

CERTIFICATION OF ENROLLMENT

**SENATE BILL 5931**

Chapter 344, Laws of 1995

54th Legislature  
1995 Regular Session

PARITY BETWEEN STATE AND FEDERALLY CHARTERED  
FINANCIAL INSTITUTIONS

EFFECTIVE DATE: 7/23/95

Passed by the Senate April 19, 1995  
YEAS 47 NAYS 0

JOEL PRITCHARD

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**President of the Senate**

Passed by the House April 4, 1995  
YEAS 96 NAYS 0

CLYDE BALLARD

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**Speaker of the  
House of Representatives**

Approved May 11, 1995

MIKE LOWRY

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**Governor of the State of Washington**

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5931** as passed by the Senate and the House of Representatives on the dates hereon set forth.

MARTY BROWN

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**Secretary**

FILED

May 11, 1995 - 1:36 p.m.

**Secretary of State  
State of Washington**

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**SENATE BILL 5931**

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AS AMENDED BY THE HOUSE

Passed Legislature - 1995 Regular Session

**State of Washington                      54th Legislature                      1995 Regular Session**

**By** Senators Prentice and Hale

Read first time 02/15/95.      Referred to Committee on Financial  
Institutions & Housing.

1            AN ACT Relating to state-chartered financial institutions parity  
2 with federally chartered financial institutions; amending RCW 30.04.111  
3 and 30.08.180; and reenacting and amending RCW 30.04.215 and 30.08.190.

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

5            **Sec. 1.** RCW 30.04.111 and 1994 c 92 s 12 are each amended to read  
6 as follows:

7            The total loans and extensions of credit by a bank or trust company  
8 to a person outstanding at any one time shall not exceed twenty percent  
9 of the capital and surplus of such bank or trust company. The  
10 following loans and extensions of credit shall not be subject to this  
11 limitation:

12            (1) Loans or extensions of credit arising from the discount of  
13 commercial or business paper evidencing an obligation to the person  
14 negotiating it with recourse;

15            (2) Loans or extensions of credit secured by bonds, notes,  
16 certificates of indebtedness, or treasury bills of the United States or  
17 by other such obligations wholly guaranteed as to principal and  
18 interest by the United States;

1 (3) Loans or extensions of credit to or secured by unconditional  
2 takeout commitments or guarantees of any department, agency, bureau,  
3 board, commission, or establishment of the United States or any  
4 corporation wholly owned directly or indirectly by the United States;

5 (4) Loans or extensions of credit fully secured by a segregated  
6 deposit account or accounts in the lending bank;

7 (5) Loans or extensions of credit secured by collateral having a  
8 readily ascertained market value of at least one hundred fifteen  
9 percent of the outstanding amount of the loan or extension of credit;

10 (6) Loans or extensions of credit secured by bills of lading,  
11 warehouse receipts, or similar documents transferring or securing title  
12 to readily marketable staples shall be subject to a limitation of  
13 thirty-five percent of capital and surplus in addition to the general  
14 limitations, if the market value of the staples securing each  
15 additional loan or extension of credit at all times equals or exceeds  
16 one hundred fifteen percent of the outstanding amount of the loan or  
17 extension of credit. The staples shall be fully covered by insurance  
18 whenever it is customary to insure the staples;

19 (7) The purchase of bankers' acceptances of the kind described in  
20 section 13 of the federal reserve act and issued by other banks shall  
21 not be subject to any limitation based on capital and surplus;

22 (8) The unpaid purchase price of a sale of bank property, if  
23 secured by such property.

24 For the purposes of this section "capital" shall include the amount  
25 of common stock outstanding and unimpaired, the amount of preferred  
26 stock outstanding and unimpaired, and capital notes or debentures  
27 issued pursuant to chapter 30.36 RCW.

28 For the purposes of this section "surplus" shall include capital  
29 surplus, reflecting the amounts paid in excess of the par or stated  
30 value of capital stock, or amounts contributed to the bank other than  
31 for capital stock, and ~~((amounts transferred to surplus from))~~  
32 undivided profits ~~((pursuant to resolution of the board of directors))~~.

33 The term "person" shall include an individual, sole proprietor,  
34 partnership, joint venture, association, trust, estate, business trust,  
35 corporation, sovereign government or agency, instrumentality, or  
36 political subdivision thereof, or any similar entity or organization.

37 The director may prescribe rules to administer and carry out the  
38 purposes of this section, including without limitation rules to define  
39 or further define terms used in this section and to establish limits or

1 requirements other than those specified in this section for particular  
2 classes or categories of loans or extensions of credit, and to  
3 determine when a loan putatively made to a person shall, for purposes  
4 of this section, be attributed to another person. In adopting the  
5 rules, the director shall be guided by rulings of the comptroller of  
6 the currency that govern lending limits applicable to national  
7 commercial banks.

8       **Sec. 2.** RCW 30.04.215 and 1994 c 256 s 37 and 1994 c 92 s 20 are  
9 each reenacted to read as follows:

10       (1) Notwithstanding any other provisions of law, in addition to all  
11 powers enumerated by this title, and those necessarily implied  
12 therefrom, a bank may engage in other business activities that have  
13 been determined by the board of governors of the federal reserve system  
14 or by the United States Congress to be closely related to the business  
15 of banking, as of December 31, 1993.

16       (2) A bank that desires to perform an activity that is not  
17 expressly authorized by subsection (1) of this section shall first  
18 apply to the director for authorization to conduct such activity.  
19 Within thirty days of the receipt of this application, the director  
20 shall determine whether the activity is closely related to the business  
21 of banking, whether the public convenience and advantage will be  
22 promoted, whether the activity is apt to create an unsafe or unsound  
23 practice by the bank and whether the applicant is capable of performing  
24 such an activity. If the director finds the activity to be closely  
25 related to the business of banking and the bank is otherwise qualified,  
26 he or she shall forthwith inform the applicant that the activity is  
27 authorized. If the director determines that such activity is not  
28 closely related to the business of banking or the bank is not otherwise  
29 qualified, he or she shall forthwith inform the applicant in writing.  
30 The applicant shall have the right to appeal from an unfavorable  
31 determination in accordance with the procedures of the Administrative  
32 Procedure Act, chapter 34.05 RCW. In determining whether a particular  
33 activity is closely related to the business of banking, the director  
34 shall be guided by the rulings of the board of governors of the federal  
35 reserve system and the comptroller of the currency in making  
36 determinations in connection with the powers exercisable by bank  
37 holding companies, and the activities performed by other commercial  
38 banks or their holding companies.

1       (3) (~~(In addition to all powers enumerated by this title, and those~~  
2 ~~necessarily implied therefrom, a bank may engage in other business~~  
3 ~~activities that are determined by the director, by rule adopted~~  
4 ~~pursuant to chapter 34.05 RCW, to be closely related to the business of~~  
5 ~~banking, or necessary or convenient thereto, and the exercise thereof~~  
6 ~~will promote the public convenience and advantage. Provided, however,~~  
7 ~~that such other business activities shall also have been determined by~~  
8 ~~the board of governors of the federal reserve system or by the United~~  
9 ~~States congress to be closely related to the business of banking.))~~

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

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

19       (b) Maintains the fairness of competition and parity between state-  
20 chartered banks and federally chartered banks.

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

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

30       (4) Any activity which may be performed by a bank, except the  
31 taking of deposits, may be performed by (a) a corporation or (b)  
32 another entity approved by the director, which in either case is owned  
33 in whole or in part by the bank.

34       **Sec. 3.** RCW 30.08.180 and 1994 c 92 s 60 are each amended to read  
35 as follows:

36       Every bank and trust company shall make at least three regular  
37 reports each year to the director, as of the dates which he or she  
38 shall designate, according to form prescribed by him or her, verified

1 by the president, manager or cashier and attested by at least two  
2 directors, which shall exhibit under appropriate heads the resources  
3 and liabilities of such corporation. The dates designated by the  
4 director shall be the dates designated by the comptroller of the  
5 currency of the United States for reports of national banking  
6 associations. (~~Each such report in condensed form, to be prescribed  
7 by the director, shall be published once in a newspaper of general  
8 circulation, published in a place where the corporation is located, or  
9 if there be no newspaper published in such place, then in some  
10 newspaper published in the same county.~~)

11 Every such corporation shall also make such special reports as the  
12 director shall call for.

13 **Sec. 4.** RCW 30.08.190 and 1994 c 256 s 51 and 1994 c 92 s 61 are  
14 each reenacted and amended to read as follows:

15 (1) Every regular report shall be filed with the director within  
16 thirty days from the date of issuance of the notice. Every special  
17 report shall be filed with the director within such time as shall be  
18 specified by him or her in the notice therefor.

19 (2) The director shall provide a copy of any regular report free of  
20 charge to any person that submits a written request for the report.

21 (3) Every bank and trust company which fails to file any report,  
22 required to be filed under subsection (1) of this section and within  
23 the time specified, shall be subject to a penalty of fifty dollars per  
24 day for each day's delay. A civil action for the recovery of any such  
25 penalty may be brought by the attorney general in the name of the  
26 state.

Passed the Senate April 19, 1995.

Passed the House April 4, 1995.

Approved by the Governor May 11, 1995.

Filed in Office of Secretary of State May 11, 1995.