

***Financial Institutions &
Insurance Committee***

SB 5035

Brief Description: *Creating the financial services regulation fund.*

Sponsors: *By Senators Prentice, Winsley, Deccio and Fairley; by request of Department of Financial Institutions.*

Brief Summary of Bill

- *The three funds that are currently used to support the operations of the Department of Financial Institutions are combined into a single, unified fund.*

Hearing Date: *3/21/01*

Staff: *Thamas Osborn (786-7129).*

Background:

The operation of the Department of Financial Institutions (DFI) is currently supported by three discrete funds: (1) the bank examination fund, (2) the credit union examination fund, and (3) the securities regulation fund. The bank and credit union funds are dedicated, non-appropriated funds. All monies received pursuant to those activities is deposited in their respective funds. Thirteen percent of the money received by the Division of Securities is deposited in the securities regulation fund, with the balance going to the state general fund. The dedicated, non-appropriated status of the bank and credit union funds allows DFI to respond to regulatory developments without waiting for legislative appropriation.

The current system of separate, discrete funds reflects a time when the regulatory lines between the various financial institutions were distinct and separate. With financial modernization and globalization, these lines have become blurred, requiring DFI to pursue functional regulation across traditional divisional lines. For example, securities analysts will be used to determine compliance of broker/dealers located at banks, and banks examiners will be used to determine whether debenture companies are in unsafe or

unsound condition.

Summary of Bill:

A new financial services regulation fund is created, which is dedicated, non-appropriated, and the sole fund for the Department of Financial Institutions. All money received by the various divisions is deposited into the unified fund, with the exception of the Division of Securities, which will deposit 13 percent of money received into the unified fund. The remaining 87 percent of the money received by the Division of Securities will continue to be deposited into the general fund. The current level of fees, assessments and fines is unchanged.

Repeals RCW 43.320.120, thus eliminating the credit unions examination fund as a separate fund.

Repeals RCW 43.320.130, thus eliminating the securities regulation fund as a separate fund.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2001.