

HOUSE BILL ANALYSIS

HB 2560

Title: An act relating to the powers of trust companies.

Brief Description: Regulating trust companies.

Sponsors: Representatives L. Thomas and Wolfe; by request of Department of Financial Institutions.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: January 22, 1998

Bill Analysis Prepared by: Jim Morishima (786-7191)

Background: A trust is a form of ownership of property that separates responsibility/control of the property from the benefits of ownership. Washington law defines a trust company as a corporation organized under the laws of the state engaged in trust business. In general terms, Washington law defines trust business— as executing trusts of every description not inconsistent with the law. Trust companies also have all the powers and privileges conferred on banks.

Out-of-state banks may enter Washington by acquiring an existing bank. State laws concerning community reinvestment, consumer protection, fair lending, intrastate branching, and antitrust apply to all branches in Washington, including out-of-state banks. Washington bank branches located in other states are granted the powers allowed by the host state to bank branches in that state, unless a particular power is prohibited by Washington law. The director of the Department of Financial Institutions can waive the Washington prohibition if the director finds the particular power does not threaten the safety and soundness of the bank.

When trust companies merge, dissenting shareholders are entitled to the value of their shares. Three appraisers will determine the value of the dissenters' shares. The resulting trust company (the product of the merger) pays the expense associated with the appraisal.

Summary of Bill: Barring authorization by federal or state law, Washington will not allow out-of-state companies to engage in trust business in Washington on more favorable terms than Washington companies enjoy in the home state of the out-of-state company. Furthermore, Washington trust companies will have the same powers as national banks and national trust companies. However, when exercising those powers, they will also be subject to the same restrictions, limitations, and requirements of law as national banks and national trust companies.

In a trust company merger, the resulting trust company will no longer bear the cost of the appraisal.

Appropriation: None.

Fiscal Note: None requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Rulemaking Authority: Not specifically addressed.