

CERTIFICATION OF ENROLLMENT

ENGROSSED SUBSTITUTE SENATE BILL 5997

Chapter 348, Laws of 2005

59th Legislature
2005 Regular Session

BANKS--RECIPROCAL DE NOVO BANK BRANCHING

EFFECTIVE DATE: 5/09/05

Passed by the Senate April 16, 2005
YEAS 41 NAYS 0

BRAD OWEN

President of the Senate

Passed by the House April 7, 2005
YEAS 95 NAYS 0

FRANK CHOPP

Speaker of the House of Representatives

CERTIFICATE

I, Thomas Hoemann, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **ENGROSSED SUBSTITUTE SENATE BILL 5997** as passed by the Senate and the House of Representatives on the dates hereon set forth.

THOMAS HOEMANN

Secretary

Approved May 9, 2005.

FILED

May 9, 2005 - 3:51 p.m.

CHRISTINE GREGOIRE

Governor of the State of Washington

**Secretary of State
State of Washington**

ENGROSSED SUBSTITUTE SENATE BILL 5997

AS AMENDED BY THE HOUSE

Passed Legislature - 2005 Regular Session

State of Washington 59th Legislature 2005 Regular Session

By Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Spanel and Benton)

READ FIRST TIME 03/02/05.

1 AN ACT Relating to banks, savings banks, and mutual savings banks
2 branches; amending RCW 30.38.005, 30.38.010, 32.04.030, and 32.32.228;
3 adding a new section to chapter 30.38 RCW; creating a new section; and
4 declaring an emergency.

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

6 **Sec. 1.** RCW 30.38.005 and 1996 c 2 s 10 are each amended to read
7 as follows:

8 As used in this chapter, unless a different meaning is required by
9 the context, the following words and phrases have the following
10 meanings:

11 (1) "Bank" means any national bank, state bank, and district bank,
12 as those terms are defined in 12 U.S.C. Sec. 1813(a), and any savings
13 association, as defined in 12 U.S.C. Sec. 1813(b).

14 (2) "Bank holding company" has the meaning set forth in 12 U.S.C.
15 Sec. 1841(a)(1), and also means a savings and loan holding company, as
16 defined in 12 U.S.C. Sec. 1467a.

17 (3) "Bank supervisory agency" means:

18 (a) Any agency of another state with primary responsibility for
19 chartering and supervising banks; and

1 (b) The office of the comptroller of the currency, the federal
2 deposit insurance corporation, the board of governors of the federal
3 reserve system, and any successor to these agencies.

4 (4) "Control" shall be construed consistently with the provisions
5 of 12 U.S.C. Sec. 1841(a)(2).

6 (5) "Home state" means with respect to a:

7 (a) State bank, the state by which the bank is chartered; or

8 (b) (~~National~~) Federally chartered bank, the state in which the
9 main office of the bank is located under federal law.

10 (6) "Home state regulator" means, with respect to an out-of-state
11 state bank, the bank supervisory agency of the state in which the bank
12 is chartered.

13 (7) "Host state" means a state, other than the home state of a
14 bank, in which the bank maintains, or seeks to establish and maintain
15 a branch.

16 (8) "Interstate combination" means the:

17 (a) Merger or consolidation of banks with different home states,
18 and the conversion of branches of any bank involved in the merger or
19 consolidation into branches of the resulting bank; or

20 (b) Purchase of all or substantially all of the assets, including
21 all or substantially all of the branches, of a bank whose home state is
22 different from the home state of the acquiring bank.

23 (9) "Out-of-state bank" means a bank whose home state is a state
24 other than Washington.

25 (10) "Out-of-state state bank" means a bank chartered under the
26 laws of any state other than Washington.

27 (11) "Resulting bank" means a bank that has resulted from an
28 interstate combination under this chapter.

29 (12) "State" means any state of the United States, the District of
30 Columbia, any territory of the United States, Puerto Rico, Guam,
31 American Samoa, the Trust Territory of the Pacific Islands, the Virgin
32 Islands, and the Northern Mariana Islands.

33 (13) "Washington bank" means a bank whose home state is Washington.

34 (14) "Washington state bank" means a bank organized under
35 Washington banking law.

36 (15) "Branch" means an office of a bank through which it receives
37 deposits, other than its principal office. Any of the functions or

1 services authorized to be engaged in by a bank may be carried out in an
2 authorized branch office.

3 (16) "De novo branch" means a branch of a bank located in a host
4 state which:

5 (a) Is originally established by the bank as a branch; and

6 (b) Does not become a branch of the bank as a result of:

7 (i) The acquisition of another bank or a branch of another bank; or

8 (ii) A merger, consolidation, or conversion involving any such bank
9 or branch.

10 **Sec. 2.** RCW 30.38.010 and 1996 c 2 s 11 are each amended to read
11 as follows:

12 (1) An out-of-state bank may engage in banking in this state
13 without violating RCW 30.04.280 only if the conditions and filing
14 requirements of this chapter are met and the bank was lawfully engaged
15 in banking in this state on June 6, 1996, or the bank's in-state
16 banking activities:

17 (a) Resulted from an interstate combination pursuant to RCW
18 30.49.125 or 32.32.500(~~(1-04)~~);

19 (b) Resulted from a relocation of a head office of a state bank
20 pursuant to 12 U.S.C. Sec. 30 and RCW 30.04.215(3)(~~(1-04)~~);

21 (c) Resulted from a relocation of a main office of a national bank
22 pursuant to 12 U.S.C. Sec. 30(~~(1-04)~~);

23 (d) Resulted from the establishment of a branch of a savings bank
24 in compliance with RCW 32.04.030(2); or

25 (e) Resulted from interstate branching under section 3 of this act.

26 Nothing in this section affects the authorities of alien banks as
27 defined by RCW 30.42.020 to engage in banking within this state.

28 (2) The director, consistent with 12 U.S.C. Sec. 1831u(b)(2)(D),
29 may approve an interstate combination if the standard on which the
30 approval is based does not discriminate against out-of-state banks,
31 out-of-state bank holding companies, or subsidiaries of those banks or
32 holding companies.

33 NEW SECTION. **Sec. 3.** A new section is added to chapter 30.38 RCW
34 to read as follows:

35 (1) An out-of-state bank that does not have a branch in Washington
36 may, under this chapter, establish and maintain:

1 (a) A de novo branch in this state; or

2 (b) A branch in this state through the acquisition of a branch.

3 (2) An out-of-state bank desiring to establish and maintain a de
4 novo branch or to acquire a branch in this state shall provide written
5 application of the proposed transaction to the director, accompanied by
6 the fee prescribed by the director, not later than three days after the
7 date of filing with the responsible federal bank supervisory agency for
8 approval to establish or acquire the branch.

9 (3) The director may not approve an application under subsection
10 (2) of this section unless it is found that:

11 (a) In the case of a de novo branch, the laws of the home state of
12 the out-of-state bank permit Washington banks to establish and maintain
13 de novo branches in that state under substantially the same, or at
14 least as favorable, terms and conditions as set forth in this chapter;
15 or

16 (b) In the case of a branch established through the acquisition of
17 a branch, the laws of the home state of the out-of-state bank permit
18 Washington banks to establish and maintain branches in that state
19 through the acquisition of branches under terms and conditions that are
20 substantially the same, or at least as favorable, as set forth in this
21 chapter.

22 **Sec. 4.** RCW 32.04.030 and 1996 c 2 s 21 are each amended to read
23 as follows:

24 (1) A savings bank may not, without the written approval of the
25 director, establish and operate branches in any place.

26 (2) A savings bank headquartered in this state desiring to
27 establish a branch shall file a written application with the director,
28 who shall approve or disapprove the application.

29 (3) The director's approval shall be conditioned on a finding that
30 the savings bank has a satisfactory record of compliance with
31 applicable laws and has a satisfactory financial condition. In making
32 such findings, the director may rely on an application in the form
33 filed with the federal deposit insurance corporation pursuant to 12
34 U.S.C. Sec. 1828(d). If the application for a branch is not approved,
35 the savings bank shall have the right to appeal in the same manner and
36 within the same time as provided by RCW 32.08.050 and 32.08.060. The
37 savings bank when delivering the application to the director shall

1 transmit to the director a check in an amount established by rule to
2 cover the expense of the investigation. A savings bank headquartered
3 in this state shall not move its headquarters or any branch more than
4 two miles from its existing location without prior approval of the
5 director. On or before the date on which it opens any office at which
6 it will transact business in any state, territory, province, or other
7 jurisdiction, a savings bank shall give written notice to the director
8 of the location of this office. No such notice shall become effective
9 until it has been delivered to the director.

10 (4) The board of trustees of a savings bank, after notice to the
11 director, may discontinue the operation of a branch. The savings bank
12 shall keep the director informed in the matter and shall notify the
13 director of the date operation of the branch is discontinued.

14 ~~((+1))~~ (5) A savings bank that is headquartered in this state and
15 is operating branches in another state, territory, province, or other
16 jurisdiction may provide copies of state examination reports and
17 reports of condition of the savings bank to the regulator having
18 oversight responsibility with regard to its operations in that other
19 jurisdiction, including the regulator of savings associations in the
20 event such a savings bank is transacting savings and loan business
21 pursuant to RCW 32.08.142 in that other jurisdiction.

22 ~~((+2))~~ (6) No savings bank headquartered in another state may
23 establish, or acquire pursuant to RCW 32.32.500, and operate branches
24 as a savings bank in any place within the state unless:

25 (a) The savings bank has filed with the director an agreement to
26 comply with the requirements of RCW 30.38.040 for periodic reports by
27 the savings bank or by the appropriate state superintendent or
28 equivalent regulator of the savings bank under the laws of the state in
29 which the savings bank is incorporated, unless the laws expressly
30 require the provision of all the reports to the director;

31 (b) The savings bank has filed with the director (i) a duly
32 executed instrument in writing, by its terms of indefinite duration and
33 irrevocable, appointing the director and his or her successors its true
34 and lawful attorney, upon whom all process in any action or proceeding
35 against it in a cause of action arising out of business transacted by
36 such savings bank in this state, may be served with the same force and
37 effect as if it were a domestic corporation and had been lawfully
38 served with process within the state, and (ii) a written certificate of

1 designation, which may be changed from time to time by the filing of a
2 new certificate of designation, specifying the name and address of the
3 officer, agent, or other person to whom such process shall be forwarded
4 by the director; (~~and~~)

5 (c) The savings bank has supplied the director with such
6 information as he or she shall require by rule, not to exceed the
7 information on which the director may rely in approving a branch
8 application pursuant to this section by a savings bank headquartered in
9 this state; and

10 (d) The laws of the state in which the out-of-state savings bank is
11 chartered permit savings banks chartered under this title to establish
12 or acquire, and maintain branches in that state, under terms and
13 conditions that are substantially the same as, or at least as favorable
14 to, the terms and conditions for the chartering of savings banks under
15 this title.

16 (7) A savings bank headquartered in another state may not establish
17 and operate branches as a foreign savings association in any place
18 within the state except upon compliance with chapter 33.32 RCW.

19 (8) Notwithstanding any provision of this title to the contrary, an
20 out-of-state depository institution may not branch in the state of
21 Washington, unless a Washington state bank, bank holding company,
22 savings bank, savings bank holding company, savings and loan
23 association, or savings and loan holding company is permitted to branch
24 in the state in which that out-of-state depository institution is
25 chartered or in which its principal office is located, under terms and
26 conditions that are substantially the same as, or at least as favorable
27 to entry as, the terms and conditions for branching of savings banks
28 under this title. As used in this subsection, "out-of-state depository
29 institution" means a bank or bank holding company, or a converted
30 mutual savings bank or the holding company of a mutual savings bank,
31 which is chartered in or whose principal office is located in another
32 state, or a savings and loan association or the holding company of a
33 savings and loan association, which is chartered in another state.

34 **Sec. 5.** RCW 32.32.228 and 1994 c 92 s 366 are each amended to read
35 as follows:

36 (1) As used in this section, the following definitions apply:

1 (a) "Control" means directly or indirectly alone or in concert with
2 others to own, control, or hold the power to vote twenty-five percent
3 or more of the outstanding stock or voting power of the controlled
4 entity;

5 (b) "Acquiring depository institution" means a bank or bank holding
6 company, or a converted mutual savings bank or the holding company of
7 a mutual savings bank, or a savings and loan association or the holding
8 company of a savings and loan association, which is chartered in or
9 whose principal office is located in another state, and which seeks to
10 acquire control of a Washington savings bank;

11 (c) "Acquiring party" means the person acquiring control of a bank
12 through the purchase of stock;

13 ((+e)) (d) "Person" means any individual, corporation,
14 partnership, group acting in concert, association, business trust, or
15 other organization.

16 (2)(a) It is unlawful for any person to acquire control of a
17 converted savings bank until thirty days after filing with the director
18 a completed application. The application shall be under oath or
19 affirmation, and shall contain substantially all of the following
20 information plus any additional information that the director may
21 prescribe as necessary or appropriate in the particular instance for
22 the protection of bank depositors, borrowers, or shareholders and the
23 public interest:

24 (i) The identity and banking and business experience of each person
25 by whom or on whose behalf acquisition is to be made;

26 (ii) The financial and managerial resources and future prospects of
27 each person involved in the acquisition;

28 (iii) The terms and conditions of any proposed acquisition and the
29 manner in which the acquisition is to be made;

30 (iv) The source and amount of the funds or other consideration used
31 or to be used in making the acquisition, and a description of the
32 transaction and the names of the parties if any part of these funds or
33 other consideration has been or is to be borrowed or otherwise obtained
34 for the purpose of making the acquisition;

35 (v) Any plan or proposal which any person making the acquisition
36 may have to liquidate the bank, to sell its assets, to merge it with
37 any other bank, or to make any other major change in its business or
38 corporate structure or management;

1 (vi) The identification of any person employed, retained, or to be
2 compensated by the acquiring party, or by any person on its behalf, who
3 makes solicitations or recommendations to shareholders for the purpose
4 of assisting in the acquisition and a brief description of the terms of
5 the employment, retainer, or arrangement for compensation;

6 (vii) Copies of all invitations for tenders or advertisements
7 making a tender offer to shareholders for the purchase of their stock
8 to be used in connection with the proposed acquisition; and

9 (viii) Such additional information as shall be necessary to satisfy
10 the director, in the exercise of the director's discretion, that each
11 such person and associate meets the standards of character,
12 responsibility, and general fitness established for incorporators of a
13 savings bank under RCW 32.08.040.

14 (b)(i) Notwithstanding any other provision of this section, (~~a~~
15 ~~bank or bank holding company which has been in operation for at least~~
16 ~~three consecutive years or a converted mutual savings bank or the~~
17 ~~holding company of a mutual savings bank need only notify~~) and subject
18 to (b)(ii) of this subsection, an acquiring depository institution must
19 apply to the director and notify the savings bank to be acquired of an
20 intent to acquire control and the date of the proposed acquisition of
21 control at least thirty days before the date of the acquisition of
22 control.

23 (ii) Except to the extent of any conflict with applicable federal
24 law, (b)(i) of this subsection does not apply to an acquiring
25 depository institution that is seeking to acquire control of a
26 Washington savings bank unless the home state of the acquiring
27 depository institution permits a Washington converted mutual savings
28 bank, or the Washington-chartered holding company of a mutual savings
29 bank, to acquire control of a controlled entity that is chartered in or
30 whose principal office is located in that home state, unless under
31 terms and conditions that are substantially the same as, or at least as
32 favorable to entry as, those provided under (b)(i) of this subsection.

33 (c) When a person, other than an individual or corporation, is
34 required to file an application under this section, the director may
35 require that the information required by (a)(i), (ii), (vi), and (viii)
36 of this subsection be given with respect to each person, as defined in
37 subsection (1)((+e)) (d) of this section, who has an interest in or
38 controls a person filing an application under this subsection.

1 (d) When a corporation is required to file an application under
2 this section, the director may require that information required by
3 (a)(i), (ii), (vi), and (viii) of this subsection be given for the
4 corporation, each officer and director of the corporation, and each
5 person who is directly or indirectly the beneficial owner of twenty-
6 five percent or more of the outstanding voting securities of the
7 corporation.

8 (e) If any tender offer, request, or invitation for tenders or
9 other agreements to acquire control is proposed to be made by means of
10 a registration statement under the securities act of 1933 (48 Stat. 74,
11 15 U.S.C. Sec. 77(a)), as amended, or in circumstances requiring the
12 disclosure of similar information under the securities exchange act of
13 1934 (48 Stat. 881, 15 U.S.C. Sec. 78(a)), as amended, the registration
14 statement or application may be filed with the director in lieu of the
15 requirements of this section.

16 (f) Any acquiring party shall also deliver a copy of any notice or
17 application required by this section to the savings bank proposed to be
18 acquired within two days after such notice or application is filed with
19 the director.

20 (g) Any acquisition of control in violation of this section shall
21 be ineffective and void.

22 (h) Any person who willfully or intentionally violates this section
23 or any rule adopted under this section is guilty of a gross misdemeanor
24 pursuant to chapter 9A.20 RCW. Each day's violation shall be
25 considered a separate violation, and any person shall upon conviction
26 be fined not more than one thousand dollars for each day the violation
27 continues.

28 (3) The director may disapprove the acquisition of a savings bank
29 within thirty days after the filing of a complete application pursuant
30 to subsections (1) and (2) of this section or an extended period not
31 exceeding an additional fifteen days if:

32 (a) The poor financial condition of any acquiring party might
33 jeopardize the financial stability of the savings bank or might
34 prejudice the interest of depositors, borrowers, or shareholders;

35 (b) The plan or proposal of the acquiring party to liquidate the
36 savings bank, to sell its assets, to merge it with any person, or to
37 make any other major change in its business or corporate structure or

1 management is not fair and reasonable to its depositors, borrowers, or
2 stockholders or is not in public interest;

3 (c) The banking and business experience and integrity of any
4 acquiring party who would control the operation of the savings bank
5 indicates that approval would not be in the interest of the savings
6 bank's depositors, borrowers, or shareholders;

7 (d) The information provided by the application is insufficient for
8 the director to make a determination or there has been insufficient
9 time to verify the information provided and conduct an examination of
10 the qualification of the acquiring party; or

11 (e) The acquisition would not be in the public interest.

12 An acquisition may be made prior to expiration of the disapproval
13 period if the director issues written notice of intent not to
14 disapprove the action.

15 The director shall set forth the basis for disapproval of any
16 proposed acquisition in writing and shall provide a copy of such
17 findings and order to the applicants and to the bank involved. Such
18 findings and order shall not be disclosed to any other party and shall
19 not be subject to public disclosure under chapter 42.17 RCW unless the
20 findings and/or order are appealed pursuant to chapter 34.05 RCW.

21 Whenever such a change in control occurs, each party to the
22 transaction shall report promptly to the director any changes or
23 replacement of its chief executive officer or of any director occurring
24 in the next twelve-month period, including in its report a statement of
25 the past and current business and professional affiliations of the new
26 chief executive officer or directors.

27 (4)(a) For a period of ten years following the acquisition of
28 control by any person, neither such acquiring party nor any associate
29 shall receive any loan or the use of any of the funds of, nor purchase,
30 lease, or otherwise receive any property from, nor receive any
31 consideration from the sale, lease, or any other conveyance of property
32 to, any savings bank in which the acquiring party has control except as
33 provided in (b) of this subsection.

34 (b) Upon application by any acquiring party or associate subject to
35 (a) of this subsection, the director may approve a transaction between
36 a converted savings bank and such acquiring party, person, or
37 associate, upon finding that the terms and conditions of the

1 transaction are at least as advantageous to the savings bank as the
2 savings bank would obtain in a comparable transaction with an
3 unaffiliated person.

4 (5) Except with the consent of the director, no converted savings
5 bank shall, for the purpose of enabling any person to purchase any or
6 all shares of its capital stock, pledge or otherwise transfer any of
7 its assets as security for a loan to such person or to any associate,
8 or pay any dividend to any such person or associate. Nothing in this
9 section shall prohibit a dividend of stock among shareholders in
10 proportion to their shareholdings. In the event any clause of this
11 section is declared to be unconstitutional or otherwise invalid, all
12 remaining dependent and independent clauses of this section shall
13 remain in full force and effect.

14 NEW SECTION. **Sec. 6.** This act does not prohibit any merger of a
15 domestic stock savings bank, organized under Title 32 RCW, with any
16 out-of-state national bank having total assets of less than two hundred
17 million dollars that is directly, or indirectly through a registered
18 bank holding company, controlled, through ownership of the majority of
19 voting stock or otherwise, by residents of the state of Washington, if
20 an application for approval by the department of financial institutions
21 of the proposed merger has been submitted on or prior to the effective
22 date of this act.

23 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
24 preservation of the public peace, health, or safety, or support of the
25 state government and its existing public institutions, and takes effect
26 immediately.

Passed by the Senate April 16, 2005.
Passed by the House April 7, 2005.
Approved by the Governor May 9, 2005.
Filed in Office of Secretary of State May 9, 2005.