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Nevada's Oldest Trust Company Calls it Quits After 107 Years in Business

Posted by [Scott Martin](#) in [News](#) on July 31, 2010

Exclusive

Experts blame regulator and over-burdensome rules for closure and zero growth since enactment of higher capital requirements. Complying with Nevada's residency requirement rules worries most local firms with sizable non-Nevada business. New players continue to find better alternatives from other states.

Reno based Nevada Agency and Trust Company had been doing business since 1903, but Andrea Cardinali, the company's president, decided to abandon its state trust charter earlier this year.

"We did let it expire," she confirms. "And we've changed our name to reflect that."

Now known as Nevada Agency and Transfer, Reno-based [NATCO](#) is not aggressively pursuing another charter from any other state or federal agency.

Cardinali wasn't eager to talk about operating conditions for retail trust companies in Nevada, but the state's decision to tighten the rules [late last year](#) probably made it easier for NATCO to cut the 100-year cord.

"There is the distinct possibility that the Financial Institutions Division is causing the lowest-capitalized trust companies to leave," says [Matthew Saltzman](#), a banking attorney at Las Vegas law firm Kolesar & Leatham.

"Some might not be able to comply with the [new requirements](#)," he added. "Others may just not want to do so."



MATTHEW SALTZMAN:
"Marginal players may be more likely to relocate."

Not enough incentives

NATCO was not a prominent player in the Nevada trust landscape. Neither Saltzman nor Nevada Trust president Peter Kingman was familiar with the company, which has moved away from trust services over the decades to focus on the stock transfer and registrar business.

Although most institutions that engage in these activities have traditionally been banks or independent trust companies, you don't actually need a trust charter to do so.

In fact, because NATCO isn't a bank, it needed to register with the SEC and comply with federal securities industry rules whether it kept its state charter or not.

However, Nevada's stricter rules made it more expensive to keep that charter. Even though NATCO was grandfathered into the new capital requirements, it still would

have had to commit an extra \$200,000 by October 1 and another \$250,000 a year for the next two years.

It also needed to meet various customer residency tests to prove that it was primarily doing business with Nevada clients.

Because most Nevada trust companies serve a primarily out-of-state client base, this rule looks especially onerous to L. Scott Walshaw, the state's former banking commissioner.

"I don't think it's enforceable," he says. "Someone ought to take the regulator to court on this one. But in the meantime, it only encourages trust companies to leave the state."

The canary meets the coalmine

NATCO's quiet exit brings the number of public trust companies operating in Nevada its lowest level in over a year, and Matthew Saltzman agrees with Walshaw: more departures are on the horizon.

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"As the state goes from an attractive low-cost jurisdiction to a more expensive one, marginal players may be more likely to relocate to South Dakota or wherever the hot jurisdiction is right now," he says.

While client privilege prevented him from telling me who it is, he says at least one more trust company is planning on abandoning its Nevada charter in order to become a more loosely regulated family trust company instead.

Chicago financial institutions lawyer [John P.C. Duncan](#) warned of such a flight from the state last year when he asked the Nevada legislature to soften the new rules.

Unless a more trust-friendly overhaul could be found, he warned back in April of last year, trust companies would "be driven from Nevada or barred from being licensed here."

That testimony appears to have come true. While Duncan's amendments helped save Nevada's private trust companies, their retail cousins got no such savior.

While "friendlier jurisdictions" like South Dakota are luring [big business](#) from out-of-state applicants, Nevada has not licensed a single public trust company since last May, when [Saturna Trust](#) got its charter—well before the heavier regulatory burden kicked in.

Whether Nevada lets more trust institutions slip off its rolls or starts actively courting new ones, Matthew Saltzman would simply like to see the state clarify its position.

"A more formal Nevada trust office needs to be established," he says. "Unfortunately, there's no way to compensate the regulators based on the amount of license fees the state brings in."

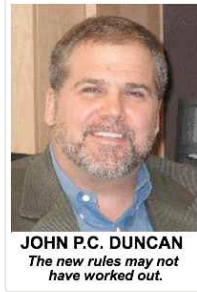
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