
SUBSTITUTE SENATE BILL 5270

State of Washington

53rd Legislature

1993 Regular Session

By Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Prentice and Amondson)

Read first time 02/11/93.

1 AN ACT Relating to the creation of the department of financial
2 institutions; amending RCW 21.20.005, 21.20.450, 21.20.720, 43.17.010,
3 43.17.020, 43.19.010, 43.19.020, 43.19.030, 43.19.050, 43.19.080,
4 43.19.090, 43.19.095, and 43.19.112; adding a new chapter to Title 43
5 RCW; creating new sections; recodifying RCW 43.19.020, 43.19.030,
6 43.19.050, 43.19.080, 43.19.090, 43.19.095, and 43.19.112; and
7 repealing RCW 43.19.040, 43.19.100, and 43.19.110.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature finds that, given the
10 overlap of powers and products in the companies regulated, the
11 consolidation of the agencies regulating financial institutions and
12 securities into one department will better serve the public interest
13 through more effective use of staff expertise. Therefore, for the
14 convenience of administration and the centralization of control and the
15 more effective use of state resources and expertise, the state desires
16 to combine the regulation of financial institutions and securities into
17 one department.

1 NEW SECTION. **Sec. 2.** There is hereby created a state department
2 of financial institutions that is headed by the director of financial
3 institutions. The department shall be organized and operated in a
4 manner which to the fullest extent permissible under applicable law
5 protects the public interest, protects the safety and soundness of
6 depository institutions, ensures access to the regulatory process for
7 all concerned parties, and protects the interests and integrity of the
8 public and all types of regulated institutions and entities under the
9 jurisdiction of the director of financial institutions. The department
10 of financial institutions shall be structured to reflect the unique
11 differences in the types of institutions it regulates.

12 NEW SECTION. **Sec. 3.** The director of financial institutions shall
13 be appointed by the governor and shall exercise all powers and perform
14 all of the duties and functions prescribed by law that are currently
15 exercised by the department of general administration or the department
16 of licensing with respect to banks, savings banks, foreign bank
17 branches, savings and loan associations, credit unions, consumer loan
18 companies, check cashers and sellers, trust companies and departments,
19 securities, franchises, business opportunities, and commodities. The
20 director may deputize, appoint, and employ examiners and other such
21 assistants and personnel as may be necessary to carry on the work of
22 the department. The director of financial institutions shall receive
23 a salary in an amount fixed by the governor.

24 NEW SECTION. **Sec. 4.** A person shall not be eligible for
25 appointment as director of financial institutions unless he or she is,
26 and for the last two years prior to his or her appointment has been, a
27 citizen of the United States. A person shall not be eligible for
28 appointment as director of financial institutions if he or she has an
29 interest at the time of appointment, as a director, trustee, officer,
30 or stockholder in any bank, savings bank, savings and loan association,
31 credit union, consumer loan company, trust company, securities broker-
32 dealer or investment advisor, or other institution regulated by the
33 department.

34 NEW SECTION. **Sec. 5.** The director of financial institutions may
35 adopt any rules, under chapter 34.05 RCW, necessary to implement the
36 powers and duties of the director under this chapter.

1 NEW SECTION. **Sec. 6.** (1) All powers, duties, and functions of the
2 department of general administration under Titles 30, 31, 32, 33, and
3 43 RCW and any other title pertaining to duties relating to banks,
4 savings banks, foreign bank branches, savings and loan associations,
5 credit unions, consumer loan companies, check cashers and sellers,
6 trust companies and departments, and other similar institutions are
7 transferred to the department of financial institutions. All
8 references to the director of general administration, supervisor of
9 banking, or the supervisor of savings and loan associations in the
10 Revised Code of Washington shall be construed to mean the director of
11 the department of financial institutions when referring to the
12 functions transferred in this section. All references to the
13 department of general administration in the Revised Code of Washington
14 shall be construed to mean the department of financial institutions
15 when referring to the functions transferred in this subsection.

16 (2) All powers, duties, and functions of the department of
17 licensing under chapters 19.100, 19.110, 21.20, and 21.30 RCW and any
18 other statute pertaining to the regulation of securities and
19 speculative investments are transferred to the department of financial
20 institutions. All references to the director or department of
21 licensing in the Revised Code of Washington shall be construed to mean
22 the director or department of financial institutions when referring to
23 the functions transferred in this subsection.

24 NEW SECTION. **Sec. 7.** All reports, documents, surveys, books,
25 records, files, papers, or other written or electronically stored
26 material in the possession of the department of general administration
27 or the department of licensing and pertaining to the powers, functions,
28 and duties transferred by section 6 of this act shall be delivered to
29 the custody of the department of financial institutions. All cabinets,
30 furniture, office equipment, motor vehicles, and other tangible
31 property purchased by the division of banking and the division of
32 savings and loan in carrying out the powers, functions, and duties
33 transferred by section 6 of this act shall be transferred to the
34 department of financial institutions. All cabinets, furniture, office
35 equipment, motor vehicles, and other tangible property employed by the
36 department of licensing in carrying out the powers, functions, and
37 duties transferred by section 6 of this act shall be made available to
38 the department of financial institutions. All funds, credits, or other

1 assets held by the department of general administration or the
2 department of licensing in connection with the powers, functions, and
3 duties transferred by section 6 of this act shall be assigned to the
4 department of financial institutions.

5 Any appropriations made to the department of general administration
6 or the department of licensing for carrying out the powers, functions,
7 and duties transferred by section 6 of this act shall, on the effective
8 date of this section, be transferred and credited to the department of
9 financial institutions.

10 In the event any dispute arises as to the transfer of any
11 personnel, funds, books, documents, records, papers, files, equipment,
12 or other tangible property used or held in the exercise of the powers
13 and the performance of the duties and functions transferred, the
14 director of financial management shall make a determination as to the
15 proper allocation and certify the same to the state agencies concerned.

16 NEW SECTION. **Sec. 8.** The director of financial institutions shall
17 have the power to appoint assistant directors for each of the divisions
18 of the department and to delegate to them the power to perform any act
19 or duty conferred upon the director. The director shall be responsible
20 for the official acts of these assistant directors.

21 The department of financial institutions shall consist of at least
22 the following four divisions: The division of FDIC insured
23 institutions, with regulatory authority over all state-chartered FDIC
24 insured institutions; the division of credit unions, with regulatory
25 authority over all state-chartered credit unions; the division of
26 consumer affairs, with regulatory authority over state-licensed
27 nondepository lending institutions and other regulated entities; and
28 the division of securities, with regulatory authority over securities,
29 franchises, business opportunities, and commodities. The director of
30 financial institutions is granted broad administrative authority to add
31 additional responsibilities to these divisions as necessary and
32 consistent with applicable law.

33 For purposes of this section, "FDIC" means the federal deposit
34 insurance corporation.

35 NEW SECTION. **Sec. 9.** All employees classified under chapter 41.06
36 RCW, the state civil service law, who are employees of the department
37 of general administration or the department of licensing engaged in

1 performing the powers, functions, and duties transferred by section 6
2 of this act are transferred to the department of financial
3 institutions. All such employees are assigned to the department of
4 financial institutions to perform their usual duties upon the same
5 terms as formerly, without any loss of rights, subject to any action
6 that may be appropriate thereafter in accordance with the laws and
7 rules governing state civil service.

8 NEW SECTION. **Sec. 10.** All rules and all pending business before
9 the department of general administration or the department of licensing
10 pertaining to the powers, functions, and duties transferred by section
11 6 of this act shall be continued and acted upon by the department of
12 financial institutions. All existing contracts and obligations shall
13 remain in full force and shall be performed by the department of
14 financial institutions.

15 NEW SECTION. **Sec. 11.** The transfer of the powers, duties,
16 functions, and personnel of the department of general administration or
17 the department of licensing under sections 6, 7, 9, and 10 of this act
18 shall not affect the validity of any act performed by such an employee
19 prior to the effective date of this section.

20 NEW SECTION. **Sec. 12.** If apportionments of budgeted funds are
21 required because of the transfers directed by sections 6 through 11 of
22 this act, the director of financial management shall certify the
23 apportionments to the agencies affected, to the state auditor, and to
24 the state treasurer. Each of these shall make the appropriate transfer
25 and adjustments in funds and appropriation accounts and equipment
26 records in accordance with the certification.

27 NEW SECTION. **Sec. 13.** Nothing contained in sections 6 through 11
28 of this act may be construed to alter any existing collective
29 bargaining unit or the provisions of any existing collective bargaining
30 agreement until the expiration date of the current agreement or until
31 the bargaining unit has been modified by action of the personnel board
32 as provided by law.

33 **Sec. 14.** RCW 21.20.005 and 1989 c 391 s 1 are each amended to read
34 as follows:

1 The definitions set forth in this section shall apply throughout
2 this chapter, unless the context otherwise requires:

3 (1) "Director" means the director of (~~(licensing)~~) financial
4 institutions of this state.

5 (2) "Salesperson" means any individual other than a broker-dealer
6 who represents a broker-dealer or issuer in effecting or attempting to
7 effect sales of securities, but "salesperson" does not include an
8 individual who represents an issuer in (a) effecting a transaction in
9 a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), (10),
10 (11), (12), or (13), (~~(as now or hereafter amended,)~~) (b) effecting
11 transactions exempted by RCW 21.20.320, or (c) effecting transactions
12 with existing employees, partners, or directors of the issuer if no
13 commission or other remuneration is paid or given directly or
14 indirectly for soliciting any person in this state.

15 (3) "Broker-dealer" means any person engaged in the business of
16 effecting transactions in securities for the account of others or for
17 that person's own account. "Broker-dealer" does not include (a) a
18 salesperson, issuer, bank, savings institution, or trust company, (b)
19 a person who has no place of business in this state if the person
20 effects transactions in this state exclusively with or through the
21 issuers of the securities involved in the transactions, other broker-
22 dealers, or banks, savings institutions, trust companies, insurance
23 companies, investment companies as defined in the investment company
24 act of 1940, pension or profit-sharing trusts, or other financial
25 institutions or institutional buyers, whether acting for themselves or
26 as trustees, or (c) a person who has no place of business in this state
27 if during any period of twelve consecutive months that person does not
28 direct more than fifteen offers to sell or to buy into this state in
29 any manner to persons other than those specified in subsection (b)
30 above.

31 (4) "Guaranteed" means guaranteed as to payment of principal,
32 interest, or dividends.

33 (5) "Full business day" means all calendar days, excluding
34 therefrom Saturdays, Sundays, and all legal holidays, as defined by
35 statute.

36 (6) "Investment adviser" means any person who, for compensation,
37 engages in the business of advising others, either directly or through
38 publications or writings, as to the value of securities or as to the
39 advisability of investing in, purchasing, or selling securities, or

1 who, for compensation and as a part of a regular business, issues or
2 promulgates analyses or reports concerning securities. "Investment
3 adviser" also includes financial planners and other persons who, as an
4 integral component of other financially related services, (a) provide
5 the foregoing investment advisory services to others for compensation
6 as part of a business or (b) hold themselves out as providing the
7 foregoing investment advisory services to others for compensation.
8 Investment adviser shall also include any person who holds himself out
9 as a financial planner.

10 "Investment adviser" does not include (a) a bank, savings
11 institution, or trust company, (b) a lawyer, accountant, certified
12 public accountant licensed under chapter 18.04 RCW, engineer, or
13 teacher whose performance of these services is solely incidental to the
14 practice of his or her profession, (c) a broker-dealer, (d) a publisher
15 of any bona fide newspaper, news magazine, or business or financial
16 publication of general, regular, and paid circulation, (e) a radio or
17 television station, (f) a person whose advice, analyses, or reports
18 relate only to securities exempted by RCW 21.20.310(1), (g) a person
19 who has no place of business in this state if (i) that person's only
20 clients in this state are other investment advisers, broker-dealers,
21 banks, savings institutions, trust companies, insurance companies,
22 investment companies as defined in the investment company act of 1940,
23 pension or profit-sharing trust, or other financial institutions or
24 institutional buyers, whether acting for themselves or as trustees, or
25 (ii) during any period of twelve consecutive months that person does
26 not direct business communications into this state in any manner to
27 more than five clients other than those specified in clause (i) above,
28 or (h) such other persons not within the intent of this paragraph as
29 the director may by rule or order designate.

30 (7) "Issuer" means any person who issues or proposes to issue any
31 security, except that with respect to certificates of deposit, voting
32 trust certificates, or collateral-trust certificates, or with respect
33 to certificates of interest or shares in an unincorporated investment
34 trust not having a board of directors (or persons performing similar
35 functions) or of the fixed, restricted management, or unit type; the
36 term "issuer" means the person or persons performing the acts and
37 assuming the duties of depositor or manager pursuant to the provisions
38 of the trust or other agreement or instrument under which the security
39 is issued.

1 (8) "Nonissuer" means not directly or indirectly for the benefit of
2 the issuer.

3 (9) "Person" means an individual, a corporation, a partnership, an
4 association, a joint-stock company, a trust where the interest of the
5 beneficiaries are evidenced by a security, an unincorporated
6 organization, a government, or a political subdivision of a government.

7 (10) "Sale" or "sell" includes every contract of sale of, contract
8 to sell, or disposition of, a security or interest in a security for
9 value. "Offer" or "offer to sell" includes every attempt or offer to
10 dispose of, or solicitation of an offer to buy, a security or interest
11 in a security for value.

12 Any security given or delivered with, or as a bonus on account of,
13 any purchase of securities or any other thing is considered to
14 constitute part of the subject of the purchase and to have been offered
15 and sold for value. A purported gift of assessable stock is considered
16 to involve an offer and sale. Every sale or offer of a warrant or
17 right to purchase or subscribe to another security of the same or
18 another issuer, as well as every sale or offer of a security which
19 gives the holder a present or future right or privilege to convert into
20 another security of the same or another issuer, is considered to
21 include an offer of the other security.

22 (11) "Securities Act of 1933((#))," "Securities Exchange Act of
23 1934((#))," "Public Utility Holding Company Act of 1935((#))," and
24 "Investment Company Act of 1940" means the federal statutes of those
25 names as amended before or after June 10, 1959.

26 (12) "Security" means any note; stock; treasury stock; bond;
27 debenture; evidence of indebtedness; certificate of interest or
28 participation in any profit-sharing agreement; collateral-trust
29 certificate; preorganization certificate or subscription; transferable
30 share; investment contract; investment of money or other consideration
31 in the risk capital of a venture with the expectation of some valuable
32 benefit to the investor where the investor does not receive the right
33 to exercise practical and actual control over the managerial decisions
34 of the venture; voting-trust certificate; certificate of deposit for
35 a security; certificate of interest or participation in an oil, gas or
36 mining title or lease or in payments out of production under such a
37 title or lease; charitable gift annuity; or, in general, any interest
38 or instrument commonly known as a "security((#))," or any certificate
39 of interest or participation in, temporary or interim certificate for,

1 receipt for, guarantee of, or warrant or right to subscribe to or
2 purchase, any of the foregoing; or any sale of or indenture, bond or
3 contract for the conveyance of land or any interest therein where such
4 land is situated outside of the state of Washington and such sale or
5 its offering is not conducted by a real estate broker licensed by the
6 state of Washington. "Security" does not include any insurance or
7 endowment policy or annuity contract under which an insurance company
8 promises to pay money either in a lump sum or periodically for life or
9 some other specified period.

10 (13) "State" means any state, territory, or possession of the
11 United States, as well as the District of Columbia and Puerto Rico.

12 (14) "Investment adviser salesperson" means a person retained or
13 employed by an investment adviser to solicit clients or offer the
14 services of the investment adviser or manage the accounts of said
15 clients.

16 (15) "Relatives", as used in RCW 21.20.310(11) (~~as now or~~
17 ~~hereafter amended,~~) shall include:

18 (a) A member's spouse;

19 (b) Parents of the member or the member's spouse;

20 (c) Grandparents of the member or the member's spouse;

21 (d) Natural or adopted children of the member or the member's
22 spouse;

23 (e) Aunts and uncles of the member or the member's spouse; and

24 (f) First cousins of the member or the member's spouse.

25 **Sec. 15.** RCW 21.20.450 and 1979 ex.s. c 68 s 33 are each amended
26 to read as follows:

27 The administration of the provisions of this chapter shall be under
28 the department of (~~licensing~~) financial institutions. The director
29 may from time to time make, amend, and (~~repeal~~) repeal such rules
30 and forms as are necessary to carry out the provisions of this chapter,
31 including rules defining any term, whether or not such term is used in
32 the Washington securities law. The director may classify securities,
33 persons, and matters within the director's jurisdiction, and prescribe
34 different requirements for different classes. No rule or form(~~)~~) may
35 be made unless the director finds that the action is necessary or
36 appropriate in the public interest or for the protection of investors
37 and consistent with the purposes fairly intended by the policy and
38 provisions of this chapter. In prescribing rules and forms the

1 director may cooperate with the securities administrators of the other
2 states and the securities and exchange commission with a view to
3 effectuating the policy of this statute to achieve maximum uniformity
4 in the form and content of registration statements, applications, and
5 reports wherever practicable. All rules and forms of the director
6 shall be published.

7 **Sec. 16.** RCW 21.20.720 and 1987 c 421 s 4 are each amended to read
8 as follows:

9 (1) A director, officer, or controlling person of a debenture
10 company shall not:

11 (a) Have any interest, direct or indirect, in the gains or profits
12 of the debenture company, except to receive dividends upon the amounts
13 contributed by him or her, the same as any other investor or
14 shareholder and under the same regulations and conditions: PROVIDED,
15 That nothing in this subsection shall be construed to prohibit salaries
16 as may be approved by the debenture company's board of directors;

17 (b) Become a member of the board of directors or a controlling
18 shareholder of another debenture company or a bank, trust company, or
19 national banking association, of which board enough other directors or
20 officers of the debenture company are members so as to constitute with
21 him or her a majority of the board of directors.

22 (2) A director, an officer, or controlling person shall not:

23 (a) For himself or herself or as agent or partner of another,
24 directly or indirectly use any of the funds held by the debenture
25 company, except to make such current and necessary payments as are
26 authorized by the board of directors;

27 (b) Receive directly or indirectly and retain for his or her own
28 use any commission on or benefit from any loan made by the debenture
29 company, or any pay or emolument for services rendered to any borrower
30 from the debenture company in connection with such loan;

31 (c) Become an indorser, surety, or guarantor, or in any manner an
32 obligor, for any loan made from the debenture company and except when
33 approval has been given by the director of (~~licensing~~) financial
34 institutions or the director's administrator of securities upon
35 recommendation by the company's board of directors.

36 (d) For himself or herself or as agent or partner of another,
37 directly or indirectly borrow any of the funds held by the debenture
38 company, or become the owner of real or personal property upon which

1 the debenture company holds a mortgage, deed of trust, or property
2 contract. A loan to or a purchase by a corporation in which he or she
3 is a stockholder to the amount of fifteen percent of the total
4 outstanding stock, or in which he or she and other directors, officers,
5 or controlling persons of the debenture company hold stock to the
6 amount of twenty-five percent of the total outstanding stock, shall be
7 deemed a loan to or a purchase by such director or officer within the
8 meaning of this section, except when the loan to or purchase by such
9 corporation occurred without his or her knowledge or against his or her
10 protest.

11 **Sec. 17.** RCW 43.17.010 and 1989 1st ex.s. c 9 s 810 are each
12 amended to read as follows:

13 There shall be departments of the state government which shall be
14 known as (1) the department of social and health services, (2) the
15 department of ecology, (3) the department of labor and industries, (4)
16 the department of agriculture, (5) the department of fisheries, (6) the
17 department of wildlife, (7) the department of transportation, (8) the
18 department of licensing, (9) the department of general administration,
19 (10) the department of trade and economic development, (11) the
20 department of veterans affairs, (12) the department of revenue, (13)
21 the department of retirement systems, (14) the department of
22 corrections, (15) the department of community development, (~~and~~) (16)
23 the department of health, and (17) the department of financial
24 institutions, which shall be charged with the execution, enforcement,
25 and administration of such laws, and invested with such powers and
26 required to perform such duties, as the legislature may provide.

27 **Sec. 18.** RCW 43.17.020 and 1989 1st ex.s. c 9 s 811 are each
28 amended to read as follows:

29 There shall be a chief executive officer of each department to be
30 known as: (1) The secretary of social and health services, (2) the
31 director of ecology, (3) the director of labor and industries, (4) the
32 director of agriculture, (5) the director of fisheries, (6) the
33 director of wildlife, (7) the secretary of transportation, (8) the
34 director of licensing, (9) the director of general administration, (10)
35 the director of trade and economic development, (11) the director of
36 veterans affairs, (12) the director of revenue, (13) the director of
37 retirement systems, (14) the secretary of corrections, (15) the

1 director of community development, ~~((and))~~ (16) the secretary of
2 health, and (17) the director of financial institutions.

3 Such officers, except the secretary of transportation, shall be
4 appointed by the governor, with the consent of the senate, and hold
5 office at the pleasure of the governor. The director of wildlife,
6 however, shall be appointed according to the provisions of RCW
7 77.04.080. If a vacancy occurs while the senate is not in session, the
8 governor shall make a temporary appointment until the next meeting of
9 the senate. A temporary director of wildlife shall not serve more than
10 one year. The secretary of transportation shall be appointed by the
11 transportation commission as prescribed by RCW 47.01.041.

12 **Sec. 19.** RCW 43.19.010 and 1988 c 25 s 10 are each amended to read
13 as follows:

14 The department of general administration shall be organized into
15 divisions, which shall include (1) ~~((the division of banking, (2) the
16 division of savings and loan associations, (3))~~ the division of
17 capitol buildings, ~~((+4))~~ (2) the division of purchasing, ~~((+5))~~ (3)
18 the division of engineering and architecture, and ~~((+6))~~ (4) the
19 division of motor vehicle transportation service.

20 The director of general administration shall have charge and
21 general supervision of the department. He or she may appoint and
22 deputize such clerical and other assistants as may be necessary for the
23 general administration of the department. The director of general
24 administration shall receive a salary in an amount fixed by the
25 governor.

26 **Sec. 20.** RCW 43.19.020 and 1977 ex.s. c 185 s 1 are each amended
27 to read as follows:

28 The director of ~~((general administration))~~ financial institutions
29 shall appoint ~~((and))~~, and deputize ~~((an assistant director to be known as
30 the supervisor of banking, who shall have charge and supervision of the
31 division of banking. With the approval of the director, he may
32 appoint))~~, and employ ~~((bank))~~ examiners and such other assistants and
33 personnel as may be necessary to carry on the work of the ~~((division.~~

34 ~~No person shall be eligible for appointment as supervisor of
35 banking unless he is, and for the last two years prior to his
36 appointment has been, a citizen of the United States and a resident of
37 this state; nor if he is interested in any bank or trust company as~~

1 ~~director, officer, or stockholder~~) department of financial
2 institutions.

3 In the event of the ~~((supervisor's))~~ director's absence the
4 ~~director ((of general administration))~~ shall have the power to deputize
5 one of the assistants of the ~~((supervisor))~~ director to exercise all
6 the powers and perform all the duties prescribed by law with respect to
7 banks ((and)), savings banks, foreign bank branches, savings and loan
8 associations, credit unions, consumer loan companies, check cashers and
9 sellers, trust companies((, mutual savings banks, loan agencies)) and
10 departments, securities, franchises, business opportunities,
11 commodities, and other similar institutions or areas that are performed
12 by the ~~((supervisor))~~ director so long as the ~~((supervisor))~~ director
13 is absent: PROVIDED, That such deputized ~~((supervisor))~~ assistant
14 shall not have the power to approve or disapprove new charters,
15 licenses, branches, and satellite facilities, unless such action has
16 received the prior written approval of the ~~((supervisor))~~ director.
17 Any person so deputized shall possess the same qualifications as those
18 set out in this section for the ~~((supervisor))~~ director.

19 **Sec. 21.** RCW 43.19.030 and 1977 ex.s. c 270 s 8 are each amended
20 to read as follows:

21 Before entering ~~((upon his))~~ office each ~~((bank))~~ examiner shall
22 take and subscribe an oath faithfully to discharge the duties of
23 ~~((his))~~ the office.

24 Oaths shall be filed with the secretary of state.

25 Neither the ~~((supervisor of banking))~~ director of financial
26 institutions, any ((deputy supervisor)) deputized assistant of the
27 director, nor any ((bank)) examiner or employee shall be personally
28 liable for any act done ~~((by him))~~ in good faith in the performance of
29 his or her duties.

30 **Sec. 22.** RCW 43.19.050 and 1965 c 8 s 43.19.050 are each amended
31 to read as follows:

32 The ~~((supervisor of banking))~~ director of financial institutions
33 shall maintain an office at the state capitol, but may with the consent
34 of the governor also maintain ~~((an office))~~ branch offices at ~~((some))~~
35 other convenient ~~((banking center))~~ business centers in this state.
36 ~~((He))~~ The director shall keep books of record of all moneys received
37 or disbursed by ~~((him))~~ the director into or from the banking

1 examination fund, the credit union examination fund, the securities
2 regulation fund, and any other accounts maintained by the department of
3 financial institutions. ((He shall adopt an official seal.))

4 **Sec. 23.** RCW 43.19.080 and 1965 c 8 s 43.19.080 are each amended
5 to read as follows:

6 (1) It shall be unlawful for the ~~((supervisor or any deputy or~~
7 ~~employee of his division))~~ director of financial institutions, any
8 deputized assistant of the director, or any employee of the department
9 of financial institutions to borrow money from any bank ((or trust
10 company under his jurisdiction)), consumer loan company, credit union,
11 foreign bank branch, savings bank, savings and loan association, or
12 trust company or department, securities broker-dealer or investment
13 advisor, or similar lending institution under the department's direct
14 jurisdiction unless the extension of credit:

15 (a) Is made on substantially the same terms (including interest
16 rates and collateral) as, and following credit underwriting procedures
17 that are not less stringent than, those prevailing at the time for
18 comparable transactions by the financial institution with other persons
19 that are not employed by either the department or the institution; and

20 (b) Does not involve more than the normal risk of repayment or
21 present other unfavorable features.

22 (2) The director of the office of financial management shall adopt
23 rules, policies, and procedures interpreting and implementing this
24 section.

25 (3) Every person who knowingly violates this section shall forfeit
26 his or her office or employment and be guilty of a gross misdemeanor.

27 **Sec. 24.** RCW 43.19.090 and 1977 c 75 s 43 are each amended to read
28 as follows:

29 The ~~((supervisor))~~ director of financial institutions shall file in
30 his or her office all reports required to be made to ((him)) the
31 director, prepare and furnish to banks ((and)), savings banks, foreign
32 bank branches, savings and loan associations, credit unions, consumer
33 loan companies, check cashers and sellers, and trust companies and
34 departments blank forms for such reports as are required of them, and
35 each year make a report to the governor showing:

36 (1) A summary of the conditions of the banks, savings banks,
37 foreign bank branches, savings and loan associations, credit unions,

1 consumer loan companies, check cashers and sellers, and trust companies
2 and departments at the date of their last report; and

3 (2) A list of those organized or closed during the year.

4 ((He)) The director may publish such other statements, reports, and
5 pamphlets as he or she deems advisable.

6 **Sec. 25.** RCW 43.19.095 and 1981 c 241 s 1 are each amended to read
7 as follows:

8 There is created a local fund known as the "banking examination
9 fund" which shall consist of all moneys received by the ~~((division of~~
10 ~~banking))~~ department of financial institutions from banks, savings
11 banks, foreign bank branches, savings and loan associations, consumer
12 loan companies, check cashers and sellers, and trust companies and
13 departments, and which shall be used for the purchase of supplies and
14 necessary equipment and the payment of salaries, wages, utilities, and
15 other incidental costs required for the proper ~~((maintenance of the~~
16 ~~division))~~ regulation of these companies. The state treasurer shall be
17 the custodian of the fund. Disbursements from the fund shall be on
18 authorization of the director of ~~((general administration or the~~
19 ~~supervisor of banking))~~ financial institutions or the director's ~~((or~~
20 ~~supervisor's))~~ designee. In order to maintain an effective expenditure
21 and revenue control, the fund shall be subject in all respects to
22 chapter 43.88 RCW, but no appropriation is required to permit
23 expenditures and payment of obligations from the fund.

24 **Sec. 26.** RCW 43.19.112 and 1981 c 241 s 2 are each amended to read
25 as follows:

26 There is created a local fund known as the "~~((savings and loan~~
27 ~~associations and))~~ credit unions examination fund" which shall consist
28 of all moneys received by the ~~((division of savings and loan~~
29 ~~associations))~~ department of financial institutions from credit unions
30 and which shall be used for the purchase of supplies and necessary
31 equipment and the payment of salaries, wages, utilities, and other
32 incidental costs required for the ~~((proper maintenance of the~~
33 ~~division))~~ regulation of these institutions. The state treasurer shall
34 be the custodian of the fund. Disbursements from the fund shall be on
35 authorization of the director of ~~((general administration or the~~
36 ~~supervisor of savings and loan associations))~~ financial institutions or
37 the director's ~~((or supervisor's))~~ designee. In order to maintain an

1 effective expenditure and revenue control, the fund shall be subject in
2 all respects to chapter 43.88 RCW, but no appropriation is required to
3 permit expenditures and payment of obligations from the fund.

4 NEW SECTION. **Sec. 27.** There is created a local fund known as the
5 "securities regulation fund" that shall consist of thirteen percent of
6 all moneys received by the division of securities of the department of
7 financial institutions and that shall be used for the purchase of
8 supplies and necessary equipment and the payment of salaries, wages,
9 utilities, and other incidental costs required for the regulation of
10 securities, franchises, business opportunities, commodities, and any
11 other speculative investment regulated by the division. The state
12 treasurer shall be the custodian for the account. Only the director of
13 the department of financial institutions or the director's designee may
14 authorize expenditures from the account. The account is subject to
15 allotment procedures under chapter 43.88 RCW, but no appropriation is
16 required for expenditures.

17 NEW SECTION. **Sec. 28.** The following acts or parts of acts are
18 each repealed:

19 (1) RCW 43.19.040 and 1965 c 8 s 43.19.040;

20 (2) RCW 43.19.100 and 1982 c 3 s 113, 1977 ex.s. c 185 s 2, & 1965
21 c 8 s 43.19.100; and

22 (3) RCW 43.19.110 and 1965 c 8 s 43.19.110.

23 NEW SECTION. **Sec. 29.** Sections 1 through 13 and 27 of this act
24 shall constitute a new chapter in Title 43 RCW.

25 NEW SECTION. **Sec. 30.** RCW 43.19.020, 43.19.030, 43.19.050,
26 43.19.080, 43.19.090, 43.19.095, and 43.19.112 are recodified as
27 sections in chapter 43.____ RCW (sections 1 through 13 and 27 of this
28 act).

29 NEW SECTION. **Sec. 31.** This act shall be implemented no later than
30 July 1, 1994.

31 NEW SECTION. **Sec. 32.** The directors of the department of general
32 administration and the department of licensing shall take such steps as

1 are necessary to ensure that this act is implemented on or before July
2 1, 1994.

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