
SENATE BILL 5891

State of Washington

54th Legislature

1995 Regular Session

By Senators Prentice, Hale and Fraser

Read first time 02/13/95. Referred to Committee on Financial Institutions & Housing.

1 AN ACT Relating to authorizing interstate bank branching; amending
2 RCW 30.04.075 and 30.40.020; adding a new section to chapter 30.04 RCW;
3 adding a new chapter to Title 30 RCW; and providing an effective date.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that the state of
6 Washington's geographical location creates tremendous economic
7 opportunities associated with regional and international commerce. The
8 legislature further finds that the state's ability to fully realize
9 these opportunities and bolster its position as an economic leader in
10 this region require the state to:

11 (a) Promote and attract the efficient provision of financial
12 services and credit availability in the communities of this state;

13 (b) Protect the interests of depositors, members, shareholders, and
14 other customers of financial institutions operating in this state;

15 (c) Preserve the competitive equality of state chartered
16 institutions as compared to federally chartered institutions; and

17 (d) Preserve the advantages of the dual banking system.

18 (2) The legislature recognizes that congress enacted the Riegle-
19 Neal Interstate Banking and Branching Efficiency Act of 1994, to

1 modernize federal banking and branching laws. The legislature finds
2 that section 102 of that act permits interstate merger transactions
3 between in-state banks and out-of-state banks before June 1, 1997, if
4 the home state of each bank involved in the transaction enacts a law
5 that applies equally to all out-of-state banks and expressly permits
6 interstate merger transactions with all out-of-state banks. The
7 legislature finds that these transactions will further the state's
8 policies and expressly declares that the purpose of this chapter is to
9 exercise its option under section 44(a)(3) of the Federal Deposit
10 Insurance Act, as enacted by section 102 of the Riegle-Neal Interstate
11 Banking and Branching Efficiency Act of 1994, to authorize interstate
12 merger transactions before June 1, 1997.

13 NEW SECTION. **Sec. 2.** The definitions set forth in this section
14 apply throughout this chapter, unless the context requires otherwise.

15 (1) "Bank" means a commercial bank chartered by this state, another
16 state, or the federal government.

17 (2) "Domestic bank" means a bank that is chartered under the laws
18 of this state or a federally chartered bank whose main office is
19 located in this state.

20 (3) "Home state" means (a) the state that charters a state
21 chartered bank and (b) the state where the bank's main office is
22 located for federally chartered banks.

23 (4) "Host state" means a state, other than the bank's home state,
24 where the bank maintains or seeks to establish a branch.

25 (5) "Merger transaction" means a merger, consolidation, or
26 acquisition of all or substantially all of another bank's assets or
27 liabilities.

28 (6) "Merging bank" means a bank that is a party to a merger
29 transaction.

30 (7) "Out-of-state bank" means a bank that is chartered by another
31 state or a bank that is federally chartered with its main office
32 located in a state other than Washington.

33 (8) "Resulting bank" means the domestic or out-of-state bank
34 resulting from a merger transaction.

35 NEW SECTION. **Sec. 3.** (1) A domestic bank may engage in a merger
36 transaction with any out-of-state bank subject to this chapter. The
37 director shall not approve a merger transaction between a domestic bank

1 chartered by this state and an out-of-state bank unless the director
2 finds:

3 (a) The domestic bank, whether by itself or together with a
4 predecessor bank, has conducted business for a period of not less than
5 three years before the effective date of the merger, except that this
6 provision does not apply to a merger transaction that exclusively
7 involves affiliate banks;

8 (b) The merger is permitted by the laws of the home state of the
9 out-of-state bank and any applicable federal law;

10 (c) The merging banks have provided such information as the
11 director may require by rule; and

12 (d) Any other applicable provisions of this title including, but
13 not limited to, chapter 30.49 RCW are satisfied.

14 (2) After the completion of a merger transaction described in
15 subsection (1) of this section, the resulting bank may operate, as a
16 main office or branch, an office that a merging bank operated as a main
17 office or a branch immediately before the merger. The resulting bank
18 may establish, acquire, or operate additional branches at a location
19 where a bank involved in a merger transaction could have established,
20 acquired, or operated a branch under applicable federal or state law if
21 the bank had not been a party to the merger transaction.

22 NEW SECTION. **Sec. 4.** (1) The director may examine every branch
23 located in this state of an out-of-state bank chartered by another
24 state for the same purposes and to the same extent as provided under
25 this title for banks chartered by this state and may collect costs from
26 such out-of-state banks on the same basis by which the director
27 collects examination costs of banks chartered by this state.

28 (2) The director may enter into cooperative and reciprocal
29 agreements with the appropriate bank regulators for the purpose of
30 sharing or obtaining examination reports, reports of condition,
31 personnel, and costs for carrying out the director's responsibilities
32 under this chapter. The director also may enter into supervisory
33 agreements with other appropriate bank regulatory authorities to
34 prescribe the applicable laws governing powers and authorities,
35 including but not limited to corporate governance and operational
36 matters, of Washington branches of an out-of-state bank chartered by
37 another state or out-of-state branches of a domestic bank chartered by
38 this state if the home and host state laws conflict.

1 (3) If the director determines that there is a violation of the law
2 of this state or another state concerning the activities being
3 conducted by a branch of an out-of-state bank chartered by another
4 state or a branch of a bank chartered by this state or that such branch
5 is being operated in an unsafe or unsound manner, the director may
6 undertake such enforcement actions or proceedings as would be permitted
7 if the branch were a bank chartered by this state.

8 NEW SECTION. **Sec. 5.** A new section is added to chapter 30.04 RCW
9 to read as follows:

10 Notwithstanding any restrictions, limitations, and requirements of
11 law, in addition to all powers, express or implied, that a bank has
12 under the laws of this state, a bank has the powers and authorities
13 conferred as of December 31, 1994, upon a federally chartered bank
14 doing business in this state. A bank may exercise the powers and
15 authorities of a federally chartered bank granted after December 31,
16 1994, only if the director finds that the exercise of those powers and
17 authorities:

18 (1) Serves the convenience and advantage of depositors, borrowers,
19 or general public; and

20 (2) Maintains the fairness of competition and parity between state
21 chartered banks and national banks.

22 As used in this section, "powers and authorities" include without
23 limitation powers and authorities in corporate governance and
24 operational matters.

25 The restrictions, limitations, and requirements applicable to
26 specific powers or authorities of national banks apply to banks
27 exercising those powers or authorities permitted under this section but
28 only insofar as the restrictions, limitations, and requirements relate
29 to exercising the powers or authorities granted banks solely under this
30 section.

31 **Sec. 6.** RCW 30.04.075 and 1994 c 92 s 11 are each amended to read
32 as follows:

33 (1) All examination reports and all information obtained by the
34 director and the director's staff in conducting examinations of banks,
35 trust companies, or alien banks, and information obtained by the
36 director and the director's staff from other state or federal bank
37 regulatory authorities with whom the director has entered into

1 agreements pursuant to RCW 30.04.060(2) or section 4(2) of this act,
2 and information obtained by the director and the director's staff
3 relating to examination and supervision of bank holding companies
4 owning a bank in this state or subsidiaries of such holding companies,
5 is confidential and privileged information and shall not be made public
6 or otherwise disclosed to any person, firm, corporation, agency,
7 association, governmental body, or other entity.

8 (2) Subsection (1) of this section notwithstanding, the director
9 may furnish all or any part of examination reports prepared by the
10 director's office to:

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

13 (b) Bank regulatory authorities with whom the director has entered
14 into agreements pursuant to RCW 30.04.060(2) or section 4(2) of this
15 act, and other bank regulatory authorities who are the primary
16 regulatory authority or insurer of accounts for a bank holding company
17 owning a bank, trust company, or national banking association the
18 principal operations of which are conducted in this state or a
19 subsidiary of such holding company; provided that the director shall
20 first find that the reports of examination to be furnished shall
21 receive protection from disclosure comparable to that accorded by this
22 section;

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

34 (d) The examined bank, trust company, or alien bank, or holding
35 company thereof;

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

38 (f) Liquidating agents of a distressed bank, trust company, or
39 alien bank;

1 (g) A person or organization officially connected with the bank as
2 officer, director, attorney, auditor, or independent attorney or
3 independent auditor;

4 (h) The Washington public deposit protection commission as provided
5 by RCW 39.58.105.

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

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

29 (5) Examination reports and information obtained by the director
30 and the director's staff in conducting examinations, or obtained from
31 other state and federal bank regulatory authorities with whom the
32 director has entered into agreements pursuant to RCW 30.04.060(2) or
33 section 4(2) of this act, or relating to examination and supervision of
34 bank holding companies owning a bank, trust company, or national
35 banking association the principal operations of which are conducted in
36 this state or a subsidiary of such holding company, or information
37 obtained as a result of applications or investigations pursuant to RCW
38 30.04.230, shall not be subject to public disclosure under chapter
39 42.17 RCW.

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

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

16 (8) Every person who violates any provision of this section shall
17 be guilty of a gross misdemeanor.

18 **Sec. 7.** RCW 30.40.020 and 1994 c 92 s 79 are each amended to read
19 as follows:

20 A bank or trust company may, with the approval of the director,
21 establish and operate branches anywhere within the state or any other
22 state. A bank having a paid-in capital of not less than one million
23 dollars may, with the approval of the director, establish and operate
24 branches in any foreign country. The director's approval of a branch
25 within this state shall be conditioned on a finding that the resources
26 in the neighborhood of the proposed location and in the surrounding
27 country offer a reasonable promise of adequate support for the proposed
28 branch and that the proposed branch is not being formed for other than
29 the legitimate objects covered by this title. The director's approval
30 of a branch in another state or in a foreign country shall be
31 conditioned on a finding that the proposed location offers a reasonable
32 promise of adequate support for the proposed branch, and that the
33 proposed branch is not being formed for other than the legitimate
34 objects covered by this title.

35 NEW SECTION. **Sec. 8.** Sections 1 through 4 of this act constitute
36 a new chapter in Title 30 RCW.

1 NEW SECTION. **Sec. 9.** Sections 1 through 6 of this act take effect
2 January 1, 1996, but the director shall take such steps and adopt such
3 rules as are necessary to implement this act by that date.

--- END ---