

---

HOUSE BILL 2831

---

State of Washington

61st Legislature

2010 Regular Session

By Representatives Simpson, Bailey, Kirby, Kelley, Chase, Wallace, Rodne, and Nelson; by request of Department of Financial Institutions

Read first time 01/14/10. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to state-chartered commercial banks, trust  
2 companies, savings banks, and their holding companies; amending RCW  
3 30.04.010, 30.04.020, 30.04.030, 30.04.050, 30.04.060, 30.04.070,  
4 30.04.075, 30.04.111, 30.04.127, 30.04.215, 30.04.217, 30.04.450,  
5 30.04.455, 30.04.460, 30.04.470, 30.04.475, 30.12.040, 30.12.042,  
6 30.12.044, 30.12.047, 30.12.070, 30.12.090, 30.12.100, 30.12.190,  
7 30.12.240, 30.44.010, 30.44.020, 30.44.030, 30.44.100, 30.44.110,  
8 30.44.160, 30.44.270, 30.46.010, 32.04.020, 32.04.070, 32.04.100,  
9 32.04.110, 32.04.211, 32.04.220, 32.04.250, 32.04.260, 32.04.270,  
10 32.04.290, 32.08.153, 32.16.090, 32.16.093, 32.16.095, 32.16.097,  
11 32.16.140, 32.20.285, 32.24.040, 32.24.050, 32.24.060, 32.24.070,  
12 32.24.080, and 32.24.090; adding a new section to chapter 23B.01 RCW;  
13 adding a new section to chapter 23B.14 RCW; adding a new section to  
14 chapter 30.12 RCW; adding a new section to chapter 32.04 RCW; adding a  
15 new section to chapter 32.08 RCW; adding a new section to chapter 32.16  
16 RCW; adding a new section to chapter 32.24 RCW; adding a new chapter to  
17 Title 32 RCW; repealing RCW 30.04.310; prescribing penalties; and  
18 declaring an emergency.

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

1        NEW SECTION.    **Sec. 1.** A new section is added to chapter 23B.01 RCW  
2 to read as follows:

3        For those corporations that have a certificate of authority, are  
4 applying for, or intend to apply for a certificate of authority from  
5 the department of financial institutions as a bank, trust company, or  
6 the holding company thereof, under Title 30 RCW, or as a savings bank  
7 or holding company thereof, under Title 32 RCW, or for any other  
8 corporation or other entity which is or purports to be a bank, savings  
9 bank, savings and loan association, trust company, industrial loan  
10 bank, credit union, bank holding company, financial services holding  
11 company, or savings and loan holding company, whenever under this  
12 chapter corporate records are required to be filed with the secretary  
13 of state, the records shall be filed with the department of financial  
14 institutions.

15        NEW SECTION.    **Sec. 2.** A new section is added to chapter 23B.14 RCW  
16 to read as follows:

17        For any corporation or other entity that has, is applying for, or  
18 intends to apply for a certificate of authority from the department of  
19 financial institutions as a bank, trust company, or the holding company  
20 thereof, under Title 30 RCW, or as a savings bank or holding company  
21 thereof, under Title 32 RCW, or for any other corporation or other  
22 entity which is or purports to be a bank, savings bank, savings and  
23 loan association, trust company, industrial loan bank, credit union,  
24 bank holding company, financial holding company, or savings and loan  
25 holding company, whenever under this chapter corporate records are  
26 required to be filed with the secretary of state, the records shall be  
27 filed with the department of financial institutions.

28        **Sec. 3.** RCW 30.04.010 and 1997 c 101 s 3 are each amended to read  
29 as follows:

30        Unless the context clearly requires otherwise, the definitions in  
31 this section apply throughout this title.

32        (1) (~~("Banking" shall include the soliciting, receiving or~~  
33 ~~accepting of money or its equivalent on deposit as a regular~~  
34 ~~business.)) "Adequately capitalized," "critically undercapitalized,"  
35 "significantly undercapitalized," "undercapitalized," and "well-  
36 capitalized," respectively, have meanings consistent with the~~

1 definitions these same terms have under the prompt corrective action  
2 provisions of the federal deposit insurance act, 12 U.S.C. Sec. 1831o,  
3 and applicable enabling rules of the federal deposit insurance  
4 corporation.

5 (2) "Bank," unless a different meaning appears from the context,  
6 means any corporation organized under the laws of this state engaged in  
7 banking, other than a trust company, savings association, or a mutual  
8 savings bank.

9 (3) "Bank holding company" means a bank holding company under  
10 authority of the federal bank holding company act.

11 (4) "Banking" includes the soliciting, receiving or accepting of  
12 money or its equivalent on deposit as a regular business.

13 (5) "Branch" means any established office of deposit, domestic or  
14 otherwise, maintained by any bank or trust company other than its head  
15 office. "Branch" does not mean a machine permitting customers to leave  
16 funds in storage or communicate with bank employees who are not located  
17 at the site of the machine, unless employees of the bank at the site of  
18 the machine take deposits on a regular basis. An office or facility of  
19 an entity other than the bank shall not be deemed to be established by  
20 the bank, regardless of any affiliation, accommodation arrangement, or  
21 other relationship between the other entity and the bank.

22 ((+4)) (6) "Department" means the Washington state department of  
23 financial institutions.

24 (7) "Director" means the director of the department.

25 (8) "Financial holding company" means a financial services holding  
26 company under authority of the federal bank holding company act.

27 (9) "Foreign bank" and "foreign banker" includes:

28 (a) Every corporation not organized under the laws of the territory  
29 or state of Washington doing a banking business, except a national  
30 bank;

31 (b) Every unincorporated company, partnership or association of two  
32 or more individuals organized under the laws of another state or  
33 country, doing a banking business;

34 (c) Every other unincorporated company, partnership or association  
35 of two or more individuals, doing a banking business, if the members  
36 thereof owning a majority interest therein or entitled to more than  
37 one-half of the net assets thereof are not residents of this state; or

1 (d) Every nonresident of this state doing a banking business in his  
2 or her own name and right only.

3 (10) "Holding company" means a bank holding company or financial  
4 holding company of a bank organized under chapter 30.08 RCW or  
5 converted to a state bank under chapter 30.49 RCW, or a holding company  
6 of a trust company authorized to do business under this title.

7 (11) "Person" includes a firm, association, partnership, or  
8 corporation, or the plural thereof, whether resident, nonresident,  
9 citizen or not.

10 (12) The term "trust business" shall include the business of doing  
11 any or all of the things specified in RCW 30.08.150 (2), (3), (4), (5),  
12 (6), (7), (8), (9), (10) and (11).

13 ~~((+5))~~ (13) "Trust company," unless a different meaning appears  
14 from the context, means any corporation ((organized under the laws of  
15 this state engaged)), other than a bank, savings bank or savings  
16 association, organized and chartered as a trust company under this  
17 title for the purpose of engaging in trust business.

18 ~~((+6) "Person" unless a different meaning appears from the context,~~  
19 ~~shall include a firm, association, partnership or corporation, or the~~  
20 ~~plural thereof, whether resident, nonresident, citizen or not.~~

21 ~~(7) "Director" means the director of financial institutions.~~

22 ~~(8) "Foreign bank" and "foreign banker" shall include:~~

23 ~~(a) Every corporation not organized under the laws of the territory~~  
24 ~~or state of Washington doing a banking business, except a national~~  
25 ~~bank;~~

26 ~~(b) Every unincorporated company, partnership or association of two~~  
27 ~~or more individuals organized under the laws of another state or~~  
28 ~~country, doing a banking business;~~

29 ~~(c) Every other unincorporated company, partnership or association~~  
30 ~~of two or more individuals, doing a banking business, if the members~~  
31 ~~thereof owning a majority interest therein or entitled to more than~~  
32 ~~one-half of the net assets thereof are not residents of this state;~~

33 ~~(d) Every nonresident of this state doing a banking business in his~~  
34 ~~or her own name and right only.))~~

35 **Sec. 4.** RCW 30.04.020 and 1994 c 256 s 32 are each amended to read  
36 as follows:

37 (1) The name of every bank shall contain the word "bank" and the

1 name of every trust company shall contain the word "trust," or the word  
2 "bank." Except as provided in RCW 33.08.030 or as otherwise authorized  
3 by this section or approved by the director, ((no person except:  
4 (a)) only a national bank((+  
5 (b) A) , federal savings bank, a bank or trust company authorized  
6 by ((the laws of this state;  
7 (c) A corporation established under RCW 31.30.010;  
8 (d) A) this title, savings bank under Title 32 RCW, bank holding  
9 company or financial holding company, a holding company authorized by  
10 this title or Title 32 RCW, or a foreign or alien corporation or other  
11 legal person authorized by this title ((se)) to do so, shall:

12 ((+i)) (a) Use as a part of his or its name or other business  
13 designation, as a prominent syllable within a word comprising all or a  
14 portion of its name or other business designation, or in any manner as  
15 if connected with his or its business or place of business any of the  
16 following words or the plural thereof, to wit: "bank," "banking,"  
17 "banker," "bancorporation," "bancorp," or "trust((-)), " or any foreign  
18 language designations thereof, including, by way of example, "banco" or  
19 "banque."

20 ((+ii)) (b) Use any sign ((at or about his or its place of  
21 business or use or circulate any advertisement,)), logo, or marketing  
22 message, in any media, or use any letterhead, billhead, note, receipt,  
23 certificate, blank, form, or any written ((or)) , printed ((or part  
24 written and part printed paper)), electronic or internet-based

25 instrument or ((article)) material representation whatsoever, directly  
26 or indirectly indicating that the business of such person is that of a  
27 bank or trust company.  
28 (2) A foreign corporation or other foreign domiciled legal person,  
29 whose name contains the words "bank," "banker," "banking,"  
30 "bancorporation," "bancorp," or "trust," or the foreign language  
31 equivalent thereof, or whose articles of incorporation empower it to  
32 engage in banking or to engage in a trust business, may not engage in  
33 banking or in a trust business in this state unless the corporation or  
34 other legal person (a) is expressly authorized to do so under this  
35 title, under federal law, or by the director, and (b) complies with all  
36 applicable requirements of ((chapter 23B.15 RCW)) Washington state law  
37 regarding foreign corporations and other foreign legal persons. If an  
38 activity would not constitute "transacting business" within the meaning

1 of RCW 23B.15.010(1) or chapter 23B.18 RCW, then the activity shall not  
2 constitute banking or engaging in a trust business. Nothing in this  
3 subsection shall prevent operations by an alien bank in compliance with  
4 chapter 30.42 RCW.

5 (3) This section shall not prevent a lender approved by the United  
6 States secretary of housing and urban development for participation in  
7 any mortgage insurance program under the National Housing Act from  
8 using the words "mortgage banker" or "mortgage banking" in the conduct  
9 of its business, but only if both words are used together in either of  
10 the forms which appear in quotations in this sentence.

11 (4) ~~((Every))~~ Any individual or legal person, or director, officer  
12 or manager of such legal person, who ~~((, and every director and officer~~  
13 ~~of every corporation which, to the knowledge of such director or~~  
14 ~~officer))~~ knowingly violates any provision of this section shall be  
15 guilty of a gross misdemeanor.

16 **Sec. 5.** RCW 30.04.030 and 1994 c 92 s 8 are each amended to read  
17 as follows:

18 (1) The director shall have power to adopt uniform rules in  
19 accordance with the administrative procedure act, chapter 34.05 RCW, to  
20 govern examinations and reports of banks ~~((and))~~, trust companies, and  
21 holding companies and the form in which they shall report their assets,  
22 liabilities, and reserves, charge off bad debts and otherwise keep  
23 their records and accounts, and otherwise to govern the administration  
24 of this title. The director shall mail a copy of the rules to each  
25 bank and trust company at its principal place of business.

26 (2) The director shall have the power, and broad administrative  
27 discretion, to administer and interpret the provisions of this title to  
28 facilitate the delivery of financial services to the citizens of the  
29 state of Washington by the banks ~~((and))~~, trust companies and holding  
30 companies subject to this title.

31 **Sec. 6.** RCW 30.04.050 and 1955 c 33 s 30.04.050 are each amended  
32 to read as follows:

33 ~~((Every bank and trust company and their officers, employees, and~~  
34 ~~agents shall comply with the rules and regulations. The violation of~~  
35 ~~any rule or regulation in addition to any other penalty provided in~~  
36 ~~this title, shall subject the offender to a penalty of one hundred~~

1 ~~dollars for each offense, to be recovered by the attorney general in a~~  
2 ~~civil action in the name of the state. Each day's continuance of the~~  
3 ~~violation shall be a separate and distinct offense.))~~ (1) Each bank and  
4 trust company, and their directors, officers, employees, and agents,  
5 shall comply with:

6 (a) This title and chapter 11.100 RCW as applicable to each of  
7 them;

8 (b) The rules adopted by the department with respect to banks and  
9 trust companies;

10 (c) Any lawful direction or order of the director;

11 (d) Any lawful supervisory agreement with the director; and

12 (e) The applicable statutes, rules and regulations administered by  
13 the board of governors of the federal reserve system, the federal  
14 deposit insurance corporation, or their successor agencies, with  
15 respect to banks or trust companies.

16 (2) Each holding company, and its directors, officers, employees,  
17 and agents, shall comply with:

18 (a) The provisions of this title that are applicable to each of  
19 them;

20 (b) The rules adopted by the department with respect to holding  
21 companies;

22 (c) Any lawful direction or order of the director;

23 (d) Any lawful supervisory agreement with the director; and

24 (e) The applicable statutes, rules, and regulations administered by  
25 the board of governors of the federal reserve system, or its successor  
26 agency, with respect to holding companies, the violation of which would  
27 result in an unsafe and unsound practice or material violation of law  
28 with respect to the subsidiary bank or trust company of the holding  
29 company.

30 (3) The violation of any supervisory agreement, direction, order,  
31 statute, rule or regulation referenced in this section, in addition to  
32 any other penalty provided in this title, shall, at the option of the  
33 director, subject the offender to a penalty of up to ten thousand  
34 dollars for each offense, payable upon issuance of any order or  
35 directive of the director, which may be recovered by the attorney  
36 general in a civil action in the name of the department.

1       **Sec. 7.** RCW 30.04.060 and 1994 c 92 s 9 are each amended to read  
2 as follows:

3       (1) The director, assistant director, program manager, or an  
4 examiner shall visit each bank and each trust company at least once  
5 every eighteen months, and oftener if necessary, or as otherwise  
6 required by the rules and interpretations of applicable federal banking  
7 examination authorities, for the purpose of making a full investigation  
8 into the condition of such corporation, and for that purpose they are  
9 hereby empowered to administer oaths and to examine under oath any  
10 director, officer, employee, or agent of such corporation.

11       (2) The director may make such other full or partial examinations  
12 as deemed necessary and may examine any bank holding company that owns  
13 any portion of a bank or trust company chartered by the state of  
14 Washington and obtain reports of condition for any bank holding company  
15 that owns any portion of a bank or trust company chartered by the state  
16 of Washington.

17       (3) The director may visit and examine into the affairs of any  
18 nonpublicly held corporation in which the bank, trust company, or bank  
19 holding company has an investment or any publicly held corporation the  
20 capital stock of which is controlled by the bank, trust company, or  
21 bank holding company; may appraise and revalue such corporations'  
22 investments and securities; and shall have full access to all the  
23 books, records, papers, securities, correspondence, bank accounts, and  
24 other papers of such corporations for such purposes.

25       (4) The director may, in his or her discretion, accept in lieu of  
26 the examinations required in this section the examinations conducted at  
27 the direction of the federal reserve board or the federal deposit  
28 insurance corporation.

29       (5) Any willful false swearing in any examination is perjury in the  
30 second degree.

31       ((+2)) (6) The director may enter into cooperative and reciprocal  
32 agreements with the bank regulatory authorities of the United States,  
33 any state, the District of Columbia, or any trust territory of the  
34 United States for the periodic examination of domestic bank holding  
35 companies owning banking institutions in other states, the District of  
36 Columbia, or trust territories, and subsidiaries of such domestic bank  
37 holding companies, or of out-of-state bank holding companies owning a  
38 bank or trust company the principal operations of which are conducted



1 in this state. The director may accept reports of examination and  
2 other records from such authorities in lieu of conducting his or her  
3 own examinations. The director may enter into joint actions with other  
4 regulatory bodies having concurrent jurisdiction or may enter into such  
5 actions independently to carry out his or her responsibilities under  
6 this title and assure compliance with the laws of this state.

7 (7) Copies from the records, books, and accounts of a bank, trust  
8 company, or holding company shall be competent evidence in all cases,  
9 equal with originals thereof, if there is annexed to such copies an  
10 affidavit taken before a notary public or clerk of a court under seal,  
11 stating that the affiant is the officer of the bank, trust company, or  
12 holding company having charge of the original records, and that the  
13 copy is true and correct and is full so far as the same relates to the  
14 subject matter therein mentioned.

15 **Sec. 8.** RCW 30.04.070 and 1994 c 92 s 10 are each amended to read  
16 as follows:

17 The director shall collect from each bank, (~~mutual~~) savings bank,  
18 trust company (~~or industrial loan company~~), savings association,  
19 holding company under Title 30 RCW, holding company under Title 32 RCW,  
20 business development company under chapter 31.24 RCW, agricultural  
21 lender under chapter 31.35 RCW, and small business lender under chapter  
22 31.40 RCW, for each examination of its condition the estimated actual  
23 cost of such examination.

24 **Sec. 9.** RCW 30.04.075 and 2005 c 274 s 251 are each amended to  
25 read as follows:

26 (1) All examination reports and all information obtained by the  
27 director and the director's staff in conducting examinations of banks,  
28 trust companies, or alien banks, and information obtained by the  
29 director and the director's staff from other state or federal bank  
30 regulatory authorities with whom the director has entered into  
31 agreements pursuant to RCW 30.04.060(2), and information obtained by  
32 the director and the director's staff relating to examination and  
33 supervision of bank holding companies owning a bank in this state or  
34 subsidiaries of such holding companies, is confidential and privileged  
35 information and shall not be made public or otherwise disclosed to any

1 person, firm, corporation, agency, association, governmental body, or  
2 other entity.

3 (2) Subsection (1) of this section notwithstanding, the director  
4 may furnish all or any part of examination reports, work papers,  
5 supervisory agreements or directives, orders, or other information  
6 obtained in the conduct of an examination or investigation prepared by  
7 the director's office to:

8 (a) Federal agencies empowered to examine state banks, trust  
9 companies, or alien banks;

10 (b) Bank regulatory authorities with whom the director has entered  
11 into agreements pursuant to RCW 30.04.060(2), and other bank regulatory  
12 authorities who are the primary regulatory authority or insurer of  
13 accounts for a bank holding company owning a bank, trust company, or  
14 national banking association the principal operations of which are  
15 conducted in this state or a subsidiary of such holding company;  
16 provided that the director shall first find that the reports of  
17 examination to be furnished shall receive protection from disclosure  
18 comparable to that accorded by this section;

19 (c) Officials empowered to investigate criminal charges subject to  
20 legal process, valid search warrant, or subpoena. If the director  
21 furnishes any examination report to officials empowered to investigate  
22 criminal charges, the director may only furnish that part of the report  
23 which is necessary and pertinent to the investigation, and the director  
24 may do this only after notifying the affected bank, trust company, or  
25 alien bank and any customer of the bank, trust company, or alien bank  
26 who is named in that part of the examination or report ordered to be  
27 furnished unless the officials requesting the report first obtain a  
28 waiver of the notice requirement from a court of competent jurisdiction  
29 for good cause;

30 (d) The examined bank, trust company, or alien bank, or holding  
31 company thereof;

32 (e) The attorney general in his or her role as legal advisor to the  
33 director;

34 (f) Liquidating agents of a distressed bank, trust company, or  
35 alien bank;

36 (g) A person or organization officially connected with the bank as  
37 officer, director, attorney, auditor, or independent attorney or  
38 independent auditor;

1 (h) The Washington public deposit protection commission as provided  
2 by RCW 39.58.105;

3 (i) Organizations insuring or guaranteeing the shares of, or  
4 deposits in, the bank or trust company; or

5 (j) Other persons as the director may determine necessary to  
6 protect the public interest and confidence.

7 (3) All examination reports, work papers, supervisory agreements or  
8 directives, orders, and other information obtained in the conduct of an  
9 examination or investigation furnished under subsections (2) and (4) of  
10 this section shall remain the property of the department of financial  
11 institutions, and be confidential and no person, agency, or authority  
12 to whom reports are furnished or any officer, director, or employee  
13 thereof shall disclose or make public any of the reports or any  
14 information contained therein except in published statistical material  
15 that does not disclose the affairs of any individual or corporation:  
16 PROVIDED, That nothing herein shall prevent the use in a criminal  
17 prosecution of reports furnished under subsection (2) of this section.

18 (4) The examination report made by the department of financial  
19 institutions is designed for use in the supervision of the bank, trust  
20 company, or alien bank. The report shall remain the property of the  
21 director and will be furnished to the bank, trust company, or alien  
22 bank solely for its confidential use. Under no circumstances shall the  
23 bank, trust company, or alien bank or any of its directors, officers,  
24 or employees disclose or make public in any manner the report or any  
25 portion thereof, to any person or organization not connected with the  
26 bank as officer, director, employee, attorney, auditor, or candidate  
27 for executive office with the bank. The bank may also, after execution  
28 of an agreement not to disclose information in the report, disclose the  
29 report or relevant portions thereof to a party proposing to acquire or  
30 merge with the bank.

31 (5) Examination reports and information obtained by the director  
32 and the director's staff in conducting examinations, or obtained from  
33 other state and federal bank regulatory authorities with whom the  
34 director has entered into agreements pursuant to RCW 30.04.060(2), or  
35 relating to examination and supervision of bank holding companies  
36 owning a bank, trust company, or national banking association the  
37 principal operations of which are conducted in this state or a

1 subsidiary of such holding company, or information obtained as a result  
2 of applications or investigations pursuant to RCW 30.04.230, shall not  
3 be subject to public disclosure under chapter 42.56 RCW.

4 (6) In any civil action in which the reports are sought to be  
5 discovered or used as evidence, any party may, upon notice to the  
6 director, petition the court for an in camera review of the report.  
7 The court may permit discovery and introduction of only those portions  
8 of the report which are relevant and otherwise unobtainable by the  
9 requesting party. This subsection shall not apply to an action brought  
10 or defended by the director.

11 (7) This section shall not apply to investigation reports prepared  
12 by the director and the director's staff concerning an application for  
13 a new bank or trust company or an application for a branch of a bank,  
14 trust company, or alien bank: PROVIDED, That the director may adopt  
15 rules making confidential portions of the reports if in the director's  
16 opinion the public disclosure of the portions of the report would  
17 impair the ability to obtain the information which the director  
18 considers necessary to fully evaluate the application.

19 (8) Except to the extent permitted by subsection 2 of this section,  
20 any regulatory enforcement action against a bank, trust company, or  
21 holding company, including any supervisory agreement, direction,  
22 consent order, final order, or other information related to the  
23 regulatory enforcement action, is confidential and privileged and not  
24 subject to public disclosure under chapter 42.56 RCW.

25 (9) Notwithstanding any other provision of this section or other  
26 applicable law, a bank, trust company, alien bank, or holding company  
27 is not in violation of this section on account of its compliance with  
28 required reporting to the federal securities and exchange commission,  
29 including the disclosure of any order of the director.

30 (10) Every person who violates any provision of this section shall  
31 be guilty of a gross misdemeanor.

32 **Sec. 10.** RCW 30.04.111 and 1995 c 344 s 1 are each amended to read  
33 as follows:

34 (1) The total loans and extensions of credit by a bank or trust  
35 company to a person outstanding at any one time shall not exceed twenty  
36 percent of the capital and surplus of such bank or trust company. The

1 following loans and extensions of credit shall not be subject to this  
2 limitation:

3 ~~((1))~~ (a) Loans or extensions of credit arising from the discount  
4 of commercial or business paper evidencing an obligation to the person  
5 negotiating it with recourse;

6 ~~((2))~~ (b) Loans or extensions of credit secured by bonds, notes,  
7 certificates of indebtedness, or treasury bills of the United States or  
8 by other such obligations wholly guaranteed as to principal and  
9 interest by the United States;

10 ~~((3))~~ (c) Loans or extensions of credit to or secured by  
11 unconditional takeout commitments or guarantees of any department,  
12 agency, bureau, board, commission, or establishment of the United  
13 States or any corporation wholly owned directly or indirectly by the  
14 United States;

15 ~~((4))~~ (d) Loans or extensions of credit fully secured by a  
16 segregated deposit account or accounts in the lending bank;

17 ~~((5))~~ (e) Loans or extensions of credit secured by collateral  
18 having a readily ascertained market value of at least one hundred  
19 fifteen percent of the outstanding amount of the loan or extension of  
20 credit;

21 ~~((6))~~ (f) Loans or extensions of credit secured by bills of  
22 lading, warehouse receipts, or similar documents transferring or  
23 securing title to readily marketable staples shall be subject to a  
24 limitation of thirty-five percent of capital and surplus in addition to  
25 the general limitations, if the market value of the staples securing  
26 each additional loan or extension of credit at all times equals or  
27 exceeds one hundred fifteen percent of the outstanding amount of the  
28 loan or extension of credit. The staples shall be fully covered by  
29 insurance whenever it is customary to insure the staples;

30 ~~((7))~~ (g) The purchase of bankers' acceptances of the kind  
31 described in section 13 of the federal reserve act and issued by other  
32 banks shall not be subject to any limitation based on capital and  
33 surplus;

34 ~~((8))~~ (h) The unpaid purchase price of a sale of bank property,  
35 if secured by such property.

36 (2) For the purposes of this section, "capital" shall include the  
37 amount of common stock outstanding and unimpaired, the amount of

1 preferred stock outstanding and unimpaired, and capital notes or  
2 debentures issued pursuant to chapter 30.36 RCW.

3 (3) For the purposes of this section, "surplus" shall include  
4 capital surplus, reflecting the amounts paid in excess of the par or  
5 stated value of capital stock, or amounts contributed to the bank other  
6 than for capital stock, and undivided profits.

7 ~~((The term))~~ (4) For the purposes of this section, "person"  
8 ~~((shall))~~ includes an individual, sole proprietor, partnership, joint  
9 venture, association, trust, estate, business trust, corporation,  
10 sovereign government or agency, instrumentality, or political  
11 subdivision thereof, or any similar entity or organization.

12 (5) The director may prescribe rules to administer and carry out  
13 the purposes of this section, including without limitation rules to  
14 define or further define terms used in this section and to establish  
15 limits or requirements other than those specified in this section for  
16 particular classes or categories of loans or extensions of credit, and  
17 to determine when a loan putatively made to a person shall, for  
18 purposes of this section, be attributed to another person. In adopting  
19 the rules, the director shall be guided by rulings of the comptroller  
20 of the currency, or successor federal banking regulator, that govern  
21 lending limits applicable to national ~~((commercial))~~ banks. In lieu of  
22 the adoption by the department of a rule applicable to specific types  
23 of transactions, a bank, unless otherwise approved by the director,  
24 shall conform to all applicable rulings of the comptroller of the  
25 currency, or successor federal banking regulator, which (a) relate to  
26 national banks, (b) govern such specific types of transactions, and (c)  
27 are consistent with this section and the department's adopted rules.

28 **Sec. 11.** RCW 30.04.127 and 1994 c 92 s 15 are each amended to read  
29 as follows:

30 (1) A bank or trust company, alone or in conjunction with other  
31 entities, may form, incorporate, or invest in corporations or other  
32 entities, whether or not such other corporation or entity is related to  
33 the bank or trust company's business. The aggregate amount of funds  
34 invested, or used in the formation of corporations or other entities  
35 under this section shall not exceed ten percent of the assets or fifty  
36 percent of the net worth, whichever is less, of the bank or trust

1 company. For purposes of this subsection, "net worth" means the  
2 aggregate of capital, surplus, undivided profits, and all capital notes  
3 and debentures which are subordinate to the interest of depositors.

4 (2) A bank or trust company may engage in an activity permitted  
5 under this section only with the prior authorization of the director  
6 and subject to such requirements, restrictions, or other conditions as  
7 the director may adopt by rule, order, directive, standard, policy,  
8 memorandum or other written communication with regard to the activity.

9 In approving or denying a proposed activity, the director shall  
10 consider the financial and management strength of the institution, the  
11 convenience and needs of the public, and whether the proposed activity  
12 should be conducted through a subsidiary or affiliate of the bank. The  
13 director may not authorize under this section and no bank or trust  
14 company may act as an insurance or travel agent unless otherwise  
15 authorized by state statute.

16 **Sec. 12.** RCW 30.04.215 and 2003 c 24 s 2 are each amended to read  
17 as follows:

18 (1) Notwithstanding any other provisions of law, in addition to all  
19 powers enumerated by this title, and those necessarily implied  
20 therefrom, a bank or trust company may engage in other business  
21 activities that have been determined by the board of governors of the  
22 federal reserve system or by the United States Congress to be closely  
23 related to the business of banking, as of July 27, 2003.

24 (2) A bank or trust company that desires to perform an activity  
25 that is not expressly authorized by subsection (1) of this section  
26 shall first apply to the director for authorization to conduct such  
27 activity. Within thirty days of the receipt of this application, the  
28 director shall determine whether the activity is closely related to the  
29 business of banking, whether the public convenience and advantage will  
30 be promoted, whether the activity is apt to create an unsafe ((~~or~~)) and  
31 unsound practice by the bank or trust company and whether the applicant  
32 is capable of performing such an activity. If the director finds the  
33 activity to be closely related to the business of banking and the bank  
34 or trust company is otherwise qualified, he or she shall immediately  
35 inform the applicant that the activity is authorized. If the director  
36 determines that such activity is not closely related to the business of  
37 banking or that the bank or trust company is not otherwise qualified,

1 he or she shall promptly inform the applicant in writing. The  
2 applicant shall have the right to appeal from an unfavorable  
3 determination in accordance with the procedures of the Administrative  
4 Procedure Act, chapter 34.05 RCW. In determining whether a particular  
5 activity is closely related to the business of banking, the director  
6 shall be guided by the rulings of the board of governors of the federal  
7 reserve system and the comptroller of the currency in making  
8 determinations in connection with the powers exercisable by bank  
9 holding companies, and the activities performed by other commercial  
10 banks or their holding companies.

11 (3) Notwithstanding any restrictions, limitations, and requirements  
12 of law, in addition to all powers, express or implied, that a bank or  
13 trust company has under the laws of this state, a bank or trust company  
14 shall have ~~((the powers and authorities))~~ each and every power and  
15 authority conferred as of ~~((August 31, 1994))~~ July 28, 1985, or ~~((a))~~  
16 as of any subsequent date not later than July 27, 2003, upon ~~((a))~~ any  
17 federally chartered bank doing business in this state. A bank or trust  
18 company may exercise the powers and authorities conferred on a  
19 federally chartered bank after July 27, 2003, only if the director  
20 finds that the exercise of such powers and authorities:

21 (a) Serves the convenience and advantage of depositors, borrowers,  
22 or the general public; and

23 (b) Maintains the fairness of competition and parity between state-  
24 chartered banks or trust companies and federally chartered banks.

25 (4) As used in this section, "powers and authorities" include  
26 without limitation powers and authorities in corporate governance and  
27 operational matters.

28 (5) The restrictions, limitations, and requirements applicable to  
29 specific powers or authorities of federally chartered banks shall apply  
30 to banks or trust companies exercising those powers or authorities  
31 permitted under this subsection but only insofar as the restrictions,  
32 limitations, and requirements relate to exercising the powers or  
33 authorities granted banks or trust companies solely under this  
34 subsection.

35 ~~((+4))~~ (6) The director may require a bank or trust company to  
36 provide notice to the director prior to implementation of a plan to  
37 develop, improve, or continue holding real estate, including  
38 capitalized and operating leases, acquired through any means in full or



1 partial satisfaction of a debt previously contracted, under  
2 circumstances which a national bank would be required to provide notice  
3 to the comptroller of the currency prior to implementation of such a  
4 plan. The director may adopt rules or issue orders, directives,  
5 standards, policies, memoranda, or other official communications to  
6 specify guidance with regard to the exercise of the powers and  
7 authorities to expend such funds as are needed to enable a bank or  
8 trust company to recover its total investment to the fullest extent  
9 authorized for a national bank under the national bank act, 12 U.S.C.  
10 Sec. 29.

11 (7) Any activity which may be performed by a bank or trust company,  
12 except the taking of deposits, may be performed by (a) a corporation or  
13 (b) another entity approved by the director, which in either case is  
14 owned in whole or in part by the bank or trust company.

15 **Sec. 13.** RCW 30.04.217 and 2003 c 24 s 1 are each amended to read  
16 as follows:

17 (1) Notwithstanding any other provisions of law, in addition to all  
18 powers, express or implied, that a bank or trust company has under the  
19 laws of this state, a bank or trust company shall have the powers and  
20 authorities conferred upon a (~~mutual~~) savings bank under Title 32  
21 RCW, only if:

22 ((+1)) (a) The bank or trust company notifies the director at  
23 least thirty days prior to the exercise of such power or authority by  
24 the bank or trust company, unless the director waives or modifies this  
25 requirement for notice as to the exercise of a power, authority, or  
26 category of powers or authorities by the bank or trust company;

27 ((+2)) (b) The director finds that the exercise of such powers and  
28 authorities by the bank or by the trust company serves the convenience  
29 and advantage of depositors, borrowers, or the general public; and

30 ((+3)) (c) The director finds that the exercise of such powers and  
31 authorities by the bank or by the trust company maintains the fairness  
32 of competition and parity between banks or trust companies and mutual  
33 savings banks.

34 (2) As used in this section, "powers and authorities" include  
35 without limitation powers and authorities in corporate governance and  
36 operational matters.

1       (3) The restrictions, limitations, and requirements applicable to  
2 specific powers or authorities of mutual savings banks shall apply to  
3 banks or trust companies exercising those powers or authorities  
4 permitted under this section but only insofar as the restrictions,  
5 limitations, and requirements relate to exercising the powers or  
6 authorities granted banks or trust companies solely under this section.

7       NEW SECTION. Sec. 14. RCW 30.04.310 (Penalty--General) and 1994  
8 c 92 s 28, 1988 c 25 s 1, & 1985 c 30 s 137 are each repealed.

9       **Sec. 15.** RCW 30.04.450 and 1994 c 92 s 31 are each amended to read  
10 as follows:

11       (1) The director may issue and serve a notice of charges upon a  
12 bank or trust company (~~(a notice of charges if)~~) when in the opinion of  
13 the director (~~(any bank or trust company)~~):

14       (a) (~~(is engaging or)~~) It has engaged in an unsafe (~~(or)~~) and  
15 unsound practice (~~(in conducting the)~~) related to the conduct of  
16 business of the bank or trust company;

17       (b) (~~(is violating or)~~) It has violated (~~(the law, rule, or any~~  
18 ~~condition imposed in writing by the director in connection with the~~  
19 ~~granting of any application or other request by the bank or trust~~  
20 ~~company or any written agreement made with the director)~~) any provision  
21 of RCW 30.04.050; or

22       (c) (~~(is about to do the)~~) It is planning, attempting, or currently  
23 conducting any act(~~(s)~~) prohibited in (a) or (b) of this subsection  
24 (~~(when the opinion that the threat exists is based upon reasonable~~  
25 ~~cause)~~).

26       (2) The director may issue and serve a notice of charges upon a  
27 holding company when, in the opinion of the director:

28       (a) The holding company has committed a violation of RCW  
29 30.04.050(2);

30       (b) The conduct of the holding company has resulted in an unsafe  
31 and unsound practice at the bank or trust company or a violation of any  
32 provision of RCW 30.04.050 by the bank or trust company; or

33       (c) The holding company is planning, attempting, or currently  
34 conducting any act prohibited in (a) or (b) of this subsection.

35       (3) The notice shall contain a statement of the facts constituting  
36 the alleged violation or violations or the practice or practices and

1 shall fix a time and place at which a hearing will be held to determine  
2 whether an order to cease and desist should issue against the bank  
3 ~~((or))~~, trust company, or holding company. The hearing shall be set  
4 not earlier than ten days ~~((nor))~~ or later than thirty days after  
5 service of the notice unless a later date is set by the director at the  
6 request of the bank ~~((or))~~, trust company, or holding company.

7 (4) Unless the bank ~~((or))~~, trust company, or holding company shall  
8 appear at the hearing by a duly authorized representative it shall be  
9 deemed to have consented to the issuance of the cease and desist order.  
10 In the event of this consent or if upon the record made at the hearing  
11 the director finds that any violation or practice specified in the  
12 notice of charges has been established, the director may issue and  
13 serve upon the bank ~~((or))~~, trust company, or holding company an order  
14 to cease and desist from the violation or practice. The order may  
15 require the bank ~~((or))~~, trust company, or holding company, and its  
16 directors, officers, employees, and agents to cease and desist from the  
17 violation or practice and may require the bank, trust company, or  
18 holding company to take affirmative action to correct the conditions  
19 resulting from the violation or practice.

20 ~~((+3))~~ (5) A cease and desist order shall become effective at the  
21 expiration of ten days after the service of the order upon the bank or  
22 trust company concerned except that a cease and desist order issued  
23 upon consent shall become effective at the time specified in the order  
24 and shall remain effective as provided therein unless it is stayed,  
25 modified, terminated, or set aside by action of the director or a  
26 reviewing court.

27 **Sec. 16.** RCW 30.04.455 and 1994 c 92 s 32 are each amended to read  
28 as follows:

29 ~~((Whenever the director determines that the acts specified in RCW  
30 30.04.450 or their continuation is likely to cause insolvency or  
31 substantial dissipation of assets or earnings of the bank or trust  
32 company or to otherwise seriously prejudice the interests of its  
33 depositors, the director may also issue a temporary order requiring the  
34 bank or trust company to cease and desist from the violation or  
35 practice. The order shall become effective upon service on the bank or  
36 trust company and shall remain effective unless set aside, limited, or  
37 suspended by a court in proceedings under RCW 30.04.460 pending the~~

1 ~~completion of the administrative proceedings under the notice and until~~  
2 ~~such time as the director shall dismiss the charges specified in the~~  
3 ~~notice or until the effective date of a cease and desist order issued~~  
4 ~~against the bank or trust company under RCW 30.04.450.)) (1) The~~  
5 director may also issue a temporary order requiring a bank or trust  
6 company, or its holding company, or both, to cease and desist from any  
7 action or omission, as specified in RCW 30.04.450, or its continuation,  
8 which the director has determined:

9 (a) Constitutes an unsafe and unsound practice or a material  
10 violation of RCW 30.04.050 affecting the bank or trust company;

11 (b) Has resulted in the bank or trust company being less than  
12 adequately capitalized; or

13 (c) Is likely to cause insolvency or substantial dissipation of  
14 assets or earnings of the bank or trust company, or to otherwise  
15 seriously prejudice the interests of its depositors or trust  
16 beneficiaries.

17 (2) The order is effective upon service on the bank, trust company,  
18 or holding company, and remains in effect unless set aside, limited, or  
19 suspended by the superior court in proceedings under RCW 30.04.460  
20 pending the completion of the administrative proceedings under the  
21 notice and until such time as the director dismisses the charges  
22 specified in the notice or until the effective date of a cease and  
23 desist order issued against the bank, trust company, or holding company  
24 under RCW 30.04.450.

25 **Sec. 17.** RCW 30.04.460 and 1977 ex.s. c 178 s 3 are each amended  
26 to read as follows:

27 (1) Within ten days after a bank ((~~or~~)), trust company, or holding  
28 company has been served with a temporary cease and desist order, the  
29 bank ((~~or~~)), trust company, or holding company may apply to the  
30 superior court in the county of its principal place of business for an  
31 injunction setting aside, limiting, or suspending the order pending the  
32 completion of the administrative proceedings pursuant to the notice  
33 served under RCW 30.04.455.

34 (2) The superior court shall have jurisdiction to issue the  
35 injunction.

1       **Sec. 18.** RCW 30.04.470 and 1994 c 92 s 34 are each amended to read  
2 as follows:

3       (1) Any administrative hearing provided in RCW 30.04.450 or  
4 30.12.042 (~~(may)~~) must be (~~((held at such place as is designated by the~~  
5 ~~director and shall be))~~) conducted in accordance with chapter 34.05 RCW  
6 and held at the place designated by the director, and may be conducted  
7 by the department. The hearing shall be private unless the director  
8 determines that a public hearing is necessary to protect the public  
9 interest after fully considering the views of the party afforded the  
10 hearing.

11       (2) Within sixty days after the hearing, the director shall render  
12 a decision which shall include findings of fact upon which the decision  
13 is based and shall issue and serve upon each party to the proceeding an  
14 order or orders consistent with RCW 30.04.450 or 30.12.042, as the case  
15 may be.

16       (3) Unless a petition for review is timely filed in the superior  
17 court of the county of the principal place of business of the affected  
18 bank or trust company under subsection (~~((+2))~~) (5) of this section and  
19 until the record in the proceeding has been filed as therein provided,  
20 the director may at any time modify, terminate, or set aside any order  
21 upon such notice and in such manner as he or she shall deem proper.  
22 Upon filing the record, the director may modify, terminate, or set  
23 aside any order only with permission of the court.

24       (4) The judicial review provided in this section (~~((for an order~~  
25 ~~shall be))~~) is exclusive for orders issued under RCW 30.04.450 and  
26 30.12.042.

27       (~~((+2))~~) (5) Any party to the proceeding or any person required by  
28 an order issued under RCW 30.04.450, 30.04.455, 30.04.465, or 30.12.042  
29 to refrain from any of the violations or practices stated therein may  
30 obtain a review of any order served under subsection (1) of this  
31 section other than one issued upon consent by filing in the superior  
32 court of the county of the principal place of business of the affected  
33 bank or trust company within ten days after the date of service of the  
34 order a written petition praying that the order of the director be  
35 modified, terminated, or set aside. A copy of the petition shall be  
36 immediately served upon the director and the director shall then file  
37 in the court the record of the proceeding. The court shall have  
38 jurisdiction upon the filing of the petition, which jurisdiction shall

1 become exclusive upon the filing of the record to affirm, modify,  
2 terminate, or set aside in whole or in part the order of the director  
3 except that the director may modify, terminate, or set aside an order  
4 with the permission of the court. The judgment and decree of the court  
5 shall be final, except that it shall be subject to appellate review  
6 under the rules of court.

7 ~~((+3))~~ (6) The commencement of proceedings for judicial review  
8 under subsection ~~((+2))~~ (5) of this section shall not operate as a  
9 stay of any order issued by the director unless specifically ordered by  
10 the court.

11 ~~((+4))~~ (7) Service of any notice or order required to be served  
12 under RCW 30.04.450, 30.04.455, 30.12.040 or 30.12.042 shall be  
13 accomplished in the same manner as required for the service of process  
14 in civil actions in superior courts of this state.

15 **Sec. 19.** RCW 30.04.475 and 1994 c 92 s 35 are each amended to read  
16 as follows:

17 (1) The director may apply to the superior court of the county of  
18 the principal place of business of the bank or trust company affected  
19 for the enforcement of any effective and outstanding order issued under  
20 RCW 30.04.450, 30.04.455, 30.04.465, or 30.12.042, and the court shall  
21 have jurisdiction to order compliance therewith.

22 (2) No court shall have jurisdiction to affect by injunction or  
23 otherwise the issuance or enforcement of any order or to review,  
24 modify, suspend, terminate, or set aside any order except as provided  
25 in RCW 30.04.460, 30.04.465, and 30.04.470.

26 **Sec. 20.** RCW 30.12.040 and 1994 c 92 s 64 are each amended to read  
27 as follows:

28 ~~((The director may serve upon a director, officer, or employee of  
29 any bank or trust company a written notice of the director's intention  
30 to remove the person from office or to prohibit the person from  
31 participation in the conduct of the affairs of the bank or trust  
32 company, or both, whenever:~~

33 ~~(1) In the opinion of the director any director, officer, or  
34 employee of any bank or trust company has committed or engaged in:~~

35 ~~(a) Any violation of law or rule or of a cease and desist order  
36 which has become final;~~

1 ~~(b) Any unsafe or unsound practice in connection with the bank or~~  
2 ~~trust company; or~~

3 ~~(c) Any act, omission, or practice which constitutes a breach of~~  
4 ~~his or her fiduciary duty as director, officer, or employee; and~~

5 ~~(2) The director determines that:~~

6 ~~(a) The bank or trust company has suffered or may suffer~~  
7 ~~substantial financial loss or other damage; or~~

8 ~~(b) The interests of its depositors could be seriously prejudiced~~  
9 ~~by reason of the violation or practice or breach of fiduciary duty; and~~

10 ~~(c) The violation or practice or breach of fiduciary duty is one~~  
11 ~~involving personal dishonesty, recklessness, or incompetence on the~~  
12 ~~part of the director, officer, or employee.)~~) (1) The director may

13 issue and serve a board director, officer, or employee of a bank or  
14 trust company with written notice of intent to remove the person from  
15 office or employment or to prohibit the person from participating in  
16 the conduct of the affairs of the bank or trust company or any other  
17 depository institution, trust company, bank holding company, thrift  
18 holding company, or financial holding company doing business in this  
19 state whenever, in the opinion of the director:

20 (a) Reasonable cause exists to believe the person has committed a  
21 material violation of law, an unsafe and unsound practice, or a  
22 violation or practice involving a breach of fiduciary duty, personal  
23 dishonesty, recklessness, or incompetence; and

24 (b) The bank, trust company, or holding company has suffered or is  
25 likely to suffer substantial financial loss or other damage; or

26 (c) The interests of depositors or trust beneficiaries could be  
27 seriously prejudiced by reason of the violation or practice.

28 (2) The director may issue and serve a board director, officer, or  
29 employee of a holding company with written notice of intent to remove  
30 the person from office or employment or to prohibit the person from  
31 participating in the conduct of the affairs of the holding company, its  
32 subsidiary bank or trust company, or any other depository institution,  
33 trust company, bank holding company, thrift holding company, or  
34 financial holding company doing business in this state whenever, in the  
35 opinion of the director:

36 (a) Reasonable cause exists to believe the person has committed a  
37 material violation of law, an unsafe and unsound practice, or a

1 violation or practice involving a breach of fiduciary duty, personal  
2 dishonesty, recklessness, or incompetence; and

3 (b) The subsidiary bank or trust company has suffered or is likely  
4 to suffer substantial financial loss or other damage; or

5 (c) The interests of depositors or trust beneficiaries of the  
6 subsidiary bank or trust company could be seriously prejudiced by  
7 reason of the violation or practice.

8 NEW SECTION. Sec. 21. A new section is added to chapter 30.12 RCW  
9 to read as follows:

10 The director may serve written notice of charges under RCW  
11 30.12.040 to suspend a person from further participation in any manner  
12 in the conduct of the affairs of a bank, trust company, or holding  
13 company, if the director determines that such an action is necessary  
14 for the protection of the bank or trust company, or the interests of  
15 the depositors or trust beneficiaries of the bank or trust company.  
16 Any suspension notice issued by the director is effective upon service,  
17 and unless the superior court of the county of its principal place of  
18 business issues a stay of the order, remains in effect and enforceable  
19 until:

20 (1) The director dismisses the charges contained in the notice  
21 served to the person; or

22 (2) The effective date of a final order for removal of the person  
23 under RCW 30.12.040.

24 **Sec. 22.** RCW 30.12.042 and 1994 c 92 s 65 are each amended to read  
25 as follows:

26 (1) A notice of an intention to remove a director, officer, or  
27 employee from office or to prohibit his or her participation in the  
28 conduct of the affairs of a bank ~~((or))~~, trust company, or holding  
29 company shall contain a statement of the facts which constitute grounds  
30 therefor and shall fix a time and place at which a hearing will be  
31 held. The hearing shall be set not earlier than ten days ~~((not))~~ or  
32 later than thirty days after the date of service of the notice unless  
33 an earlier or later date is set by the director at the request of the  
34 director, officer, or employee for good cause shown or of the attorney  
35 general of the state.



1       (2) Unless the director, officer, or employee appears at the  
2 hearing personally or by a duly authorized representative, the person  
3 shall be deemed to have consented to the issuance of an order of  
4 removal or prohibition or both. In the event of such consent or if  
5 upon the record made at the hearing the director finds that any of the  
6 grounds specified in the notice have been established, the director may  
7 issue such orders of removal from office or prohibition from  
8 participation in the conduct of the affairs of the bank ((~~or~~)), trust  
9 company, or holding company as the director may consider appropriate.

10       (3) Any order shall become effective at the expiration of ten days  
11 after service upon the bank, trust company, or holding company and the  
12 director, officer, or employee concerned except that an order issued  
13 upon consent shall become effective at the time specified in the order.

14       (4) An order shall remain effective except to the extent it is  
15 stayed, modified, terminated, or set aside by the director or a  
16 reviewing court.

17       **Sec. 23.** RCW 30.12.044 and 1994 c 92 s 66 are each amended to read  
18 as follows:

19       If at any time because of the removal of one or more directors  
20 under this chapter there shall be on the board of directors of a bank  
21 ((~~or~~)), trust company, or holding company less than a quorum of  
22 directors, all powers and functions vested in or exercisable by the  
23 board shall vest in and be exercisable by the director or directors  
24 remaining until such time as there is a quorum on the board of  
25 directors. If all of the directors of a bank ((~~or~~)), trust company, or  
26 holding company are removed under this chapter, the director shall  
27 appoint persons to serve temporarily as directors until such time as  
28 their respective successors take office.

29       **Sec. 24.** RCW 30.12.047 and 1994 c 92 s 67 are each amended to read  
30 as follows:

31       Any present or former director, officer, or employee of a bank  
32 ((~~or~~)), trust company, or holding company, or any other person against  
33 whom there is outstanding an effective final order served upon the  
34 person and who participates in any manner in the conduct of the affairs  
35 of the bank ((~~or~~)), trust company, or holding company involved; or who  
36 directly or indirectly solicits or procures, transfers or attempts to

1 transfer, or votes or attempts to vote any proxies, consents, or  
2 authorizations with respect to any voting rights in the bank ((~~or~~)),  
3 trust company, or holding company; or who, without the prior approval  
4 of the director, votes for a director or serves or acts as a director,  
5 officer, employee, or agent of any bank ((~~or~~)), trust company, or  
6 holding company shall upon conviction for a violation of any order, be  
7 guilty of a gross misdemeanor punishable as prescribed under chapter  
8 9A.20 RCW, as now or hereafter amended.

9       **Sec. 25.** RCW 30.12.070 and 1994 c 92 s 70 are each amended to read  
10 as follows:

11       The director may at any time, if in his or her judgment excessive,  
12 unsafe, or improvident loans are being made or are likely to be made by  
13 a bank or trust company to any of its directors or officers or the  
14 directors or officers of its holding company, or to any corporation,  
15 copartnership or association of which such director is a stockholder,  
16 member, co-owner, or in which such director is financially interested,  
17 or like discounts of the notes or obligations of any such director,  
18 corporation, copartnership or association are being made or are likely  
19 to be made, require such bank or trust company to submit to him or her  
20 for approval all proposed loans to, or discounts of the note or  
21 obligation of, any such director, officer, corporation, copartnership  
22 or association, and thereafter such proposed loans and discounts shall  
23 be reported upon such forms and with such information concerning the  
24 desirability and safety of such loans or discounts and of the  
25 responsibility and financial condition of the person, corporation,  
26 copartnership or association to whom such loan is to be made or whose  
27 note or obligation is to be discounted and of the amount and value of  
28 any collateral that may be offered as security therefor, as the  
29 director may require, and no such loan or discount shall be made  
30 without his or her written approval thereon.

31       **Sec. 26.** RCW 30.12.090 and 2003 c 53 s 186 are each amended to  
32 read as follows:

33       Every person who shall knowingly subscribe to or make or cause to  
34 be made any false statement or false entry in the books of any bank  
35 ((~~or~~)), trust company, or holding company, or shall knowingly subscribe  
36 to or exhibit any false or fictitious paper or security, instrument or

1 paper, with the intent to deceive any person authorized to examine into  
2 the affairs of any bank ((~~or~~)) trust company, or holding company, or  
3 shall make, state, or publish any false statement of the amount of the  
4 assets or liabilities of any bank ((~~or~~)), trust company, or holding  
5 company, is guilty of a class B felony punishable according to chapter  
6 9A.20 RCW.

7 **Sec. 27.** RCW 30.12.100 and 2003 c 53 s 187 are each amended to  
8 read as follows:

9 Every officer, director, or employee or agent of any bank ((~~or~~)),  
10 trust company, or holding company who, for the purpose of concealing  
11 any fact or suppressing any evidence against himself or herself, or  
12 against any other person, abstracts, removes, mutilates, destroys or  
13 secretes any paper, book or record of any bank ((~~or~~)), trust company,  
14 or holding company, or of the director, or of anyone connected with his  
15 or her office, is guilty of a class B felony punishable according to  
16 chapter 9A.20 RCW.

17 **Sec. 28.** RCW 30.12.190 and 1989 c 220 s 2 are each amended to read  
18 as follows:

19 (1) Every person who shall knowingly violate, or knowingly aid or  
20 abet the violation of any provision of RCW 30.04.010, 30.04.030,  
21 30.04.050, 30.04.060, 30.04.070, 30.04.075, 30.04.111, 30.04.120,  
22 30.04.130, 30.04.180, 30.04.210, 30.04.220, 30.04.280, ((~~30.04.290,~~))  
23 30.04.300, 30.08.010, 30.08.020, 30.08.030, 30.08.040, 30.08.050,  
24 30.08.060, 30.08.080, 30.08.090, 30.08.095, ((~~30.08.110, 30.08.120,~~))  
25 30.08.140, 30.08.150, 30.08.160, 30.08.180, 30.08.190, 30.12.010,  
26 30.12.020, 30.12.030, 30.12.060, 30.12.070, 30.12.130, 30.12.180,  
27 30.12.190, 30.16.010, 30.20.060, ((~~30.40.010,~~)) 30.44.010, 30.44.020,  
28 30.44.030, 30.44.040, 30.44.050, 30.44.060, 30.44.070, 30.44.080,  
29 30.44.090, 30.44.100, 30.44.130, 30.44.140, 30.44.150, 30.44.160,  
30 30.44.170, 30.44.240, 30.44.250, ((~~43.19.020, 43.19.030, 43.19.050, and~~  
31 ~~43.19.090~~)) 43.320.060, 43.320.070, 43.320.080, and 43.320.100, and  
32 ((~~every person~~)) any director, officer, or employee of a bank, trust  
33 company, or holding company who fails to perform any act which it is  
34 therein made his or her duty to perform, shall be guilty of a  
35 misdemeanor. ((~~No person~~))

1        (2) A director, officer, or employee of a bank, trust company, or  
2 holding company who has been convicted for the violation of the banking  
3 laws of this or any other state or of the United States shall not be  
4 permitted to engage in or become (~~(an officer or official)~~) or remain  
5 a board director, officer, or employee of any bank (~~(or)~~), trust  
6 company, or holding company organized and existing under the laws of  
7 this state, or of any other depository institution, trust company, bank  
8 holding company, thrift holding company, or financial holding company  
9 doing business in this state.

10        **Sec. 29.** RCW 30.12.240 and 1994 c 92 s 73 are each amended to read  
11 as follows:

12        If the directors of any bank, trust company, or holding company  
13 shall knowingly violate, or knowingly permit any of the officers,  
14 agents, or (~~(servants)~~) employees of the bank or trust company to  
15 violate any of the provisions of this title or any lawful regulation or  
16 directive of the director, and if the directors are aware that such  
17 facts and circumstances constitute such violations, then each director  
18 who participated in or assented to the violation is personally and  
19 individually liable for all damages which the state or any insurer of  
20 the deposits of the bank or trust company, or any trust beneficiary of  
21 the trust company, sustains due to the violation.

22        **Sec. 30.** RCW 30.44.010 and 1994 c 92 s 107 are each amended to  
23 read as follows:

24        (~~(Whenever it shall in any manner appear to the director that any~~  
25 ~~bank or trust company has violated any provision of law or is~~  
26 ~~conducting its business in an unsafe manner or that it refuses to~~  
27 ~~submit its books, papers, or concerns to lawful inspection or that any~~  
28 ~~director or officer thereof refuses to submit to examination on oath~~  
29 ~~touching its concerns, or that it has failed to carry out any~~  
30 ~~authorized order or direction of an examiner)) (1) Under the  
31 circumstances set forth in subsection (2) of this section, the director  
32 may give to a bank or trust company a notice to correct an unsafe  
33 condition of the bank or trust company (~~(so offending or delinquent or~~  
34 ~~whose director or officer is thus offending or delinquent to correct~~  
35 ~~such offense or delinquency)); and if such bank or trust company fails  
36 to comply with the terms of such notice within thirty days from the~~~~

1 date of its issuance or within such further time as the director may  
2 allow, then the director may take possession of such bank or trust  
3 company as in the case of insolvency.

4 (2) The director is authorized to give notice and take possession  
5 of a bank or trust company, as described in subsection (1) of this  
6 section, under the following circumstances:

7 (a) The obligations to its creditors, depositors, members, trust  
8 beneficiaries, if applicable, and others exceed its assets;

9 (b) It has willfully violated a supervisory directive, cease and  
10 desist order, or other authorized directive or order of the director;

11 (c) It has concealed its books, papers, records, or assets, or  
12 refused to submit its books, records, or affairs to any examiner of the  
13 department or the federal deposit insurance corporation;

14 (d) It is likely to be unable to pay its obligations or meet its  
15 depositors' demands in the normal course of business;

16 (e) It ceases to have deposit insurance acceptable to the director;

17 (f) It fails to submit a capital restoration plan acceptable to the  
18 department within a time previously called for or materially fails to  
19 implement a capital restoration plan that was previously submitted and  
20 accepted by the department; or

21 (g) It is critically undercapitalized or otherwise has  
22 substantially insufficient capital.

23 **Sec. 31.** RCW 30.44.020 and 1994 c 92 s 108 are each amended to  
24 read as follows:

25 (1) Whenever it shall in any manner appear to the director that any  
26 offense or delinquency referred to in RCW 30.44.010 ((renders)) has  
27 resulted in a bank or trust company ((in an unsound or unsafe condition  
28 to continue its business or that its capital or surplus is reduced or  
29 impaired below the amount required by its articles of incorporation or  
30 by this title)) being critically undercapitalized with no reasonably  
31 foreseeable prospect of recovery, or that it has suspended payment of  
32 its obligations or is insolvent, the director may notify such bank or  
33 trust company to levy an assessment on its stock or otherwise to make  
34 good such impairment or offense or other delinquency within such time  
35 and in such manner as ((he or she)) the director may specify, or if  
36 ((he or she)) the director deems necessary ((he or she)), the director  
37 may take possession thereof without notice.

1       (2) The board of directors of any such bank or trust company, with  
2 the consent of the holders of record of two-thirds of the capital stock  
3 expressed either in writing or by vote at a stockholders' meeting  
4 called for that purpose, shall have power and authority to levy such  
5 assessment upon the stockholders pro rata and to forfeit the stock upon  
6 which any such assessment is not paid, in the manner prescribed in RCW  
7 30.12.180.

8       **Sec. 32.** RCW 30.44.030 and 1994 c 92 s 109 are each amended to  
9 read as follows:

10       Within ten days after the director takes possession thereof, a bank  
11 or trust company may serve a notice upon the director to appear before  
12 the superior court of the county wherein such corporation is located  
13 and at a time to be fixed by ~~((said))~~ the court, which shall not be  
14 less than five nor more than fifteen days from the date of the service  
15 of such notice, to show cause why ~~((such corporation))~~ the director's  
16 action taking possession of the bank or trust company should not be  
17 ~~((restored to the possession of its assets))~~ affirmed. Upon the return  
18 day of such notice, or such further day as the matter may be continued  
19 to, the court shall summarily hear said cause and shall dismiss the  
20 same, if it be found that possession was taken by the director in good  
21 faith and for cause, but if it find that no cause existed for the  
22 taking possession of such ~~((corporation))~~ bank or trust company, it  
23 shall require the director to restore such bank or trust company to  
24 possession of its assets and enjoin ~~((him or her))~~ the director from  
25 further interference therewith without cause.

26       **Sec. 33.** RCW 30.44.100 and 1994 c 92 s 116 are each amended to  
27 read as follows:

28       No receiver shall be appointed by any court for any bank or trust  
29 company, nor shall any assignment of any bank or trust company for the  
30 benefit of creditors be valid, excepting only that a court otherwise  
31 having jurisdiction may in case of imminent necessity appoint a  
32 temporary receiver to take possession of and preserve the assets of  
33 such corporation. Immediately upon any such appointment, the clerk of  
34 such court shall notify the director ~~((by telegraph and mail))~~ in  
35 writing of such appointment and the director shall forthwith take  
36 possession of such bank or, trust company, as in case of insolvency,

1 and (~~such~~) the temporary receiver shall upon demand of the director  
2 surrender up to him or her such possession and all assets which shall  
3 have come into the (~~hands~~) possession of such receiver. The director  
4 shall in due course pay such receiver out of the assets of such  
5 corporation such amount as the court shall allow.

6 **Sec. 34.** RCW 30.44.110 and 2003 c 53 s 190 are each amended to  
7 read as follows:

8 (1) Every transfer of its property or assets by any bank or trust  
9 company (~~in this state~~), made (a) in contemplation of insolvency(~~(7)~~)  
10 or after it shall have become insolvent, (b) within ninety days before  
11 the date the director takes possession of such bank or trust company  
12 under RCW 30.44.010, 30.44.020, 30.44.100 or 30.44.160, or the federal  
13 deposit insurance corporation is appointed as receiver or liquidator of  
14 such bank under RCW 30.44.270, and (c) with a view to the preference of  
15 one creditor over another(~~(7)~~) or to prevent the equal distribution of  
16 its property and assets among its creditors, shall be void.

17 (2) Every director, officer, or employee of a bank or trust company  
18 making any such transfer of assets is guilty of a class B felony  
19 punishable according to chapter 9A.20 RCW.

20 **Sec. 35.** RCW 30.44.160 and 1994 c 92 s 120 are each amended to  
21 read as follows:

22 (~~Any~~) (1) Subject to the consent of the director, a bank or trust  
23 company may voluntarily stipulate and consent to an order taking  
24 possession and thereby place itself under the control of the director  
25 to be liquidated (~~as herein provided by posting~~) and be made subject  
26 to receivership as provided in this chapter.

27 (2) Upon issuance of such order taking possession, the bank or  
28 trust company shall post a notice on its door as follows: "This bank  
29 (trust company) is in the (~~hands~~) possession of the (~~State~~)  
30 Director of the Washington State Department of Financial Institutions."

31 (~~Immediately upon the posting of such notice, the officers of such~~  
32 ~~corporation shall notify the director thereof by telegraph and mail.~~)

33 (3) The posting of such notice or the taking possession of any bank  
34 or trust company by the director shall be sufficient to place all of  
35 its assets and property of every nature in his or her possession and  
36 bar all attachment proceedings.

1       **Sec. 36.** RCW 30.44.270 and 1994 c 92 s 131 are each amended to  
2 read as follows:

3       (1) The federal deposit insurance corporation is hereby authorized  
4 and empowered to be and act without bond as receiver or liquidator of  
5 any bank or trust company the deposits in which are to any extent  
6 insured by that corporation and of which the director shall have ((been  
7 ~~closed on account of inability to meet the demands of its depositors))~~  
8 taken possession pursuant to RCW 30.44.010, 30.44.020, or 30.44.160.

9       (2) In the event of such closing, the director may appoint the  
10 federal deposit insurance corporation as receiver or liquidator of such  
11 bank or trust company.

12       (3) If the corporation accepts such appointment, it shall have and  
13 possess all the powers and privileges provided by the laws of this  
14 state with respect to a liquidator of a bank or trust company, its  
15 depositors and other creditors, and be subject to all the duties of  
16 such liquidator, except insofar as such powers, privileges, or duties  
17 are in conflict with the provisions of the federal deposit insurance  
18 act, as now or hereafter amended.

19       **Sec. 37.** RCW 30.46.010 and 1994 c 92 s 133 are each amended to  
20 read as follows:

21       ~~((For the purposes of this chapter the following terms shall be~~  
22 ~~defined as follows:))~~ The definitions in this section apply throughout  
23 this chapter unless the context clearly requires otherwise.

24       (1) "Unsafe condition" shall mean and include, but not be limited  
25 to, any one or more of the following circumstances:

26       (a) If a ~~((bank's capital is impaired or impairment of capital is~~  
27 ~~threatened))~~ bank or trust company is less than well capitalized;

28       (b) If a bank or trust company violates the applicable provisions  
29 of Title 30 RCW or any other law or regulation applicable to banks or  
30 trust companies;

31       (c) If a bank or trust company conducts a fraudulent or  
32 questionable practice in the conduct of its business that endangers  
33 ~~((the))~~ a bank's or trust company's reputation or threatens its  
34 solvency;

35       (d) If a bank or trust company conducts its business in an unsafe  
36 or unauthorized manner;



1 (e) If a bank or trust company violates any conditions of its  
2 charter or any agreement entered with the director; or

3 (f) If a bank or trust company fails to carry out any authorized  
4 order or direction of the examiner or the director.

5 (2) "Exceeded its powers" shall mean and include, but not be  
6 limited to the following circumstances:

7 (a) If a bank or trust company has refused to permit examination of  
8 its books, papers, accounts, records, or affairs by the director,  
9 assistant director, or duly commissioned examiners; or

10 (b) If a bank or trust company has neglected or refused to observe  
11 an order of the director to make good, within the time prescribed, any  
12 impairment of its capital.

13 (3) "Consent" includes and means a written agreement by the bank or  
14 trust company to either supervisory direction or conservatorship under  
15 this chapter.

16 **Sec. 38.** RCW 32.04.020 and 1999 c 14 s 13 are each amended to read  
17 as follows:

18 Unless the context clearly requires otherwise, the definitions in  
19 this section apply throughout this title.

20 (1) ~~((The use of the term "savings bank" or "mutual savings bank"~~  
21 ~~refers to savings banks organized under chapter 32.08 or 32.35 RCW or~~  
22 ~~converted under chapter 32.32 or 33.44 RCW.~~

23 ~~(2) The use of the words "mutual savings" as part of a name under~~  
24 ~~which business of any kind is or may be transacted by any person, firm,~~  
25 ~~or corporation, except such as were organized and in actual operation~~  
26 ~~on June 9, 1915, or as may be thereafter operated under the~~  
27 ~~requirements of this title is hereby prohibited.~~

28 ~~(3) The use of the term "director" refers to the director of~~  
29 ~~financial institutions.~~

30 ~~(4) The use of the word "branch" refers to an established office or~~  
31 ~~facility other than the principal office, at which employees of the~~  
32 ~~savings bank take deposits. The term "branch" does not refer to a~~  
33 ~~machine permitting customers to leave funds in storage or communicate~~  
34 ~~with savings bank employees who are not located at the site of that~~  
35 ~~machine, unless employees of the savings bank at the site of that~~  
36 ~~machine take deposits on a regular basis. An office of an entity other~~  
37 ~~than the savings bank is not established by the savings bank,~~

1 ~~regardless of any affiliation, accommodation arrangement, or other~~  
2 ~~relationship between the other entity and the savings bank.))~~  
3 "Adequately capitalized," "critically undercapitalized," "significantly  
4 undercapitalized," "undercapitalized," and "well-capitalized,"  
5 respectively, have meanings consistent with the definitions these same  
6 terms have under the prompt corrective action provisions of the federal  
7 deposit insurance act, 12 U.S.C. Sec. 1831o, or any successor federal  
8 statute, and applicable enabling rules of the federal deposit insurance  
9 corporation.

10 (2) "Bank holding company" means a bank holding company under  
11 authority of the federal bank holding company act.

12 (3) "Branch" means an established office or facility other than the  
13 principal office, at which employees of the savings bank take deposits.  
14 "Branch" does not mean a machine permitting customers to leave funds in  
15 storage or communicate with savings bank employees who are not located  
16 at the site of that machine, unless employees of the savings bank at  
17 the site of that machine take deposits on a regular basis. An office  
18 of an entity other than the savings bank is not established by the  
19 savings bank, regardless of any affiliation, accommodation arrangement,  
20 or other relationship between the other entity and the savings bank.

21 (4) "Department" means the Washington state department of financial  
22 institutions.

23 (5) "Director" means the director of the department.

24 (6) "Financial holding company" means a financial services holding  
25 company under the authority of the federal bank holding company act.

26 (7) "Holding company" means a bank holding company, financial  
27 holding company, or thrift holding company of a savings bank organized  
28 under chapter 32.08 RCW, converted from a mutual savings bank to a  
29 stock savings bank under chapter 32.32 RCW, or converted to a state  
30 savings bank under chapter 32.34 RCW.

31 (8) "Mutual savings" when used as part of a name under which  
32 business of any kind is or may be transacted by any person, firm, or  
33 corporation, except such as were organized and in actual operation on  
34 June 9, 1915, or as may be thereafter operated under the requirements  
35 of this title is hereby prohibited.

36 (9) "Savings bank" or "mutual savings bank" means savings banks  
37 organized under chapter 32.08 or 32.35 RCW or converted under chapter  
38 32.32 or 33.44 RCW.

1       (10) "Thrift holding company" means a thrift institution holding  
2 company under authority of laws and rules administered by the federal  
3 office of thrift supervision, or its successor agency.

4       NEW SECTION. Sec. 39. A new section is added to chapter 32.04 RCW  
5 to read as follows:

6       (1) Each savings bank and its directors, officers, employees, and  
7 agents, shall comply with:

8       (a) This title and chapter 11.100 RCW as applicable to each of  
9 them;

10       (b) The rules adopted by the department with respect to savings  
11 banks;

12       (c) Any lawful direction or order of the director;

13       (d) Any lawful supervisory agreement with the director; and

14       (e) The applicable statutes, rules, and regulations administered by  
15 the board of governors of the federal reserve system, the federal  
16 office of thrift supervision, and the federal deposit insurance  
17 corporation with respect to savings banks and holding companies.

18       (2) Each holding company, and its directors, officers, employees,  
19 and agents, shall comply with:

20       (a) The provisions of this title that are applicable to each of  
21 them;

22       (b) The rules of the department that are applicable with respect to  
23 holding companies;

24       (c) Any lawful direction or order of the director;

25       (d) Any lawful supervisory agreement with the director; and

26       (e) The applicable statutes, rules, and regulations administered by  
27 the board of governors of the federal reserve system or the federal  
28 office of thrift supervision, or applicable successor agency, with  
29 respect to holding companies, the violation of which would result in an  
30 unsafe and unsound practice or material violation of law with respect  
31 to the subsidiary savings bank of the holding company.

32       (3) The violation of any supervisory agreement, directive, order,  
33 statute, rule, or regulation referenced in this section, in addition to  
34 any other penalty provided in this title, shall, at the option of the  
35 director, subject the offender to a penalty of up to ten thousand  
36 dollars for each offense, payable upon issuance of any order or

1 directive of the director, which may be recovered by the attorney  
2 general in a civil action in the name of the department.

3 **Sec. 40.** RCW 32.04.070 and 1955 c 13 s 32.04.070 are each amended  
4 to read as follows:

5 Copies from the records, books, and accounts of a savings bank and  
6 its holding company shall be competent evidence in all cases, equal  
7 with originals thereof, if there is annexed to such copies an affidavit  
8 taken before a notary public or clerk of a court under seal, stating  
9 that the affiant is the officer of the savings bank or holding company  
10 having charge of the original records, and that the copy is true and  
11 correct and is full so far as the same relates to the subject matter  
12 therein mentioned.

13 **Sec. 41.** RCW 32.04.100 and 2003 c 53 s 194 are each amended to  
14 read as follows:

15 Every person who knowingly subscribes to or makes or causes to be  
16 made any false statement or false entry in the books of any savings  
17 bank or its holding company, or knowingly subscribes to or exhibits any  
18 false or fictitious security, document or paper, with the intent to  
19 deceive any person authorized to examine into the affairs of any  
20 savings bank or its holding company, or makes or publishes any false  
21 statement of the amount of the assets or liabilities of any such  
22 savings bank or its holding company is guilty of a class B felony  
23 punishable according to chapter 9A.20 RCW.

24 **Sec. 42.** RCW 32.04.110 and 2003 c 53 s 195 are each amended to  
25 read as follows:

26 Every board trustee or director, officer, employee, or agent of any  
27 savings bank or its holding company who for the purpose of concealing  
28 any fact suppresses any evidence against himself or herself, or against  
29 any other person, or who abstracts, removes, mutilates, destroys, or  
30 secretes any paper, book, or record of any savings bank or its holding  
31 company, or of the director, or anyone connected with his or her office  
32 is guilty of a class B felony punishable according to chapter 9A.20  
33 RCW.

1       **Sec. 43.** RCW 32.04.211 and 1994 c 92 s 300 are each amended to  
2 read as follows:

3       (1) The director, assistant director, or an examiner shall visit  
4 each savings bank at least once every eighteen months, and oftener if  
5 necessary, or as otherwise required by the rules and interpretations of  
6 applicable federal banking examination authorities, for the purpose of  
7 making a full investigation into the condition of such corporation, and  
8 for that purpose they are hereby empowered to administer oaths and to  
9 examine under oath any director, officer, employee, or agent of such  
10 corporation.

11       (2) The director may make such other full or partial examinations  
12 as deemed necessary and may examine any holding company that owns any  
13 portion of a savings bank chartered by the state of Washington and  
14 obtain reports of condition for any holding company that owns any  
15 portion of a savings bank chartered by the state of Washington.

16       (3) The director may visit and examine into the affairs of any  
17 nonpublicly held corporation in which the savings bank or its holding  
18 company has an investment or any publicly held corporation the capital  
19 stock of which is controlled by the savings bank or its holding  
20 company; may appraise and revalue such corporations' investments and  
21 securities; and shall have full access to all the books, records,  
22 papers, securities, correspondence, bank accounts, and other papers of  
23 such corporations for such purposes. (~~The director may, in his or her~~  
24 ~~discretion, accept in lieu of the examinations required in this section~~  
25 ~~the examinations conducted at the direction of the federal reserve~~  
26 ~~board or the Federal Deposit Insurance Corporation.))~~

27       (4) Any willful false swearing in any examination is perjury in the  
28 second degree.

29       (~~(+2)~~) (5) The director may enter into cooperative and reciprocal  
30 agreements with the bank regulatory authorities of the United States,  
31 any state, the District of Columbia, or any trust territory of the  
32 United States for the periodic examination of domestic savings banks or  
33 holding companies owning banking institutions in other states, the  
34 District of Columbia, or trust territories, and subsidiaries of such  
35 domestic savings banks and holding companies, or of out-of-state  
36 holding companies owning a savings bank the principal operations of  
37 which are conducted in this state. (~~The director may accept reports~~

1 of examination and other records from such authorities in lieu of  
2 conducting his or her own examinations.)

3 (6) The director may, in his or her discretion, accept in lieu of  
4 the examinations required in this section the examinations and reports  
5 conducted, as applicable, at the direction of the board of governors of  
6 the federal reserve system, the federal office of thrift supervision,  
7 the federal deposit insurance corporation, any successor federal thrift  
8 regulator or thrift holding company regulator, or other authorities,  
9 domestic, foreign, or alien.

10 (7) The director may enter into joint actions with other  
11 regulatory bodies having concurrent jurisdiction or may enter into such  
12 actions independently to carry out his or her responsibilities under  
13 this title and assure compliance with the laws of this state.

14 **Sec. 44.** RCW 32.04.220 and 2005 c 274 s 258 are each amended to  
15 read as follows:

16 (1) All examination reports and all information obtained by the  
17 director and the director's staff in conducting examinations of  
18 (~~mutual~~) savings banks, and information obtained by the director and  
19 the director's staff from other state or federal bank regulatory  
20 authorities with whom the director has entered into agreements pursuant  
21 to RCW 32.04.211, and information obtained by the director and the  
22 director's staff relating to examination and supervision of holding  
23 companies owning a savings bank in this state or subsidiaries of such  
24 holding companies, is confidential and privileged information and shall  
25 not be made public or otherwise disclosed to any person, firm,  
26 corporation, agency, association, governmental body, or other entity.

27 (2) Subsection (1) of this section notwithstanding, the director  
28 may furnish all or any part of examination reports, work papers, final  
29 orders, or other information obtained in the conduct of an examination  
30 or investigation prepared by the director's office to:

31 (a) Federal agencies empowered to examine (~~mutual~~) savings banks;

32 (b) Bank regulatory authorities with whom the director has entered  
33 into agreements pursuant to RCW 32.04.211, and other bank regulatory  
34 authorities who are the primary regulatory authority or insurer of  
35 accounts for a holding company owning a savings bank the principal  
36 operations of which are conducted in this state or a subsidiary of such

1 holding company; provided that the director shall first find that the  
2 reports of examination to be furnished shall receive protection from  
3 disclosure comparable to that accorded by this section;

4 (c) Officials empowered to investigate criminal charges subject to  
5 legal process, valid search warrant, or subpoena. If the director  
6 furnishes any examination report to officials empowered to investigate  
7 criminal charges, the director may only furnish that part of the report  
8 which is necessary and pertinent to the investigation, and the director  
9 may do this only after notifying the affected (~~mutual~~) savings bank  
10 and any customer of the (~~mutual~~) savings bank who is named in that  
11 part of the report of the order to furnish the part of the examination  
12 report unless the officials requesting the report first obtain a waiver  
13 of the notice requirement from a court of competent jurisdiction for  
14 good cause;

15 (d) The examined savings bank or holding company thereof;

16 (e) The attorney general in his or her role as legal advisor to the  
17 director;

18 (f) Liquidating agents of a distressed savings bank;

19 (g) A person or organization officially connected with the savings  
20 bank as officer, director, attorney, auditor, or independent attorney  
21 or independent auditor;

22 (h) The Washington public deposit protection commission as provided  
23 by RCW 39.58.105;

24 (i) Organizations insuring or guaranteeing the shares of, or  
25 deposits in, the savings bank; or

26 (j) Other persons as the director may determine necessary to  
27 protect the public interest and confidence.

28 (3) All examination reports, work papers, final orders, and other  
29 information obtained in the conduct of an examination or investigation  
30 furnished under subsections (2) and (4) of this section shall remain  
31 the property of the department of financial institutions, and be  
32 confidential, and no person, agency, or authority to whom reports are  
33 furnished or any officer, director, or employee thereof shall disclose  
34 or make public any of the reports or any information contained therein  
35 except in published statistical material that does not disclose the  
36 affairs of any individual or corporation: PROVIDED, That nothing  
37 herein shall prevent the use in a criminal prosecution of reports  
38 furnished under subsection (2) of this section.

1 (4) The examination report made by the department of financial  
2 institutions is designed for use in the supervision of the ((mutual))  
3 savings bank, and the director may furnish a copy of the report to the  
4 ((mutual)) savings bank examined. The report shall remain the property  
5 of the director and will be furnished to the ((mutual)) savings bank  
6 solely for its confidential use. Under no circumstances shall the  
7 ((mutual)) savings bank or any of its trustees, officers, or employees  
8 disclose or make public in any manner the report or any portion  
9 thereof, to any person or organization not connected with the savings  
10 bank as officer, director, employee, attorney, auditor, or candidate  
11 for executive office with the bank. The savings bank may also, after  
12 execution of an agreement not to disclose information in the report,  
13 disclose the report or relevant portions thereof to a party proposing  
14 to acquire or merge with the savings bank.

15 (5) Examination reports and information obtained by the director  
16 and the director's staff in conducting examinations, or from other  
17 state and federal bank regulatory authorities with whom the director  
18 has entered into agreements pursuant to RCW 32.04.211, or relating to  
19 examination and supervision of holding companies owning a savings bank  
20 the principal operations of which are conducted in this state or a  
21 subsidiary of such holding company, shall not be subject to public  
22 disclosure under chapter 42.56 RCW.

23 (6) In any civil action in which the reports are sought to be  
24 discovered or used as evidence, any party may, upon notice to the  
25 director, petition the court for an in camera review of the report.  
26 The court may permit discovery and introduction of only those portions  
27 of the report which are relevant and otherwise unobtainable by the  
28 requesting party. This subsection shall not apply to an action brought  
29 or defended by the director.

30 (7) This section shall not apply to investigation reports prepared  
31 by the director and the director's staff concerning an application for  
32 a new ((mutual)) savings bank or an application for a branch of a  
33 ((mutual)) savings bank: PROVIDED, That the director may adopt rules  
34 making confidential portions of the reports if in the director's  
35 opinion the public disclosure of the portions of the report would  
36 impair the ability to obtain the information which the director  
37 considers necessary to fully evaluate the application.



1       (8) Except to the extent permitted by subsection (2) of this  
2 section, any regulatory enforcement action against a savings bank or  
3 holding company, including any supervisory agreement, direction,  
4 consent order, final order, or other information related to the  
5 regulatory enforcement action is confidential and privileged and not  
6 subject to public disclosure under chapter 42.56 RCW.

7       (9) Notwithstanding any other provision of this section or other  
8 applicable law, a savings bank or holding company shall not be in  
9 violation of any provision of this section on account of its compliance  
10 with required reporting to the federal securities and exchange  
11 commission, including the disclosure of any order of the director.

12       (10) Every person who violates any provision of this section shall  
13 (~~forfeit the person's office or employment and~~) be guilty of a gross  
14 misdemeanor.

15       **Sec. 45.** RCW 32.04.250 and 1994 c 92 s 302 are each amended to  
16 read as follows:

17       (1) The director may issue and serve a notice of charges upon a  
18 (~~mutual~~) savings bank (~~a notice of charges if~~) when, in the opinion  
19 of the director (~~any mutual savings bank~~):

20       (a) (~~Is engaging or~~) It has engaged in an unsafe (~~or~~) and  
21 unsound practice in conducting or in relation to (~~the~~) its business  
22 (~~of the mutual savings bank~~);

23       (b) (~~Is violating or~~) It has violated (~~the law, rule, or any~~  
24 ~~condition imposed in writing by the director in connection with the~~  
25 ~~granting of any application or other request by the mutual savings bank~~  
26 ~~or any written agreement made with the director~~) any provision of  
27 section 39 of this act; or

28       (c) (~~Is about to do the~~) It is planning, attempting, or currently  
29 conducting any act(~~s~~) prohibited in (a) or (b) of this subsection  
30 (~~when the opinion that the threat exists is based upon reasonable~~  
31 ~~cause~~)).

32       (2) The director may issue and serve a notice of charges upon a  
33 holding company when, in the opinion of the director:

34       (a) The holding company has committed a violation of section 39(2)  
35 of this act;

36       (b) The conduct of the holding company has resulted in an unsafe

1 and unsound practice at the savings bank or a violation of any  
2 provision of section 39 of this act by the savings bank; or

3 (c) The holding company is planning, attempting, or currently  
4 conducting any act prohibited in (a) or (b) of this subsection.

5 (3) The notice shall contain a statement of the facts constituting  
6 the alleged violation or violations or the practice or practices and  
7 shall fix a time and place at which a hearing will be held to determine  
8 whether an order to cease and desist should issue against the  
9 ((mutual)) savings bank or holding company. The hearing shall be set  
10 not earlier than ten days ((nor)) or later than thirty days after  
11 service of the notice, unless a later date is set by the director at  
12 the request of the ((mutual)) savings bank or holding company.

13 (4) Unless the ((mutual)) savings bank or holding company shall  
14 appear at the hearing by a duly authorized representative, it shall be  
15 deemed to have consented to the issuance of the cease and desist order.  
16 In the event of this consent or if upon the record made at the hearing  
17 the director finds that any violation or practice specified in the  
18 notice of charges has been established, the director may issue and  
19 serve upon the ((mutual)) savings bank or holding company an order to  
20 cease and desist from the violation or practice. The order may require  
21 the ((mutual)) savings bank or holding company, and its trustees,  
22 officers, employees, and agents, to cease and desist from the violation  
23 or practice and may require the ((mutual)) savings bank or holding  
24 company to take affirmative action to correct the conditions resulting  
25 from the violation or practice.

26 ((+3)) (5) A cease and desist order shall become effective at the  
27 expiration of ten days after the service of the order upon the  
28 ((mutual)) savings bank or holding company concerned, except that a  
29 cease and desist order issued upon consent shall become effective at  
30 the time specified in the order and shall remain effective as provided  
31 therein, unless it is stayed, modified, terminated, or set aside by  
32 action of the director or a reviewing court.

33 **Sec. 46.** RCW 32.04.260 and 1994 c 92 s 303 are each amended to  
34 read as follows:

35 ~~((Whenever the director determines that the acts specified in RCW~~  
36 ~~32.04.250 or their continuation is likely to cause insolvency or~~  
37 ~~substantial dissipation of assets or earnings of the mutual savings~~

1 ~~bank or to otherwise seriously prejudice the interest of its~~  
2 ~~depositors, the director may also issue a temporary order requiring the~~  
3 ~~mutual savings bank to cease and desist from the violation or practice.~~  
4 ~~The order shall become effective upon service on the mutual savings~~  
5 ~~bank and, unless set aside, limited, or suspended by a court in~~  
6 ~~proceedings under RCW 32.04.270, shall remain effective pending the~~  
7 ~~completion of the administrative proceedings under the notice and until~~  
8 ~~such time as the director shall dismiss the charges specified in the~~  
9 ~~notice or until the effective date of a cease and desist order issued~~  
10 ~~against the mutual savings bank under RCW 32.04.250.)) (1) The director~~  
11 may also issue a temporary order requiring a savings bank or its  
12 holding company, or both, to cease and desist from any action or  
13 omission, as specified in RCW 32.04.250, or its continuation, which the  
14 director has determined:

15 (a) Constitutes an unsafe and unsound practice, or a material  
16 violation of section 39 of this act affecting the savings bank;

17 (b) Has resulted in the savings bank being less than adequately  
18 capitalized; or

19 (c) Is likely to cause insolvency or substantial dissipation of  
20 assets or earnings of the savings bank, or to otherwise seriously  
21 prejudice the interests of the savings bank's depositors.

22 (2) The order is effective upon service on the savings bank or  
23 holding company, and remains effective unless set aside, limited, or  
24 suspended by the superior court in proceedings under RCW 32.04.270  
25 pending the completion of the administrative proceedings under the  
26 notice and until such time as the director dismisses the charges  
27 specified in the notice or until the effective date of a cease and  
28 desist order issued against the savings bank or holding company under  
29 RCW 32.04.250.

30 **Sec. 47.** RCW 32.04.270 and 1979 c 46 s 3 are each amended to read  
31 as follows:

32 (1) Within ten days after a ((mutual)) savings bank or holding  
33 company has been served with a temporary cease and desist order, the  
34 ((mutual)) savings bank or holding company may apply to the superior  
35 court in the county of its principal place of business for an  
36 injunction setting aside, limiting, or suspending the order pending the

1 completion of the administrative proceedings pursuant to the notice  
2 served under RCW 32.04.250.

3 (2) The superior court shall have jurisdiction to issue the  
4 injunction.

5 **Sec. 48.** RCW 32.04.290 and 1994 c 92 s 305 are each amended to  
6 read as follows:

7 (1) Any administrative hearing provided in RCW 32.04.250 or  
8 ~~32.16.093 ((may be held at such place as is designated by the director~~  
9 ~~and shall be conducted in accordance with chapter 34.05 RCW))~~ must be  
10 conducted in accordance with chapter 34.05 RCW and held at the place  
11 designated by the director, and may be conducted by the department.

12 The hearing shall be private unless the director determines that a  
13 public hearing is necessary to protect the public interest after fully  
14 considering the views of the party afforded the hearing.

15 (2) Within sixty days after the hearing, the director shall render  
16 a decision which shall include findings of fact upon which the decision  
17 is based and shall issue and serve upon each party to the proceeding an  
18 order or orders consistent with RCW 32.04.250 or 32.16.093, as the case  
19 may be.

20 (3) Unless a petition for review is timely filed in the superior  
21 court of the county of the principal place of business of the affected  
22 mutual savings bank under subsection ~~((+2))~~ (5) of this section, and  
23 until the record in the proceeding has been filed as provided therein,  
24 the director may at any time modify, terminate, or set aside any order  
25 upon such notice and in such manner as he or she shall deem proper.  
26 Upon filing the record, the director may modify, terminate, or set  
27 aside any order only with permission of the court.

28 (4) The judicial review provided in this section shall be exclusive  
29 for orders issued under RCW 32.04.250 and 32.16.093.

30 ~~((+2))~~ (5) Any party to the proceeding or any person required by  
31 an order, temporary order, or injunction issued under RCW 32.04.250,  
32 32.04.260, 32.04.280, or 32.16.093 to refrain from any of the  
33 violations or practices stated therein may obtain a review of any order  
34 served under subsection (1) of this section other than one issued upon  
35 consent by filing in the superior court of the county of the principal  
36 place of business of the affected mutual savings bank within ten days  
37 after the date of service of the order a written petition praying that

1 the order of the director be modified, terminated, or set aside. A  
2 copy of the petition shall be immediately served upon the director and  
3 the director shall then file in the court the record of the proceeding.  
4 The court shall have jurisdiction upon the filing of the petition,  
5 which jurisdiction shall become exclusive upon the filing of the  
6 record, to affirm, modify, terminate, or set aside in whole or in part  
7 the order of the director except that the director may modify,  
8 terminate, or set aside an order with the permission of the court. The  
9 judgment and decree of the court shall be final, except that it shall  
10 be subject to appellate review under the rules of court.

11 ((+3)) (6) The commencement of proceedings for judicial review  
12 under subsection ((+2)) (5) of this section shall not operate as a  
13 stay of any order issued by the director unless specifically ordered by  
14 the court.

15 ((+4)) (7) Service of any notice or order required to be served  
16 under RCW 32.04.250, 32.04.260, or 32.16.093, or under RCW 32.16.090,  
17 as now or hereafter amended, shall be accomplished in the same manner  
18 as required for the service of process in civil actions in superior  
19 courts of this state.

20 **Sec. 49.** RCW 32.08.153 and 2003 c 24 s 4 are each amended to read  
21 as follows:

22 (1) Notwithstanding any restrictions, limitations, and requirements  
23 of law, in addition to all powers, express or implied, that a mutual  
24 savings bank has under the laws of this state, a mutual savings bank  
25 shall have ~~((the powers and authorities that national banks had on July  
26 27, 2003))~~ each and every power and authority that any national bank  
27 had on July 28, 1985, or on any subsequent date not later than July 27,  
28 2003.

29 (2) The restrictions, limitations, and requirements applicable to  
30 specific powers or authorities of national banks apply to mutual  
31 savings banks exercising those powers or authorities permitted under  
32 this section but only insofar as the restrictions, limitations, and  
33 requirements relate to exercising the powers or authorities granted  
34 mutual savings banks solely under this section. The director may  
35 require such a savings bank to provide notice prior to implementation  
36 of a plan to develop, improve, or continue holding an individual parcel  
37 of real estate, including capitalized and operating leases, acquired

1 through any means in full or partial satisfaction of a debt previously  
2 contracted, under circumstances in which a national bank would be  
3 required to provide notice to the comptroller of the currency prior to  
4 implementation of such a plan. The director may adopt rules, orders,  
5 directives, standards, policies, memoranda or other communications to  
6 specify guidance with regard to the exercise of the powers and  
7 authorities to expend such funds as are needed to enable such a savings  
8 bank to recover its total investment, to the fullest extent authorized  
9 for a national bank under the national bank act, 12 U.S.C. Sec. 29.

10 NEW SECTION. Sec. 50. A new section is added to chapter 32.08 RCW  
11 to read as follows:

12 A mutual savings bank may exercise the powers and authorities  
13 granted, after July 27, 2003, to national banks or their successors  
14 under federal law, only if the director finds that the exercise of such  
15 powers and authorities:

16 (a) Serves the convenience and advantage of depositors and  
17 borrowers; and

18 (b) Maintains the fairness of competition and parity between state-  
19 chartered mutual savings banks and national banks or their successors  
20 under federal law.

21 (2) The restrictions, limitations, and requirements applicable to  
22 specific powers or authorities of national banks or their successors  
23 under federal law shall apply to mutual savings banks exercising those  
24 powers or authorities permitted under this section but only insofar as  
25 the restrictions, limitations, and requirements relate to exercising  
26 the powers or authorities granted mutual savings banks solely under  
27 this section.

28 (3) As used in this section, "powers and authorities" include  
29 without limitation powers and authorities in corporate governance  
30 matters.

31 **Sec. 51.** RCW 32.16.090 and 1994 c 92 s 331 are each amended to  
32 read as follows:

33 ~~((Whenever the director finds that:~~

34 ~~(1) Any trustee, officer, or employee of any mutual savings bank~~  
35 ~~has committed or engaged in:~~

1       ~~(a) A violation of any law, rule, or cease and desist order which~~  
2 ~~has become final;~~

3       ~~(b) Any unsafe or unsound practice in connection with the mutual~~  
4 ~~savings bank; or~~

5       ~~(c) Any act, omission, or practice which constitutes a breach of~~  
6 ~~his or her fiduciary duty as trustee, officer, or employee; and~~

7       ~~(2) The director determines that:~~

8       ~~(a) The mutual savings bank has suffered or may suffer substantial~~  
9 ~~financial loss or other damage; or~~

10       ~~(b) The interests of its depositors could be seriously prejudiced~~  
11 ~~by reason of the violation, practice, or breach of fiduciary duty; and~~

12       ~~(3) The director determines that the violation, practice, or breach~~  
13 ~~of fiduciary duty is one involving personal dishonesty, recklessness,~~  
14 ~~or incompetence on the part of the trustee, officer, or employee;~~

15       Then the director may serve upon the trustee, officer, or employee  
16 of any mutual savings bank a written notice of the director's intention  
17 to remove the person from office or to prohibit the person from  
18 participation in the conduct of the affairs of the mutual savings  
19 bank.)) The director may issue and serve a board director, officer, or  
20 employee of a savings bank with written notice of intent to remove the  
21 person from office or employment or to prohibit the person from  
22 participating in the conduct of the affairs of the savings bank or any  
23 other depository institution, trust company, bank holding company,  
24 thrift holding company, or financial holding company doing business in  
25 this state whenever, in the opinion of the director:

26       (1)(a) Reasonable cause exists to believe the person has committed  
27 a material violation of law, an unsafe and unsound practice, or a  
28 violation or practice involving a breach of fiduciary duty, personal  
29 dishonesty, recklessness, or incompetence; and

30       (b) The bank, trust company, or holding company has suffered or is  
31 likely to suffer substantial financial loss or other damage; or

32       (c) The interests of depositors or trust beneficiaries could be  
33 seriously prejudiced by reason of the violation or practice.

34       (2) The director may issue and serve a board director, officer, or  
35 employee of a holding company of a savings bank with written notice of  
36 intent to remove the person from office or employment or to prohibit  
37 the person from participating in the conduct of the affairs of the  
38 holding company, its subsidiary bank, or any other depository

1 institution, trust company, bank holding company, thrift holding  
2 company, or financial holding company doing business in this state  
3 whenever, in the opinion of the director:

4 (a) Reasonable cause exists to believe the person has committed a  
5 material violation of law, an unsafe and unsound practice, or a  
6 violation or practice involving a breach of fiduciary duty, personal  
7 dishonesty, recklessness, or incompetence; and

8 (b) The subsidiary savings bank has suffered or is likely to suffer  
9 substantial financial loss or other damage; or

10 (c) The interests of depositors or trust beneficiaries of the  
11 subsidiary savings bank could be seriously prejudiced by reason of the  
12 violation or practice.

13 NEW SECTION. Sec. 52. A new section is added to chapter 32.16 RCW  
14 to read as follows:

15 The director may serve written notice of charges under RCW  
16 32.16.090 to suspend a person from further participation in any manner  
17 in the conduct of the affairs of a savings bank or holding company, if  
18 the director determines that such an action is necessary for the  
19 protection of the savings bank or holding company, or the interests of  
20 the depositors. Any suspension notice issued by the director is  
21 effective upon service, and unless the superior court of the county of  
22 its principal place of business issues a stay of the order, remains in  
23 effect and enforceable until:

24 (1) The director dismisses the charges contained in the notice  
25 served to the person; or

26 (2) The effective date of a final order for removal of the person  
27 under RCW 32.16.093.

28 **Sec. 53.** RCW 32.16.093 and 1994 c 92 s 332 are each amended to  
29 read as follows:

30 (1) A notice of an intention to remove a board trustee or director,  
31 officer, or employee from office or to prohibit his or her  
32 participation in the conduct of the affairs of a ((mutual)) savings  
33 bank or holding company shall contain a statement of the facts which  
34 constitute grounds therefor and shall fix a time and place at which a  
35 hearing will be held. The hearing shall be set not earlier than ten  
36 days ((nor)) or later than thirty days after the date of service of the



1 notice unless an earlier or later date is set by the director at the  
2 request of the board trustee or director, officer, or employee for good  
3 cause shown or at the request of the attorney general of the state.

4 (2) Unless the board trustee or director, officer, or employee  
5 appears at the hearing personally or by a duly authorized  
6 representative, the person shall be deemed to have consented to the  
7 issuance of an order of removal or prohibition or both. In the event  
8 of such consent or if upon the record made at the hearing the director  
9 finds that any of the grounds specified in the notice have been  
10 established, the director may issue such orders of removal from office  
11 or prohibition from participation in the conduct of the affairs of the  
12 (~~mutual~~) savings bank or holding company as the director may consider  
13 appropriate.

14 (3) Any order under this section shall become effective at the  
15 expiration of ten days after service upon the (~~mutual~~) savings bank  
16 or holding company and the trustee, director, officer, or employee  
17 concerned except that an order issued upon consent shall become  
18 effective at the time specified in the order.

19 An order shall remain effective except to the extent it is stayed,  
20 modified, terminated, or set aside by the director or a reviewing  
21 court.

22 **Sec. 54.** RCW 32.16.095 and 1994 c 92 s 333 are each amended to  
23 read as follows:

24 If at any time because of the removal of one or more trustees or  
25 directors under this chapter there shall be on the board of trustees or  
26 board of directors of a (~~mutual~~) savings bank less than a quorum of  
27 trustees or directors, all powers and functions vested in, or  
28 exercisable by the board shall vest in, and be exercisable by the  
29 trustee or trustees or director or directors remaining, until such time  
30 as there is a quorum on the board of trustees or board of directors.  
31 If all of the trustees or directors of a (~~mutual~~) savings bank are  
32 removed under this chapter, the director shall appoint persons to serve  
33 temporarily as trustees or directors until such time as their  
34 respective successors take office.

35 **Sec. 55.** RCW 32.16.097 and 1994 c 92 s 334 are each amended to  
36 read as follows:

1 Any present or former trustee, board director, officer, or employee  
2 of a ((~~mutual~~)) savings bank or holding company or any other person  
3 against whom there is outstanding an effective final order issued under  
4 RCW 32.16.093, which order has been served upon the person, and who, in  
5 violation of the order, (1) participates in any manner in the conduct  
6 of the affairs of the ((~~mutual~~)) savings bank or holding company  
7 involved; or (2) directly or indirectly solicits or procures, transfers  
8 or attempts to transfer, or votes or attempts to vote any proxies,  
9 consents, or authorizations with respect to any voting rights in the  
10 ((~~mutual~~)) savings bank or holding company; or (3) without the prior  
11 approval of the director, votes for a board trustee or director or  
12 serves or acts as a trustee, director, officer, employee, or agent of  
13 any ((~~mutual~~)) savings bank or holding company, shall be guilty of a  
14 gross misdemeanor, and, upon conviction, shall be punishable as  
15 prescribed under chapter 9A.20 RCW.

16 **Sec. 56.** RCW 32.16.140 and 1994 c 92 s 335 are each amended to  
17 read as follows:

18 If the trustees or directors of any savings bank or holding company  
19 shall knowingly violate, or knowingly permit any of the officers,  
20 agents, or ((~~servants~~)) employees of the savings bank or holding  
21 company to violate any of the provisions of this title or any lawful  
22 regulation or directive of the director, and if the trustees or  
23 directors are aware that such facts and circumstances constitute such  
24 violations, then each trustee or director who participated in or  
25 assented to the violation is personally and individually liable for all  
26 damages which the state or any insurer of the deposits of the savings  
27 bank sustains due to the violation.

28 **Sec. 57.** RCW 32.20.285 and 1981 c 86 s 5 are each amended to read  
29 as follows:

30 ((~~A mutual~~)) Subject to such requirements, restrictions, or other  
31 conditions as the director may adopt by rule, order, directive,  
32 standard, policy, memorandum or other communication with regard to the  
33 investment, a savings bank may invest its funds in such real estate,  
34 improved or unimproved, and its fixtures and equipment, as the savings  
35 bank shall purchase either alone or with others or through ownership of  
36 interests in entities holding such real estate. The savings bank may

1 improve property which it owns, and rent, lease, sell, and otherwise  
2 deal in such property, the same as any other owner thereof. The total  
3 amount a (~~mutual~~) savings bank may invest pursuant to this section  
4 shall not exceed twenty percent of its funds. No officer or board  
5 trustee or director of the savings bank shall own or hold any interest  
6 in any property in which the savings bank owns an interest, and in the  
7 event the bank owns an interest in property hereunder with or as a part  
8 of another entity, no officer or board trustee or director of the  
9 savings bank shall own more than two and one-half percent of the equity  
10 or stock of any entity involved, and all of the officers and board  
11 trustees or directors of the savings bank shall not own more than five  
12 percent of the equity or stock of any entity involved.

13 **Sec. 58.** RCW 32.24.040 and 1994 c 92 s 342 are each amended to  
14 read as follows:

15 ~~((Whenever it appears to the director that any mutual savings bank~~  
16 ~~is conducting its business in an unsafe manner or that it refuses to~~  
17 ~~submit its books, papers, or concerns to lawful inspection, or that any~~  
18 ~~trustee or officer thereof refuses to submit to examination on oath~~  
19 ~~touching its concerns, or that it has failed to carry out any~~  
20 ~~authorized order or direction of the director, such)) (1) Under the~~  
21 ~~circumstances set forth in subsection (2) of this section, the director~~  
22 ~~may give to a savings bank notice (~~to the mutual~~) of unsafe condition~~  
23 ~~of the savings bank (~~so offending or delinquent or whose trustee or~~~~  
24 ~~officer is thus offending or delinquent to correct such offense or~~  
25 ~~delinquency,)); and if the (~~mutual~~) savings bank fails to comply with~~  
26 the terms of such notice within thirty days from the date of its  
27 issuance, or within such further time as the director may allow, then  
28 the director may take possession of such (~~mutual~~) savings bank as in  
29 the case of insolvency.

30 (2) The director is authorized to give notice and take possession  
31 of a savings bank, as described in subsection (1) of this section,  
32 under the following circumstances:

33 (a) The obligations to its creditors, depositors, members, trust  
34 beneficiaries, if applicable, and others exceed its assets;

35 (b) It has willfully violated a supervisory directive, cease and  
36 desist order, or other authorized directive or order of the director;

1 (c) It has concealed its books, papers, records, or assets, or  
2 refused to submit its books, records, or affairs to any examiner of the  
3 department;

4 (d) It is likely to be unable to pay its immediate obligations or  
5 meet its depositors' immediate demands in the normal course of  
6 business;

7 (e) It ceases to have deposit insurance acceptable to the director;

8 (f) It fails to submit a capital restoration plan acceptable to the  
9 department within a time previously called for or materially fails to  
10 implement a capital restoration plan that was previously submitted and  
11 accepted by the department; or

12 (g) It is critically undercapitalized or otherwise has  
13 substantially insufficient capital.

14 **Sec. 59.** RCW 32.24.050 and 1994 c 92 s 343 are each amended to  
15 read as follows:

16 (1) Whenever it appears to the director that any offense or  
17 delinquency referred to in RCW 32.24.040 (~~((renders a mutual))~~) has  
18 resulted in a savings bank (~~((in an unsound or unsafe condition to~~  
19 continue its business)) being critically undercapitalized with no  
20 reasonably foreseeable prospect of recovery, or that it has suspended  
21 payment of its obligations, or is insolvent, (~~((such))~~) the director may  
22 notify such savings bank to levy an assessment on its stock, if any, or  
23 otherwise to make good such impairment or offense or other delinquency  
24 within such time and in such manner as the director may specify, or if  
25 the director deems necessary, the director may take possession thereof  
26 without notice.

27 (2) Upon taking possession of any (~~((mutual))~~) savings bank, the  
28 director shall forthwith proceed to liquidate the business, affairs,  
29 and assets thereof and such liquidation shall be had in accordance with  
30 the provisions of law governing the liquidation of insolvent banks and  
31 (~~((trust companies))~~) savings banks.

32 **Sec. 60.** RCW 32.24.060 and 1994 c 92 s 344 are each amended to  
33 read as follows:

34 Within ten days after the director takes possession thereof, a  
35 mutual savings bank may serve notice upon such director to appear  
36 before the superior court in the county wherein such corporation is

1 located, at a time to be fixed by (~~said~~) the court, which shall not  
2 be less than five nor more than fifteen days from the date of the  
3 service of such notice, to show cause why (~~such corporation~~) the  
4 director's action taking possession of the savings bank should not be  
5 (~~restored to the possession of its assets~~) affirmed. Upon the return  
6 day of such notice, or such further day as the matter may be continued  
7 to, the court shall summarily hear (~~said~~) the cause and shall dismiss  
8 the same, if it finds that possession was taken by the director in good  
9 faith and for cause, but if it finds that no cause existed for (~~the~~)  
10 taking possession of (~~such corporation~~) the savings bank, it shall  
11 require the director to restore the savings bank to the possession of  
12 its assets and enjoin (~~him or her~~) the director from further  
13 interference therewith without cause.

14 **Sec. 61.** RCW 32.24.070 and 1994 c 92 s 345 are each amended to  
15 read as follows:

16 No receiver shall be appointed by any court for any (~~mutual~~)  
17 savings bank, nor shall any assignment of any such bank for the benefit  
18 of creditors be valid, excepting only that a court otherwise having  
19 jurisdiction may in case of imminent necessity appoint a temporary  
20 receiver to take possession of and preserve the assets of the  
21 (~~mutual~~) savings bank. Immediately upon any such appointment, the  
22 clerk of the court shall notify the director (~~by telegram and mail~~)  
23 in writing of such appointment and the director shall (~~forthwith~~)  
24 immediately take possession of the (~~mutual~~) savings bank, as in case  
25 of insolvency, and the temporary receiver shall upon demand of the  
26 director surrender up to him or her such possession and all assets  
27 which have come into his or her (~~hands~~) possession. The director  
28 shall in due course pay such receiver out of the assets of the  
29 (~~mutual~~) savings bank such amount as the court shall allow.

30 NEW SECTION. **Sec. 62.** A new section is added to chapter 32.24 RCW  
31 to read as follows:

32 (1) Subject to the consent of the director, a savings bank may  
33 voluntarily stipulate and consent to an order taking possession and  
34 thereby place itself under the control of the director to be liquidated  
35 and be made subject to receivership as provided in this chapter.

1 (2) Upon issuance of such order taking possession, the savings bank  
2 shall post a notice on its door as follows: "This savings bank is in  
3 the possession of the Director of the Washington State Department of  
4 Financial Institutions."

5 (3) The posting of such notice or the taking possession of any  
6 savings bank by the director shall be sufficient to place all of its  
7 assets and property of every nature in the director's possession and  
8 bar all attachment proceedings.

9 **Sec. 63.** RCW 32.24.080 and 2003 c 53 s 196 are each amended to  
10 read as follows:

11 (1) Every transfer of its property or assets by any (~~mutual~~)  
12 savings bank (~~in this state~~), made (a) after it has become insolvent,  
13 (b) within ninety days before the date the director takes possession of  
14 such savings bank under RCW 32.24.040, 32.24.050, or section 62 of this  
15 act, or the federal deposit insurance corporation is appointed as  
16 receiver or liquidator of such savings bank under RCW 32.24.090, and  
17 (c) with the view to the preference of one creditor over another or to  
18 prevent equal distribution of its property and assets among its  
19 creditors, shall be void.

20 (2) Every trustee or board director, officer, or employee knowingly  
21 making any such transfer (~~described in subsection (1) of this~~  
22 ~~section~~) of assets is guilty of a class B felony punishable according  
23 to chapter 9A.20 RCW.

24 **Sec. 64.** RCW 32.24.090 and 1994 c 92 s 347 are each amended to  
25 read as follows:

26 (1) The federal deposit insurance corporation is hereby authorized  
27 and empowered to be and act without bond as receiver or liquidator of  
28 any (~~mutual~~) savings bank the deposits in which are to any extent  
29 insured by that corporation and which the director shall have (~~been~~  
30 ~~closed on account of inability to meet the demands of its depositors~~)  
31 taken possession pursuant to RCW 32.24.040, 32.24.050, or section 62 of  
32 this act.

33 (2) In the event of such closing, the director may appoint the  
34 federal deposit insurance corporation as receiver or liquidator of such  
35 (~~mutual~~) savings bank.

1       (3) If the corporation accepts such appointment, it shall have and  
2 possess all the powers and privileges provided by the laws of this  
3 state with respect to a liquidator of a mutual savings bank, its  
4 depositors and other creditors, and be subject to all the duties of  
5 such liquidator, except insofar as such powers, privileges, or duties  
6 are in conflict with the provisions of the federal deposit insurance  
7 act, as now or hereafter amended.

8       NEW SECTION.     **Sec. 65.**     The definitions in this section apply  
9 throughout this chapter unless the context clearly requires otherwise.

10       (1) "Unsafe condition" means and includes, but is not limited to,  
11 any one or more of the following circumstances:

12       (a) If a savings bank is less than well capitalized;

13       (b) If a savings bank or holding company violates the provisions of  
14 Title 32 RCW or any other law or regulation applicable to savings  
15 banks;

16       (c) If a savings bank conducts a fraudulent or questionable  
17 practice in the conduct of its business that endangers the savings  
18 bank's reputation or threatens its solvency;

19       (d) If a savings bank conducts its business in an unsafe or  
20 unauthorized manner;

21       (e) If a savings bank violates any conditions of its charter or any  
22 agreement entered with the director; or

23       (f) If a savings bank fails to carry out any authorized order or  
24 direction of the examiner or the director.

25       (2) "Exceeded its powers" means and includes, but is not limited to  
26 the following circumstances:

27       (a) If a savings bank has refused to permit examination of its  
28 books, papers, accounts, records, or affairs by the director, assistant  
29 director, or duly commissioned examiners; or

30       (b) If a savings bank has neglected or refused to observe an order  
31 of the director to make good, within the time prescribed, any  
32 impairment of its capital.

33       (3) "Consent" means and includes a written agreement by the savings  
34 bank to either supervisory direction or conservatorship under this  
35 chapter.

1        NEW SECTION.    **Sec. 66.**    If upon examination or at any other time it  
2 appears to the director that any savings bank is in an unsafe condition  
3 and its condition is such as to render the continuance thereof  
4 hazardous to the public or to its depositors or trust beneficiaries and  
5 creditors, or if such savings bank appears to have exceeded its powers  
6 or has failed to comply with the law, or if such savings bank gives its  
7 consent, then the director shall upon his or her determination (1)  
8 notify the savings bank of his or her determination, (2) furnish to the  
9 savings bank a written list of the director's requirements to abate his  
10 or her determination, and (3) if the director makes further  
11 determination to directly supervise, he or she shall notify the savings  
12 bank that it is under the supervisory direction of the director and  
13 that the director is invoking the provisions of this chapter. If  
14 placed under supervisory direction the savings bank shall comply with  
15 the lawful requirements of the director within such time as provided in  
16 the notice of the director, subject however, to the provisions of this  
17 chapter. If the savings bank fails to comply within such time the  
18 director may appoint a conservator as hereafter provided.

19        NEW SECTION.    **Sec. 67.**    During the period of supervisory direction  
20 the director may appoint a representative to supervise such savings  
21 bank and may provide that the savings bank may not do any of the  
22 following during the period of supervisory direction, without the prior  
23 approval of the director or the appointed representative:

- 24        (1) Dispose of, convey, or encumber any of the assets;
- 25        (2) Withdraw any of its bank accounts;
- 26        (3) Lend any of its funds;
- 27        (4) Invest any of its funds;
- 28        (5) Transfer any of its property; or
- 29        (6) Incur any debt, obligation, or liability.

30        NEW SECTION.    **Sec. 68.**    After the period of supervisory direction  
31 specified by the director for compliance, if he or she determines that  
32 such savings bank has failed to comply with the lawful requirements  
33 imposed, upon due notice and hearing by the department or by consent of  
34 the savings bank, the director may appoint a conservator, who shall  
35 immediately take charge of such savings bank and all of its property,  
36 books, records, and effects. The conservator shall conduct the



1 business of the savings bank and take such steps toward the removal of  
2 the causes and conditions which have necessitated such order, as the  
3 director may direct. During the pendency of the conservatorship the  
4 conservator shall make such reports to the director from time to time  
5 as may be required by the director, and shall be empowered to take all  
6 necessary measures to preserve, protect, and recover any assets or  
7 property of such savings bank, including claims or causes of actions  
8 belonging to or which may be asserted by such bank, and to deal with  
9 the same in his or her own name as conservator, and shall be empowered  
10 to file, prosecute, and defend any suit and suits which have been filed  
11 or which may thereafter be filed by or against such savings bank which  
12 are deemed by the conservator to be necessary to protect all of the  
13 interested parties for a property affected thereby. The director, or  
14 any newly appointed assistant, may be appointed to serve as  
15 conservator. If the director, however, is satisfied that such savings  
16 bank is not in condition to continue business in the interest of its  
17 depositors or creditors under the conservator under this section, the  
18 director may proceed with appropriate remedies provided by other  
19 provisions of this title.

20 NEW SECTION. **Sec. 69.** All costs incident to supervisory direction  
21 and the conservatorship shall be fixed and determined by the director  
22 and shall be a charge against the assets of the savings bank to be  
23 allowed and paid as the director may determine.

24 NEW SECTION. **Sec. 70.** During the period of the supervisory  
25 direction and during the period of conservatorship, the savings bank  
26 may request the director to review an action taken or proposed to be  
27 taken by the representative or conservator; specifying wherein the  
28 action complained of is believed not to be in the best interest of the  
29 savings bank, and such request shall stay the action specified pending  
30 review of such action by the director. Any order entered by the  
31 director appointing a representative and providing that the savings  
32 bank shall not do certain acts as provided in sections 67 and 68 of  
33 this act, any order entered by the director appointing a conservator,  
34 and any order by the director following the review of an action of the  
35 representative or conservator under this section shall be subject to

1 review in accordance with the administrative procedure act of the state  
2 of Washington.

3 NEW SECTION. **Sec. 71.** Any suit filed against a savings bank, or  
4 its conservator, after the entrance of an order by the director placing  
5 such savings bank in conservatorship and while such order is in effect,  
6 shall be brought in the superior court of the county of its principal  
7 place of business and not elsewhere. The conservator appointed for  
8 such savings bank may file suit in the superior court of the county of  
9 its principal place of business or other court of competent  
10 jurisdiction against any person for the purpose of preserving,  
11 protecting, or recovering any asset or property of such savings bank,  
12 including claims or causes of action belonging to or which may be  
13 asserted by such savings bank.

14 NEW SECTION. **Sec. 72.** The conservator shall serve for such time  
15 as is necessary to accomplish the purposes of the conservatorship as  
16 intended by this chapter. If rehabilitated, the rehabilitated savings  
17 bank shall be returned to management or new managements under such  
18 conditions as are reasonable and necessary to prevent recurrence of the  
19 condition which occasioned the conservatorship.

20 NEW SECTION. **Sec. 73.** If the director determines to act under  
21 authority of this chapter, the sequence of his or her acts and  
22 proceedings shall be as set forth in this chapter. However, it is the  
23 purpose and substance of this chapter to authorize administrative  
24 discretion, to allow the director administrative discretion in the  
25 event of unsound banking operations, and in furtherance of that purpose  
26 the director is hereby authorized to proceed with regulation either  
27 under this chapter or under any other applicable provisions of law or  
28 under this chapter in connection with other law, either as such law is  
29 now existing or is hereinafter enacted, and it is so provided.

30 NEW SECTION. **Sec. 74.** Sections 65 through 73 of this act  
31 constitute a new chapter in Title 32 RCW.

32 NEW SECTION. **Sec. 75.** If any provision of this act or its

1 application to any person or circumstance is held invalid, the  
2 remainder of the act or the application of the provision to other  
3 persons or circumstances is not affected.

4 NEW SECTION. **Sec. 76.** This act is necessary for the immediate  
5 preservation of the public peace, health, or safety, or support of the  
6 state government and its existing public institutions, and takes effect  
7 immediately.

--- END ---