

# FINAL BILL REPORT

## SHB 2286

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Synopsis as Enacted

**Brief Description:** Regulating interstate branching.

**Sponsors:** By House Committee on Insurance, Financial Services & Consumer Protection (originally sponsored by Representatives Simpson, Kirby, Williams, Kelley and Hunt).

**House Committee on Insurance, Financial Services & Consumer Protection**  
**Senate Committee on Financial Institutions & Insurance**

**Background:**

The Department of Financial Institutions (DFI) regulates Washington's state-chartered commercial banks, stock savings banks, mutual savings, alien banks, and savings and loans.

Federal law allows states to choose from several approaches in regulating interstate branches of out-of-state banks. A state may:

- allow an out-of-state entity to have in-state branches without imposing requirements;
- allow an out-of-state entity to have in-state branches only if the state where the entity is chartered or has its principal place of business has reciprocal requirements. This is called "de novo" branching;
- allow an out-of-state entity to have in-state branches if it acquires a domestic bank. There is often a requirement that the purchased bank must have been in business for a fixed period of time before the acquisition;
- impose strict barriers on out-of-state entities that seek in-state branches; or
- prohibit an out-of-state entity from having in-state branches.

In 2005, the Legislature permitted an out-of-state bank or savings bank to establish branches in Washington on the same or less favorable terms as are imposed on Washington-chartered banks or savings banks seeking to establish branches in the state where the institution is chartered or has its principal place of business. If the other state allows for a de novo branch for a Washington-chartered bank, then an out-of-state bank may have a de novo branch under the same terms. If another state imposes a requirement that a Washington bank must acquire existing branches, similar terms will apply to the banks from that other state.

For out-of state banks, "branch" is defined as an office of a bank through which it receives deposits, other than its principal office. Any of the functions or services authorized to be engaged in by a bank may be carried out in an authorized branch office.

For savings banks, "branch" is defined as an established office or facility, other than the principal office, at which employees of the savings bank take deposits. "Branch" does not refer to a machine permitting customers to leave funds in storage or communicate with savings bank employees who are not located at the site of that machine, unless employees of

the savings bank at the site of that machine take deposits on a regular basis. An office of an entity other than the savings bank is not established by the savings bank, regardless of any affiliation, accommodation arrangement, or other relationship between the other entity and the savings bank.

**Summary:**

An out-of-state bank may acquire, establish, or maintain a branch in Washington within one mile of an affiliate commercial location only to the same extent permitted for a Washington bank under applicable state and federal law.

"Bank" is defined as "any national bank, state bank, and district bank, as defined in federal banking law. "Out-of-state bank" is defined as a bank whose home state is a state other than Washington. "Washington bank" is defined as "a bank whose home state is Washington. "Home state" is defined as having the same meaning as in the Washington Interstate Banking Act.

**Votes on Final Passage:**

House	96	0
Senate	47	0

**Effective:** July 22, 2007