

SENATE BILL No. 16

By Committee on Federal and State Affairs

1-16

1 AN ACT concerning financial services; prohibiting discrimination by
2 financial services companies on the basis of social credit score;
3 requiring registered investment advisers to obtain written consent from
4 clients prior to investing client moneys in mutual funds, equity funds,
5 companies and financial institutions that engage in ideological
6 boycotts.

7
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. (a) As used in sections 1 through 7, and amendments
10 thereto:

11 (1) "Company" means any organization, association, corporation,
12 partnership, joint venture, limited partnership, limited liability partnership,
13 limited liability company or other entity of business association, including
14 a wholly owned subsidiary, majority-owned subsidiary, parent company or
15 affiliate of such entities or business associations that exists for the purpose
16 of making a profit.

17 (2) "Financial institution" means a bank, national banking
18 association, trust company, savings and loan association, building and loan
19 association, mutual savings bank, credit union, payment processor or
20 savings bank.

21 (3) "Financial services company" means a financial institution,
22 insurance company or other company that provides investment services.

23 (4) "Fossil fuels" means coal, natural gas or oil.

24 (5) "Ideological boycott" means, without an ordinary business
25 purpose, refusing to deal with, refusing or limiting investment in,
26 terminating business activities with or otherwise taking any commercial
27 action that is intended to penalize, inflict economic harm on, limit
28 commercial relations with or change or limit the activities of a company
29 because the company, without violating controlling state or federal law:

30 (A) Engages in the exploration, production, utilization, transportation,
31 sale or manufacturing of fossil fuel-based energy and does not commit or
32 pledge to meet environmental standards beyond applicable federal and
33 state law;

34 (B) engages in the exploration, production, utilization, transportation,
35 sale or manufacturing of nuclear energy and does not commit or pledge to
36 meet environmental standards beyond applicable federal and state law;

1 (C) engages in production of agriculture;

2 (D) engages in production of lumber;

3 (E) engages in mining;

4 (F) engages in the exploration, production, utilization, transportation,
5 sale or manufacturing of any other natural resource;

6 (G) emits greenhouse gases or does not disclose or offset such
7 greenhouse gas emissions;

8 (H) engages, facilitates or supports the manufacture, import,
9 distribution, marketing, advertising, lawful use or sale of firearms,
10 ammunition or component parts and accessories of firearms or
11 ammunition;

12 (I) does not meet, is not expected to meet or does not commit to meet
13 environmental standards or disclosure criteria, in particular to eliminate,
14 reduce, offset or disclose greenhouse gas emissions;

15 (J) is governed by a corporate board or other officers whose race,
16 ethnicity, sex or sexual orientation meets or does not meet any criterion;

17 (K) does not facilitate or assist employees in obtaining abortions,
18 assisted suicide or gender reassignment services; or

19 (L) engages with, facilitates, employs, supports, does business with,
20 represents or advocates for any company described by any of
21 subparagraphs (A) through (K).

22 (6) "Insurance company" means the same as defined in K.S.A. 40-
23 201, and amendments thereto.

24 (7) "Natural resources" means fossil fuels, minerals, metal ores or any
25 other nonrenewable or finite resource that cannot be readily replaced by
26 natural means with the speed at which it is consumed.

27 (8) (A) "Ordinary business purpose" means any purpose directly
28 related to:

29 (i) Promoting the financial success or stability of a financial services
30 company;

31 (ii) mitigating risk to a financial services company;

32 (iii) complying with legal or regulatory requirements; or

33 (iv) limiting liability of a financial services company.

34 (B) "Ordinary business purpose" does not mean any purpose to
35 further social, political or ideological interests. A company may reasonably
36 be determined to have taken an action or considered a factor with the
37 purpose to further social, political or ideological interests based upon
38 evidence indicating that such a purpose is included in, but not limited to:

39 (i) Branding, advertising, statements, explanations, reports, letters to
40 clients, communications with portfolio companies, statements of principles
41 or commitments; or

42 (ii) participating in, affiliation with or status as a signatory to any
43 coalition, initiative, joint statement of principles or agreement.

1 (9) "Person" means any natural person, partnership, association, joint
2 stock company, trust or corporation.

3 (10) "Registered investment adviser" means an investment adviser
4 that provides financial or investment advice to clients and is registered
5 either with the United States securities and exchange commission or with
6 the state of Kansas under the Kansas uniform securities act, or both.

7 (11) "Social credit score" means any rating, scoring, analysis,
8 assessment, list, standard, guidance, criterion or tabulation that includes,
9 without violating controlling state or federal law, a negative assessment of
10 whether a person is engaging in any of the following lawful activities
11 within this state:

12 (A) Not committing or pledging to meet environmental standards
13 beyond applicable state or federal law in the exploration, production,
14 utilization, transportation, sale or manufacturing of fossil fuel-based
15 energy, nuclear energy, agriculture, timber, mining or any other natural
16 resource;

17 (B) the emitting of greenhouse gases or refusing to disclose, reduce
18 or offset such greenhouse gas emissions;

19 (C) not meeting, not expecting to meet or not committing to meet any
20 environmental goals, including emissions, standards or disclosures;

21 (D) not meeting, not expecting to meet or not committing to meet any
22 corporate board or company employment composition goals, including
23 standards or disclosures based upon characteristics protected under K.S.A.
24 44-1001 et seq., and amendments thereto;

25 (E) the manufacturing, distribution or sale of firearms, firearms
26 accessories, ammunition or ammunition components;

27 (F) the governing of a corporate board or other officers whose race,
28 ethnicity, sex or sexual orientation meets or does not meet any criterion;

29 (G) refusing to facilitate or assist employees in obtaining abortions,
30 assisted suicide or gender reassignment services;

31 (H) exercising such person's freedom of speech as protected by either
32 the first amendment to the constitution of the United States or section 11 of
33 the Kansas bill of rights, if the financial services company were considered
34 to be a state actor, including the person's political opinions, political
35 speech, political donations, political affiliations or other expressive
36 activities;

37 (I) exercising such person's free exercise of religion as protected by
38 any of the first amendment to the constitution of the United States, the
39 federal religious freedom restoration act of 1993, section 7 of the Kansas
40 bill of rights or the Kansas preservation of religious freedom act, if the
41 financial services company were considered to be a state actor, including
42 all aspects of the person's religious observance and practice, as well as
43 belief and affiliation; or

1 (J) engaging with, facilitating of, employing by, supporting of, doing
2 business with, representing of or advocating for any person who does
3 business with a person described by subparagraphs (A) through (I).

4 Sec. 2. To provide fair access to financial services, a financial
5 services company shall not:

6 (a) Discriminate in the provision of financial services against a person
7 based on the person's social credit score, including by refusing to provide a
8 person new or ongoing financial services of any kind, refraining from
9 continuing to provide a person existing financial services, terminating a
10 person's existing financial services or refusing to make each financial
11 service such financial services company offers to all persons in the
12 geographic market served by the financial services company on a
13 nondiscriminatory basis;

14 (b) agree, conspire or coordinate, directly or indirectly, including
15 through any intermediary or third party, with another company or group of
16 companies, to discriminate in the provision of financial services against a
17 person based on the person's social credit score, including by refusing to
18 provide a person new or ongoing financial services of any kind, refraining
19 from continuing to provide a person existing financial services,
20 terminating a person's existing financial services or deny any person a
21 financial service such financial services company offers except to the
22 extent justified by such person's documented failure to meet quantitative,
23 impartial risk-based financial standards established in advance by such
24 financial services company;

25 (c) deny any person a financial service such financial services
26 company offers, other than as provided by subsection (b), when the effect
27 of the denial is to prevent, limit or otherwise disadvantage the person:

28 (1) From entering or competing in a market or business segment; or
29 (2) in such a way that benefits another person or business activity in
30 which the financial services company has a financial interest; and

31 (d) deny, in coordination with others, any person a financial service
32 such financial services company offers.

33 Sec. 3. (a) A financial services company shall not utilize standards or
34 guidelines based on nonfinancial or ideological criteria, including the
35 criteria constituting an ideological boycott, in determining whether or not
36 to provide any financial service to a person or company.

37 (b) A financial services company shall disclose to any person or
38 company denied a financial service with the specific data, information,
39 criteria and standard used to support such denial. Such disclosure shall be
40 provided in writing in bold 14-point font.

41 Sec. 4. (a) (1) Except as provided in paragraph (2), a financial
42 services company that violates the provisions of sections 2 and 3, and
43 amendments thereto, commits a deceptive act or practice and shall be

1 subject to enforcement by the attorney general pursuant to K.S.A. 50-626,
2 and amendments thereto.

3 (2) A financial services company that is a credit union that violates
4 the provisions of sections 2 and 3, and amendments thereto, commits an
5 unsound practice and shall be subject to civil enforcement by the credit
6 union administrator pursuant to K.S.A. 17-2206, and amendments thereto.

7 (b) An insurance company that violates the provisions of sections 2
8 and 3, and amendments thereto, commits an unfair or deceptive act or
9 practice under K.S.A. 40-2404, and amendments thereto, and shall be
10 subject to the penalties imposed under K.S.A. 40-2401 et seq., and
11 amendments thereto.

12 (c) Notwithstanding enforcement under subsection (a) or (b), upon
13 conviction of five or more violations of this act, a financial services
14 company shall be guilty of a class C nonperson misdemeanor.

15 Sec. 5. The state bank commissioner, the commissioner of insurance
16 and the credit union administrator shall adopt rules and regulations for the
17 enforcement of sections 2 through 4, and amendments thereto. Such rules
18 and regulations shall be adopted on or before July 1, 2026.

19 Sec. 6. The provisions of sections 1 through 5, and amendments
20 thereto, shall only apply with respect to financial services companies with
21 total assets of \$20,000,000,000 or more. No public agency or official shall
22 have the authority to remove or otherwise modify the total asset threshold
23 established by this section.

24 Sec. 7. (a) A registered investment adviser, prior to investing any
25 moneys owned by a client in or through any mutual fund, actively or
26 passively managed equity fund, company or financial institution that is
27 engaged in one or more ideological boycotts, shall obtain written consent
28 from such client stating that the client is fully aware of and consents to the
29 investment of moneys owned by the client in or through such mutual fund,
30 actively or passively managed equity fund, company or financial
31 institution. Such written consent need only be obtained once from the
32 client. Such written consent shall consist of the following disclosure:

33 "The institution managing this fund is engaged in one or more
34 ideological boycotts. If such boycotts are used in managing your fund,
35 these boycotts may impact the fund's returns compared to the fund's
36 historical performance or the performance of funds that do not engage in
37 ideological boycotts. You may have the option to choose a similar fund
38 that does not engage in ideological boycotts. By signing below, you
39 consent to have your investment managed by this institution even if the
40 institution engages in ideological boycotts that may impact your returns
41 compared to historical performance or other funds."

42 (b) Conduct prohibited by this section shall be considered an act,
43 practice or course of business that operates or would operate as a fraud or

1 deceit in accordance with K.S.A. 17-12a502, and amendments thereto.

2 (c) Nothing in this section shall be construed to establish any
3 requirements for registration, capital, custody, margin, financial
4 responsibility, making and keeping of records, bonding or financial or
5 operational reporting for a registered investment adviser that differ from
6 the requirements established under federal law to the extent that such
7 requirements are applicable to the registered investment adviser. The
8 requirements of this section shall not apply to annuities managed by an
9 insurance company.

10 (d) The provisions of this section, or any contract or practice subject
11 to this section, may be enforced by the attorney general. The attorney
12 general may investigate possible violations of this section in accordance
13 with the provisions of K.S.A. 50-631, and amendments thereto.

14 Sec. 8. This act shall take effect and be in force from and after its
15 publication in the statute book.