legislative Affairs (Director) for the Department provided an overview of the Strategic Economic Expansion and Development (SEED) grant program, specifically designed to award grants that support the economic revitalization of Kansas communities with populations of less than 5,000 people through investments in quality-of-life initiatives. The total amount of available funding is dependent on the annual assessments paid by each chartered TEFFI.

Regarding SEED program awards, the Director reported:

- In the first round of awards, the Department received \$2.7 million to disburse and received 109 applications. The Department awarded 61 grants in 2022;

- In the second round of awards, the Department received \$270,000 to disburse and received 68 applications. The Department awarded 13 grants in 2023; and
- In the third round of awards, the Department received \$250,000 to disburse and received 48 applications. The Department awarded 12 grants in 2024.

The Director shared details and photos of several of the projects that received awards.

Discussion

The Committee and the Director discussed how funds were received, whether every required payment of BFF had been made, whether fund matching is required, and use of the TEFFI Development and Expansion Fund for marketing and promoting the TEFFI program. It was noted that most SEED grant recipients lacked sufficient resources in staffing or matching dollars to receive larger grants administered by the Department.

Further Discussion Required

At the conclusion of the July 31 meeting, the Committee unanimously decided to request an additional day to receive an update on BFF's operations and turnaround strategy, to hear from a Foundation representative, and to make recommendations to the 2026 Legislature.

November 6, 2025, Meeting: TEFFI Update and Recommendations

The Committee met to receive updates on TEFFI regulatory actions, Foundation activities, and fiduciary financial institutions' operations in the state.

Testimony was provided by representatives of the Commissioner, the Foundation, BFF, and Ben.

Updates on Fiduciary Financial Institutions' Operation in the State of Kansas

Office of the State Bank Commissioner

The Commissioner provided an update on the examination and exit meeting of BFF and its board of directors. It was noted that the examination

report is confidential, but it was disclosed that significant and repeated violations of Kansas statutes and rules and regulations were cited. The Commissioner noted that, due to the volume of the violations, the OSBC proposed requiring corrective action.

The Commissioner noted that the corrective action is a signal from the OSBC that significant improvement is necessary for BFF to thrive. Items of concern included a lack of corporate oversight and governance, history of operating losses, and ongoing legal challenges.

The Commissioner reiterated testimony from the July meeting regarding concerns about BFF continuing as an ongoing concern as well as the newly disclosed five-count indictment brought against Beneficent's founder and former CEO.

The Commissioner also provided information related to the BHF Grocery Store, LLC, and that since the July meeting, the OSBC has not received any applications or inquiries from any entity seeking to obtain a TEFFI charter.

Discussion

Discussion with the Committee centered around risk to Kansas citizens and taxpayers, managing a potential BFF wind-down or insolvency, TEFFI examination process, corrective action timeline and process, and effects of a consent order.

Beneficent Heartland Foundation

The Chairperson for the Foundation's Board of Directors provided an overview of the activity occurring in downtown Hesston as a result of the TEFFI distributions to the Foundation.

The Chairperson noted that since the former Beneficent CEO had left the Foundation's Board of Directors, the Board had reallocated seats to local and community leaders to help ensure the grocery store could sustainably serve the town for the long term.

It was also noted that while construction on the grocery store had not started, planning of the store was currently ongoing, and activity was occurring in the downtown area to facilitate the

project. It was noted that BFF had contributed to the Foundation more than was statutorily required, but that the grocery store project still lacked sufficient funding to begin development of the building.

Discussion

Discussion topics with the Committee included changes taken by the Foundation after the former CEO's resignation, why the grocery store project's annual report was not timely filed, and how much funding is needed to start construction.

Beneficient Fiduciary Financial, LLC

The Ben Interim CEO, the BFF Managing Director and COO, Ben counsel, and the BFF President and Chief Fiduciary Officer (President), provided an update of Ben's and BFF's activity since the previous meeting, including an update on the effect of the former CEO's financial dealings.

Ben's CEO addressed recent media coverage related to the indictment of Ben's founder and former CEO. The Interim CEO reiterated Beneficient's commitment to serving the Foundation and the State. The CEO also reiterated Beneficient's belief that its business model and the market opportunity will allow Ben and BFF to remain operational and fulfilling its obligations to the Foundation and the State.

The COO testified that the OSBC's examination highlighted areas BFF needs to address and improve upon, but also noted that it was difficult to communicate with the OSBC to rectify issues and questions in a timely manner.

Ben Counsel provided the Committee with an overview of the litigation involving the former CEO and how BFF assets were unaffected by the alleged conduct.

The President provided information related to the distributions from BFF to the Foundation and the Department. The President also stated that the Interim CEO and another investor converted their preferred stock into common stock, showing their belief in the business model going forward.

Testimony was also provided by Ben and BFF showing their communications to the OSBC requesting to collaborate on developing statutory changes and regulations for the TEFFI industry. Ben and BFF also provided the OSBC's response showing that the OSBC believed it did not have authority to issue TEFFI rules and regulations, and even if it did, the OSBC believed additional regulations were unnecessary.

Discussion

Discussion with the Committee focused on the examination results, the business effect of the TEFFI charter, potential losses incurred from the alleged misconduct of the former CEO, the NASDAQ delisting notice, and creating TEFFI industry rules and regulations and statutory changes to make the program more attractive to other interested entities.

CONCLUSIONS AND RECOMMENDATIONS

The Committee made the following recommendations:

- The OSBC should earnestly engage with Beneficient and obtain any other private or professional assistance necessary to create rules and regulations as it pertains to the TEFFI industry in accordance with KSA 9-2322;
- A monthly meeting, either in-person or virtual, should occur between the OSBC and all entities chartered under the TEFFI Act;
- Drafting and prefiling of legislation in both chambers to amend the TEFFI Act allowing the OSBC to revoke a charter if a TEFFI does not comply with statutes or regulations, including a revocation appeal process through the Legislative Coordinating Council.
- Drafting and prefiling of legislation in both chambers that clearly states the State of Kansas will not accept receivership of a TEFFI that is insolvent or declares bankruptcy.