

SENATE BILL REPORT

HB 1211

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, March 27, 2001

Title: An act relating to creating the financial services regulation fund.

Brief Description: Creating the financial services regulation fund.

Sponsors: By Representatives Benson, Simpson, Barlean and Hatfield; by request of Department of Financial Institutions.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 3/22/01, 3/27/01 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Franklin, Hochstatter, Honeyford, Rasmussen, Regala, West and Winsley.

Staff: Dave Cheal (786-7576)

Background: The Department of Financial Institutions' (DFI) statutory missions are currently supported by three 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 money received pursuant to those activities is deposited in the 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 the flexibility needed to respond quickly to regulatory developments without waiting for legislative appropriation.

Separate, discrete funds reflect a time when business lines were distinct and separate. With financial modernization and globalization, these lines are greatly 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. A unified fund would facilitate the training and funding of cross-divisional teams. It would also make it possible to move revenue as needed to address short-term regulatory challenges.

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 deposits 13 percent of money received (as currently). The current level of fees, assessments and fines is unchanged.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: The unified fund will allow training and operation of cross-divisional examination teams that can more effectively examine modern multi-service financial institutions.

Testimony Against: None.

Testified: John Bley, DFI (pro).