
SUBSTITUTE HOUSE BILL 2438

State of Washington

53rd Legislature

1994 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representative Zellinsky)

Read first time 01/31/94.

1 AN ACT Relating to technical corrections made necessary by the
2 creation of the department of financial institutions; and amending RCW
3 11.102.010, 11.110.073, 19.100.010, 19.110.020, 21.30.010, 21.30.380,
4 30.04.010, 30.04.030, 30.04.060, 30.04.070, 30.04.075, 30.04.111,
5 30.04.120, 30.04.125, 30.04.127, 30.04.130, 30.04.180, 30.04.210,
6 30.04.212, 30.04.215, 30.04.220, 30.04.230, 30.04.232, 30.04.238,
7 30.04.240, 30.04.270, 30.04.290, 30.04.310, 30.04.405, 30.04.410,
8 30.04.450, 30.04.455, 30.04.465, 30.04.470, 30.04.475, 30.04.550,
9 30.04.560, 30.04.565, 30.04.570, 30.04.575, 30.04.900, 30.08.010,
10 30.08.020, 30.08.030, 30.08.040, 30.08.050, 30.08.060, 30.08.070,
11 30.08.080, 30.08.082, 30.08.083, 30.08.084, 30.08.088, 30.08.090,
12 30.08.092, 30.08.095, 30.08.120, 30.08.140, 30.08.160, 30.08.180,
13 30.08.190, 30.12.010, 30.12.030, 30.12.040, 30.12.042, 30.12.044,
14 30.12.047, 30.12.050, 30.12.060, 30.12.070, 30.12.100, 30.12.180,
15 30.12.240, 30.20.005, 30.20.090, 30.36.020, 30.36.030, 30.36.040,
16 30.40.020, 30.42.020, 30.42.030, 30.42.060, 30.42.070, 30.42.080,
17 30.42.090, 30.42.100, 30.42.105, 30.42.115, 30.42.120, 30.42.130,
18 30.42.140, 30.42.160, 30.42.210, 30.42.220, 30.42.230, 30.42.240,
19 30.42.250, 30.42.260, 30.42.290, 30.42.300, 30.42.310, 30.42.320,
20 30.42.330, 30.43.010, 30.43.020, 30.43.045, 30.44.010, 30.44.020,
21 30.44.030, 30.44.040, 30.44.050, 30.44.060, 30.44.070, 30.44.080,

1 30.44.090, 30.44.100, 30.44.130, 30.44.140, 30.44.150, 30.44.160,
2 30.44.170, 30.44.180, 30.44.190, 30.44.200, 30.44.210, 30.44.220,
3 30.44.230, 30.44.240, 30.44.250, 30.44.260, 30.44.270, 30.44.280,
4 30.46.010, 30.46.020, 30.46.030, 30.46.040, 30.46.050, 30.46.060,
5 30.46.070, 30.46.090, 30.46.100, 30.49.030, 30.49.040, 30.49.060,
6 30.49.070, 30.49.090, 30.49.100, 30.49.110, 30.49.120, 30.56.020,
7 30.56.030, 30.56.040, 30.56.050, 30.56.060, 30.56.080, 30.56.090,
8 30.60.010, 30.60.020, 30.60.030, 30.60.901, 31.04.015, 31.04.045,
9 31.04.055, 31.04.075, 31.04.085, 31.04.093, 31.04.105, 31.04.115,
10 31.04.145, 31.04.155, 31.04.165, 31.04.175, 31.04.185, 31.04.902,
11 31.12.005, 31.12.015, 31.12.035, 31.12.045, 31.12.055, 31.12.065,
12 31.12.075, 31.12.085, 31.12.095, 31.12.105, 31.12.115, 31.12.125,
13 31.12.136, 31.12.195, 31.12.206, 31.12.215, 31.12.306, 31.12.335,
14 31.12.355, 31.12.385, 31.12.406, 31.12.415, 31.12.425, 31.12.435,
15 31.12.445, 31.12.455, 31.12.465, 31.12.475, 31.12.506, 31.12.516,
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18 31.12.665, 31.12.675, 31.12.685, 31.12.695, 31.12.705, 31.12.715,
19 31.12.725, 31.12.905, 31.12A.010, 31.12A.040, 31.12A.050, 31.12A.070,
20 31.12A.080, 31.12A.090, 31.12A.100, 31.12A.120, 31.12A.140, 31.13.030,
21 31.24.080, 31.24.120, 31.30.010, 31.30.020, 31.30.150, 31.30.160,
22 31.30.170, 31.30.180, 31.30.190, 31.30.200, 31.30.210, 31.30.230,
23 31.30.240, 31.30.250, 31.30.260, 31.30.270, 31.35.010, 31.35.020,
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25 31.35.100, 31.35.900, 31.40.010, 31.40.020, 31.40.030, 31.40.050,
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27 31.40.120, 31.40.130, 31.40.900, 31.45.010, 31.45.020, 31.45.030,
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30 31.45.170, 31.45.180, 31.45.200, 31.45.900, 32.04.020, 32.04.030,
31 32.04.040, 32.04.050, 32.04.080, 32.04.085, 32.04.110, 32.04.211,
32 32.04.220, 32.04.250, 32.04.260, 32.04.280, 32.04.290, 32.04.300,
33 32.08.010, 32.08.020, 32.08.030, 32.08.040, 32.08.050, 32.08.060,
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35 32.08.140, 32.08.210, 32.08.215, 32.08.230, 32.12.010, 32.12.020,
36 32.12.050, 32.12.060, 32.12.070, 32.16.020, 32.16.060, 32.16.080,
37 32.16.090, 32.16.093, 32.16.095, 32.16.097, 32.16.140, 32.20.035,
38 32.20.280, 32.20.290, 32.24.010, 32.24.020, 32.24.030, 32.24.040,
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1 32.32.010, 32.32.015, 32.32.020, 32.32.025, 32.32.030, 32.32.040,
2 32.32.055, 32.32.060, 32.32.075, 32.32.105, 32.32.130, 32.32.150,
3 32.32.175, 32.32.210, 32.32.215, 32.32.220, 32.32.222, 32.32.228,
4 32.32.230, 32.32.235, 32.32.240, 32.32.250, 32.32.255, 32.32.265,
5 32.32.270, 32.32.275, 32.32.280, 32.32.285, 32.32.295, 32.32.300,
6 32.32.305, 32.32.310, 32.32.315, 32.32.325, 32.32.340, 32.32.345,
7 32.32.350, 32.32.360, 32.32.370, 32.32.375, 32.32.395, 32.32.400,
8 32.32.410, 32.32.415, 32.32.420, 32.32.425, 32.32.430, 32.32.450,
9 32.32.455, 32.32.465, 32.32.470, 32.32.475, 32.32.485, 32.32.490,
10 32.32.495, 32.32.500, 32.32.525, 32.34.010, 32.34.020, 32.34.040,
11 32.34.050, 32.40.010, 32.40.020, 32.40.030, 33.04.002, 33.04.005,
12 33.04.010, 33.04.020, 33.04.025, 33.04.030, 33.04.042, 33.04.044,
13 33.04.048, 33.04.052, 33.04.054, 33.04.060, 33.04.110, 33.08.010,
14 33.08.050, 33.08.055, 33.08.060, 33.08.070, 33.08.080, 33.08.090,
15 33.08.100, 33.08.110, 33.12.010, 33.12.014, 33.12.060, 33.12.140,
16 33.16.040, 33.16.120, 33.16.130, 33.20.130, 33.20.150, 33.20.170,
17 33.24.010, 33.24.025, 33.24.360, 33.24.370, 33.28.020, 33.32.020,
18 33.32.030, 33.32.050, 33.36.060, 33.40.010, 33.40.020, 33.40.030,
19 33.40.040, 33.40.050, 33.40.070, 33.40.075, 33.40.080, 33.40.110,
20 33.40.120, 33.40.130, 33.40.150, 33.43.010, 33.44.020, 33.44.090,
21 33.44.125, 33.44.130, 33.46.020, 33.46.030, 33.46.040, 33.46.050,
22 33.46.060, 33.46.080, 33.46.130, 33.48.100, 33.48.110, 33.48.130,
23 33.48.150, 33.48.160, 33.48.170, 33.48.180, 33.48.190, 33.48.200,
24 33.48.210, 33.48.230, 33.48.240, 33.48.250, 33.48.260, 33.48.280,
25 33.48.320, 39.58.010, 43.19.015, 43.24.020, 43.24.024, 43.163.010,
26 43.163.110, 46.01.011, 46.01.050, 48.18A.060, 48.18A.070, 58.19.030,
27 and 70.37.020.

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

29 **Sec. 1.** RCW 11.102.010 and 1985 c 30 s 79 are each amended to read
30 as follows:

31 Any bank or trust company qualified to act as fiduciary in this
32 state, or in any other state if affiliated with a bank or trust company
33 qualified to act as fiduciary in this state, may establish common trust
34 funds for the purpose of furnishing investments to itself and its
35 affiliated or related bank or trust company as fiduciary, or to itself
36 and its affiliated or related bank or trust company, and others, as
37 cofiduciaries; and may, as such fiduciary or cofiduciary, invest funds

1 which it lawfully holds for investment in interests in such common
2 trust funds, if such investment is not prohibited by the instrument,
3 judgment, decree, or order creating such fiduciary relationship, and
4 if, in the case of cofiduciaries, the bank or trust company procures
5 the consent of its cofiduciary or cofiduciaries to such investment:
6 PROVIDED, That any bank or trust company qualified to act as fiduciary
7 in the state of its charter, which is not a member of the federal
8 reserve system, shall, in the operation of such common trust fund,
9 comply with the rules and regulations as made from time to time by the
10 (~~supervisor of banking~~) director of financial institutions in the
11 state where chartered and in Washington the (~~supervisor~~) director is
12 hereby authorized and empowered to make such rules and regulations as
13 he or she may deem necessary and proper in the premises.

14 "Affiliated" as used in this section means two or more banks or
15 trust companies:

16 (1) In which twenty-five percent or more of their voting shares,
17 excluding shares owned by the United States or by any company wholly
18 owned by the United States, are directly or indirectly owned or
19 controlled by a holding company; or

20 (2) In which the election of a majority of the directors is
21 controlled in any manner by a holding company.

22 **Sec. 2.** RCW 11.110.073 and 1985 c 30 s 119 are each amended to
23 read as follows:

24 The following trustees shall be exempt from the provisions of RCW
25 11.110.070, but shall file the information required in RCW 11.110.060:

26 (1) A bank or trust company subject to examination by the
27 (~~supervisor of banking~~) director of financial institutions of the
28 state of Washington, the comptroller of the currency of the United
29 States or the board of governors of the federal reserve system; which
30 such bank or trust company is acting as trustee, executor or court-
31 appointed fiduciary: PROVIDED, That a bank or trust company which is
32 a co-fiduciary of a trust shall be deemed to be the sole fiduciary of
33 such trust under this section, if the bank or trust company is
34 custodian of the books and records of the trust and has the
35 responsibility for preparing the reports and returns which are filed
36 with the internal revenue service;

37 (2) The governing body of a nonprofit community foundation or other
38 nonprofit foundation incorporated for charitable purposes,

1 contributions to which are currently allowed as charitable deductions
2 under the United States income tax laws;

3 (3) The governing body of a hospital which is nonprofit and
4 charitable, other than a hospital initially formed as a trustee
5 pursuant to or in connection with the terms of a charitable trust.

6 **Sec. 3.** RCW 19.100.010 and 1991 c 226 s 1 are each amended to read
7 as follows:

8 When used in this chapter, unless the context otherwise requires:

9 (1) "Advertisement" means any written or printed communication or
10 any communication by means of recorded telephone messages or spoken on
11 radio, television, or similar communication media published in
12 connection with an offer or sale of a franchise.

13 (2) "Affiliate" means a person controlling, controlled by, or under
14 common control with another person, every officer or director of such
15 person, and every person occupying a similar status or performing
16 similar functions.

17 (3) "Director" means the director of (~~licensing~~) financial
18 institutions.

19 (4) "Franchise" means:

20 (a) An agreement, express or implied, oral or written, by which:

21 (i) A person is granted the right to engage in the business of
22 offering, selling, or distributing goods or services under a marketing
23 plan prescribed or suggested in substantial part by the grantor or its
24 affiliate;

25 (ii) The operation of the business is substantially associated with
26 a trademark, service mark, trade name, advertising, or other commercial
27 symbol designating, owned by, or licensed by the grantor or its
28 affiliate; and

29 (iii) The person pays, agrees to pay, or is required to pay,
30 directly or indirectly, a franchise fee.

31 (b) The following shall not be construed as a franchise within the
32 meaning of this chapter:

33 (i) The payment of a reasonable service charge to the issuer of a
34 credit card by an establishment accepting or honoring such credit card
35 or any transaction relating to a bank credit card plan;

36 (ii) Actions or transactions otherwise permitted, prohibited or
37 regulated under laws administered by the insurance commissioner of this
38 state;

1 (iii) Any motor vehicle dealer franchise subject to the provisions
2 of chapter 46.70 RCW.

3 (5) "Marketing plan" means a plan or system concerning an aspect of
4 conducting business. A marketing plan may include one or more of the
5 following:

6 (a) Price specifications, special pricing systems or discount
7 plans;

8 (b) Sales or display equipment or merchandising devices;

9 (c) Sales techniques;

10 (d) Promotional or advertising materials or cooperative
11 advertising;

12 (e) Training regarding the promotion, operation, or management of
13 the business; or

14 (f) Operational, managerial, technical, or financial guidelines or
15 assistance.

16 (6) "Bank credit card plan" means a credit card plan in which the
17 issuer of credit cards is a national bank, state bank, trust company or
18 any other banking institution subject to the supervision of the
19 (~~supervisor of banking~~) director of financial institutions of this
20 state or any parent or subsidiary of such bank.

21 (7) "Franchisee" means a person to whom a franchise is offered or
22 granted.

23 (8) "Franchisor" means a person who grants a franchise to another
24 person.

25 (9) "Subfranchise" means an agreement, express or implied, oral or
26 written, by which a person pays or agrees to pay, directly or
27 indirectly, a franchisor or affiliate for the right to grant, sell or
28 negotiate the sale of a franchise.

29 (10) "Subfranchisor" means a person to whom a subfranchise is
30 granted.

31 (11) "Franchise broker" means a person who directly or indirectly
32 engages in the business of the offer or sale of franchises. The term
33 does not include a franchisor, subfranchisor, or their officers,
34 directors, or employees.

35 (12) "Franchise fee" means any fee or charge that a franchisee or
36 subfranchisor is required to pay or agrees to pay for the right to
37 enter into a business or to continue a business under a franchise
38 agreement, including, but not limited to, the payment either in lump
39 sum or by installments of an initial capital investment fee, any fee or

1 charges based upon a percentage of gross or net sales whether or not
2 referred to as royalty fees, any payment for the mandatory purchase of
3 goods or services or any payment for goods or services available only
4 from the franchisor, or any training fees or training school fees or
5 charges; however, the following shall not be considered payment of a
6 franchise fee: (a) the purchase or agreement to purchase goods at a
7 bona fide wholesale price; (b) the purchase or agreement to purchase
8 goods by consignment; if, and only if the proceeds remitted by the
9 franchisee from any such sale shall reflect only the bona fide
10 wholesale price of such goods; (c) a bona fide loan to the franchisee
11 from the franchisor; (d) the purchase or agreement to purchase goods at
12 a bona fide retail price subject to a bona fide commission or
13 compensation plan that in substance reflects only a bona fide wholesale
14 transaction; (e) the purchase or lease or agreement to purchase or
15 lease supplies or fixtures necessary to enter into the business or to
16 continue the business under the franchise agreement at their fair
17 market or rental value; (f) the purchase or lease or agreement to
18 purchase or lease real property necessary to enter into the business or
19 to continue the business under the franchise agreement at the fair
20 market or rental value; (g) amounts paid for trading stamps redeemable
21 in cash only; (h) amounts paid for trading stamps to be used as
22 incentives only and not to be used in, with, or for the sale of any
23 goods.

24 (13) "Person" means a natural person, corporation, partnership,
25 trust, or other entity and in the case of an entity, it shall include
26 any other entity which has a majority interest in such an entity or
27 effectively controls such other entity as well as the individual
28 officers, directors, and other persons in act of control of the
29 activities of each such entity.

30 (14) "Publish" means publicly to issue or circulate by newspaper,
31 mail, radio, or television or otherwise to disseminate to the public.

32 (15) "Sale or sell" includes every contract of sale, contract to
33 sell, or disposition of a franchise.

34 (16) "Offer or offer to sell" includes every attempt or offer to
35 dispose of or solicitation of an offer to buy a franchise or an
36 interest in a franchise.

37 **Sec. 4.** RCW 19.110.020 and 1981 c 155 s 2 are each amended to read
38 as follows:

1 Unless the context clearly requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Business opportunity" means the sale or lease of any product,
4 equipment, supply, or service which is sold or leased to enable the
5 purchaser to start a business; and:

6 (a) The seller represents that the seller will provide locations or
7 assist the purchaser in finding locations, on premises neither owned
8 nor leased by the purchaser or seller, for the use or operation of
9 vending machines, display racks, cases, or similar devices or coin-
10 operated amusement machines or similar devices; or

11 (b) The seller represents that the seller will purchase any product
12 made, produced, fabricated, assembled, modified, grown, or bred by the
13 purchaser using, in whole or part, any product, equipment, supply, or
14 service sold or leased to the purchaser by the seller; or

15 (c) The seller guarantees that the purchaser will earn an income
16 greater than or equal to the price paid for the business opportunity;
17 or

18 (d) The seller represents that if the purchaser pays a fee
19 exceeding three hundred dollars directly or indirectly for the purpose
20 of the seller providing a sales or marketing program, the seller will
21 provide such a program which will enable the purchaser to derive income
22 from the business opportunity which exceeds the price paid for the
23 business opportunity.

24 (2) "Person" includes an individual, corporation, partnership,
25 joint venture, or any business entity.

26 (3) "Seller" means a person who sells or leases a business
27 opportunity.

28 (4) "Purchaser" means a person who buys or leases a business
29 opportunity.

30 (5) "Director" means the director of ~~((the department of~~
31 ~~licensing))~~ financial institutions.

32 (6) "Guarantee" means an undertaking by the seller to refund all or
33 a portion of the purchase price paid for the business opportunity.

34 **Sec. 5.** RCW 21.30.010 and 1987 c 243 s 2 are each amended to read
35 as follows:

36 Unless the context clearly requires otherwise, the definitions in
37 this section apply throughout this chapter.

1 (1) "Administrator" means the person designated by the director in
2 accordance with the provisions of RCW 21.20.460.

3 (2) "Board of trade" means any person or group of persons engaged
4 in buying or selling any commodity or receiving any commodity for sale
5 on consignment, whether such person or group of persons is
6 characterized as a board of trade, exchange, or other form of
7 marketplace.

8 (3) "Director" means the director of ~~((the department of~~
9 ~~licensing))~~ financial institutions.

10 (4) "Commodity broker-dealer" means, for the purposes of
11 registration in accordance with this chapter, any person engaged in the
12 business of making offers, sales, or purchases of commodities under
13 commodity contracts or under commodity options.

14 (5) "Commodity sales representative" means, for the purposes of
15 registration in accordance with this chapter, any person authorized to
16 act and acting for a commodity broker-dealer in effecting or attempting
17 to effect a transaction in a commodity contract or commodity option.

18 (6) "Commodity exchange act" means the act of congress known as the
19 commodity exchange act, as amended, codified at 7 U.S.C. Sec. 1 et seq.

20 (7) "Commodity futures trading commission" means the independent
21 regulatory agency established by congress to administer the commodity
22 exchange act.

23 (8) "CFTC rule" means any rule, regulation, or order of the
24 commodity futures trading commission in effect on October 1, 1986, and
25 all subsequent amendments, additions, or other revisions thereto,
26 unless the administrator, within ten days following the effective date
27 of any such amendment, addition, or revision, disallows the application
28 thereof by rule or order.

29 (9) "Commodity" means, except as otherwise specified by the
30 director by rule or order, any agricultural, grain, or livestock
31 product or by-product, any metal or mineral (including a precious metal
32 set forth in subsection (17) of this section), any gem or gemstone
33 (whether characterized as precious, semiprecious, or otherwise), any
34 fuel (whether liquid, gaseous, or otherwise), any foreign currency, and
35 all other goods, articles, products, or items of any kind. However,
36 the term commodity does not include (a) a numismatic coin whose fair
37 market value is at least fifteen percent higher than the value of the
38 metal it contains, (b) real property or any timber, agricultural, or
39 livestock product grown or raised on real property and offered or sold

1 by the owner or lessee of such real property, or (c) any work of art
2 offered or sold by art dealers, at public auction, or offered or sold
3 through a private sale by the owner thereof.

4 (10) "Commodity contract" means any account, agreement, or contract
5 for the purchase or sale, primarily for speculation or investment
6 purposes and not for use or consumption by the offeree or purchaser, of
7 one or more commodities, whether for immediate or subsequent delivery
8 or whether delivery is intended by the parties, and whether
9 characterized as a cash contract, deferred shipment or deferred
10 delivery contract, forward contract, futures contract, installment or
11 margin contract, leverage contract, or otherwise. Any commodity
12 contract offered or sold shall, in the absence of evidence to the
13 contrary, be presumed to be offered or sold for speculation or
14 investment purposes. A commodity contract shall not include any
15 contract or agreement which requires, and under which the purchaser
16 receives, within twenty-eight calendar days from the payment in good
17 funds of any portion of the purchase price, physical delivery of the
18 total amount of each commodity to be purchased under the contract or
19 agreement.

20 (11) "Commodity option" means any account, agreement, or contract
21 giving a party thereto the right to purchase or sell one or more
22 commodities and/or one or more commodity contracts, whether
23 characterized as an option, privilege, indemnity, bid, offer, put,
24 call, advance guaranty, decline guaranty or otherwise, but does not
25 include a commodity option traded on a national securities exchange
26 registered with the United States securities and exchange commission.

27 (12) "Commodity merchant" means any of the following, as defined or
28 described in the commodity exchange act or by CFTC rule:

- 29 (a) Futures commission merchant;
- 30 (b) Commodity pool operator;
- 31 (c) Commodity trading advisor;
- 32 (d) Introducing broker;
- 33 (e) Leverage transaction merchant;
- 34 (f) An associated person of any of the foregoing;
- 35 (g) Floor broker; and
- 36 (h) Any other person (other than a futures association) required to
37 register with the commodity futures trading commission.

1 (13) "Financial institution" means a bank, savings institution, or
2 trust company organized under, or supervised pursuant to, the laws of
3 the United States or of any state.

4 (14) "Offer" or "offer to sell" includes every offer, every attempt
5 to offer to dispose of, or solicitation of an offer to buy, to
6 purchase, or to acquire, for value.

7 (15) "Sale" or "sell" includes every sale, contract of sale,
8 contract to sell, or disposition, for value.

9 (16) "Person" means an individual, a corporation, a partnership, an
10 association, a joint-stock company, a trust where the interests of the
11 beneficiaries are evidenced by a security, an unincorporated
12 organization, a government, or a political subdivision of a government,
13 but does not include a contract market designated by the commodity
14 futures trading commission or any clearinghouse thereof or a national
15 securities exchange registered with the United States securities and
16 exchange commission (or any employee, officer, or director of such
17 contract market, clearinghouse, or exchange acting solely in that
18 capacity).

19 (17) "Precious metal" means:

20 (a) Silver, in either coin, bullion, or other form;

21 (b) Gold, in either coin, bullion, or other form;

22 (c) Platinum, in either coin, bullion, or other form; and

23 (d) Such other items as the director may specify by rule or order.

24 **Sec. 6.** RCW 21.30.380 and 1986 c 14 s 39 are each amended to read
25 as follows:

26 The administration of this chapter shall be under the director of
27 the department of (~~licensing~~) financial institutions.

28 **Sec. 7.** RCW 30.04.010 and 1959 c 106 s 1 are each amended to read
29 as follows:

30 Certain terms used in this title shall have the meanings ascribed
31 in this section.

32 "Banking" shall include the soliciting, receiving or accepting of
33 money or its equivalent on deposit as a regular business.

34 "Bank," unless a different meaning appears from the context, means
35 any corporation organized under the laws of this state engaged in
36 banking, other than a trust company or a mutual savings bank.

1 "Branch bank" means any office of deposit or discount maintained by
2 any bank or trust company, domestic or otherwise, other than its
3 principal place of business, regardless of whether it be in the same
4 city or locality.

5 The term "trust business" shall include the business of doing any
6 or all of the things specified in RCW 30.08.150 (2), (3), (4), (5),
7 (6), (7), (8), (9), (10) and (11).

8 "Trust company," unless a different meaning appears from the
9 context, means any corporation organized under the laws of this state
10 engaged in trust business.

11 A "savings account" is an account of a bank in respect of which,
12 (1) a passbook, certificate or other receipt may be required by the
13 bank to be presented whenever a deposit or withdrawal is made and (2)
14 the depositor at any time may be required by the bank to give notice of
15 an intended withdrawal before the withdrawal is made.

16 "Savings bank" shall include (1) any bank whose deposits shall be
17 limited exclusively to savings accounts, and (2) the department of any
18 bank or trust company that accepts, or offers to accept, deposits for
19 savings accounts in accordance with the provisions of this title.

20 "Commercial bank" shall include any bank other than one exclusively
21 engaged in accepting deposits for savings accounts.

22 "Person" unless a different meaning appears from the context, shall
23 include a firm, association, partnership or corporation, or the plural
24 thereof, whether resident, nonresident, citizen or not.

25 (~~"Supervisor" means the state supervisor of banking~~) "Director"
26 means the director of financial institutions.

27 "Foreign bank" and "foreign banker" shall include:

28 (1) Every corporation not organized under the laws of the territory
29 or state of Washington doing a banking business, except a national
30 bank;

31 (2) Every unincorporated company, partnership or association of two
32 or more individuals organized under the laws of another state or
33 country, doing a banking business;

34 (3) Every other unincorporated company, partnership or association
35 of two or more individuals, doing a banking business, if the members
36 thereof owning a majority interest therein or entitled to more than
37 one-half of the net assets thereof are not residents of this state;

38 (4) Every nonresident of this state doing a banking business in his
39 or her own name and right only.

1 **Sec. 8.** RCW 30.04.030 and 1986 c 279 s 1 are each amended to read
2 as follows:

3 The ((~~supervisor~~)) director shall have power to adopt uniform rules
4 ((~~and regulations~~)) in accordance with the administrative procedure
5 act, chapter 34.05 RCW, to govern examinations and reports of banks and
6 trust companies and the form in which they shall report their assets,
7 liabilities, and reserves, charge off bad debts and otherwise keep
8 their records and accounts, and otherwise to govern the administration
9 of this title. ((He)) The director shall mail a copy of the rules
10 ((~~and regulations~~)) to each bank and trust company at its principal
11 place of business.

12 The ((~~supervisor~~)) director shall have the power, and broad
13 administrative discretion, to administer and interpret the provisions
14 of this title to facilitate the delivery of financial services to the
15 citizens of the state of Washington by the banks and trust companies
16 subject to this title.

17 **Sec. 9.** RCW 30.04.060 and 1989 c 180 s 1 are each amended to read
18 as follows:

19 (1) The ((~~supervisor, the deputy supervisor, or a bank examiner~~))
20 director, assistant director, or an examiner shall visit each bank and
21 each trust company at least once every eighteen months, and oftener if
22 necessary, for the purpose of making a full investigation into the
23 condition of such corporation, and for that purpose they are hereby
24 empowered to administer oaths and to examine under oath any director,
25 officer, employee, or agent of such corporation. The ((~~supervisor~~))
26 director may make such other full or partial examinations as deemed
27 necessary and may examine any bank holding company that owns any
28 portion of a bank or trust company chartered by the state of Washington
29 and obtain reports of condition for any bank holding company that owns
30 any portion of a bank or trust company chartered by the state of
31 Washington. The ((~~supervisor~~)) director may visit and examine into the
32 affairs of any nonpublicly held corporation in which the bank, trust
33 company, or bank holding company has an investment or any publicly held
34 corporation the capital stock of which is controlled by the bank, trust
35 company, or bank holding company; may appraise and revalue such
36 corporations' investments and securities; and shall have full access to
37 all the books, records, papers, securities, correspondence, bank
38 accounts, and other papers of such corporations for such purposes. The

1 ((supervisor)) director may, in his or her discretion, accept in lieu
2 of the examinations required in this section the examinations conducted
3 at the direction of the federal reserve board or the Federal Deposit
4 Insurance Corporation. Any willful false swearing in any examination
5 is perjury in the second degree.

6 (2) The ((supervisor)) director may enter into cooperative and
7 reciprocal agreements with the bank regulatory authorities of the
8 United States, any state, the District of Columbia, or any trust
9 territory of the United States for the periodic examination of domestic
10 bank holding companies owning banking institutions in other states, the
11 District of Columbia, or trust territories, and subsidiaries of such
12 domestic bank holding companies, or of out-of-state bank holding
13 companies owning a bank or trust company the principal operations of
14 which are conducted in this state. The ((supervisor)) director may
15 accept reports of examination and other records from such authorities
16 in lieu of conducting his or her own examinations. The ((supervisor))
17 director may enter into joint actions with other regulatory bodies
18 having concurrent jurisdiction or may enter into such actions
19 independently to carry out his or her responsibilities under this title
20 and assure compliance with the laws of this state.

21 **Sec. 10.** RCW 30.04.070 and 1955 c 33 s 30.04.070 are each amended
22 to read as follows:

23 The ((supervisor)) director shall collect from each bank, mutual
24 savings bank, trust company or industrial loan company for each
25 examination of its condition the estimated actual cost of such
26 examination.

27 **Sec. 11.** RCW 30.04.075 and 1989 c 180 s 2 are each amended to read
28 as follows:

29 (1) All examination reports and all information obtained by the
30 ((supervisor)) director and the ((supervisor's)) director's staff in
31 conducting examinations of banks, trust companies, or alien banks, and
32 information obtained by the ((supervisor)) director and the
33 ((supervisor's)) director's staff from other state or federal bank
34 regulatory authorities with whom the ((supervisor)) director has
35 entered into agreements pursuant to RCW 30.04.060(2), and information
36 obtained by the ((supervisor)) director and the ((supervisor's))
37 director's staff relating to examination and supervision of bank

1 holding companies owning a bank in this state or subsidiaries of such
2 holding companies, is confidential and privileged information and shall
3 not be made public or otherwise disclosed to any person, firm,
4 corporation, agency, association, governmental body, or other entity.

5 (2) Subsection (1) of this section notwithstanding, the
6 (~~supervisor~~) director may furnish all or any part of examination
7 reports prepared by the (~~supervisor's~~) director's office to:

8 (a) Federal agencies empowered to examine state banks, trust
9 companies, or alien banks;

10 (b) Bank regulatory authorities with whom the (~~supervisor~~)
11 director has entered into agreements pursuant to RCW 30.04.060(2), and
12 other bank regulatory authorities who are the primary regulatory
13 authority or insurer of accounts for a bank holding company owning a
14 bank, trust company, or national banking association the principal
15 operations of which are conducted in this state or a subsidiary of such
16 holding company; provided that the (~~supervisor~~) director shall first
17 find that the reports of examination to be furnished shall receive
18 protection from disclosure comparable to that accorded by this section;

19 (c) Officials empowered to investigate criminal charges subject to
20 legal process, valid search warrant, or subpoena. If the
21 (~~supervisor~~) director furnishes any examination report to officials
22 empowered to investigate criminal charges, the (~~supervisor~~) director
23 may only furnish that part of the report which is necessary and
24 pertinent to the investigation, and the (~~supervisor~~) director may do
25 this only after notifying the affected bank, trust company, or alien
26 bank and any customer of the bank, trust company, or alien bank who is
27 named in that part of the examination or report ordered to be furnished
28 unless the officials requesting the report first obtain a waiver of the
29 notice requirement from a court of competent jurisdiction for good
30 cause;

31 (d) The examined bank, trust company, or alien bank, or holding
32 company thereof;

33 (e) The attorney general in his or her role as legal advisor to the
34 (~~supervisor~~) director;

35 (f) Liquidating agents of a distressed bank, trust company, or
36 alien bank;

37 (g) A person or organization officially connected with the bank as
38 officer, director, attorney, auditor, or independent attorney or
39 independent auditor;

1 (h) The Washington public deposit protection commission as provided
2 by RCW 39.58.105.

3 (3) All examination reports furnished under subsections (2) and (4)
4 of this section shall remain the property of the (~~division of~~
5 ~~banking~~) department of financial institutions, and be confidential and
6 no person, agency, or authority to whom reports are furnished or any
7 officer, director, or employee thereof shall disclose or make public
8 any of the reports or any information contained therein except in
9 published statistical material that does not disclose the affairs of
10 any individual or corporation: PROVIDED, That nothing herein shall
11 prevent the use in a criminal prosecution of reports furnished under
12 subsection (2) of this section.

13 (4) The examination report made by the (~~division of banking~~)
14 department of financial institutions is designed for use in the
15 supervision of the bank, trust company, or alien bank. The report
16 shall remain the property of the (~~supervisor~~) director and will be
17 furnished to the bank, trust company, or alien bank solely for its
18 confidential use. Under no circumstances shall the bank, trust
19 company, or alien bank or any of its directors, officers, or employees
20 disclose or make public in any manner the report or any portion
21 thereof, to any person or organization not connected with the bank as
22 officer, director, employee, attorney, auditor, or candidate for
23 executive office with the bank. The bank may also, after execution of
24 an agreement not to disclose information in the report, disclose the
25 report or relevant portions thereof to a party proposing to acquire or
26 merge with the bank.

27 (5) Examination reports and information obtained by the
28 (~~supervisor~~) director and the (~~supervisor's~~) director's staff in
29 conducting examinations, or obtained from other state and federal bank
30 regulatory authorities with whom the (~~supervisor~~) director has
31 entered into agreements pursuant to RCW 30.04.060(2), or relating to
32 examination and supervision of bank holding companies owning a bank,
33 trust company, or national banking association the principal operations
34 of which are conducted in this state or a subsidiary of such holding
35 company, or information obtained as a result of applications or
36 investigations pursuant to RCW 30.04.230, shall not be subject to
37 public disclosure under chapter 42.17 RCW.

38 (6) In any civil action in which the reports are sought to be
39 discovered or used as evidence, any party may, upon notice to the

1 ((~~supervisor~~)) director, petition the court for an in camera review of
2 the report. The court may permit discovery and introduction of only
3 those portions of the report which are relevant and otherwise
4 unobtainable by the requesting party. This subsection shall not apply
5 to an action brought or defended by the ((~~supervisor~~)) director.

6 (7) This section shall not apply to investigation reports prepared
7 by the ((~~supervisor~~)) director and the ((~~supervisor's~~)) director's
8 staff concerning an application for a new bank or trust company or an
9 application for a branch of a bank, trust company, or alien bank:
10 PROVIDED, That the ((~~supervisor~~)) director may adopt rules making
11 confidential portions of the reports if in the ((~~supervisor's~~))
12 director's opinion the public disclosure of the portions of the report
13 would impair the ability to obtain the information which the
14 ((~~supervisor~~)) director considers necessary to fully evaluate the
15 application.

16 (8) Every person who violates any provision of this section shall
17 be guilty of a gross misdemeanor.

18 **Sec. 12.** RCW 30.04.111 and 1986 c 279 s 3 are each amended to read
19 as follows:

20 The total loans and extensions of credit by a bank or trust company
21 to a person outstanding at any one time shall not exceed twenty percent
22 of the capital and surplus of such bank or trust company. The
23 following loans and extensions of credit shall not be subject to this
24 limitation:

25 (1) Loans or extensions of credit arising from the discount of
26 commercial or business paper evidencing an obligation to the person
27 negotiating it with recourse;

28 (2) Loans or extensions of credit secured by bonds, notes,
29 certificates of indebtedness, or treasury bills of the United States or
30 by other such obligations wholly guaranteed as to principal and
31 interest by the United States;

32 (3) Loans or extensions of credit to or secured by unconditional
33 takeout commitments or guarantees of any department, agency, bureau,
34 board, commission, or establishment of the United States or any
35 corporation wholly owned directly or indirectly by the United States;

36 (4) Loans or extensions of credit fully secured by a segregated
37 deposit account or accounts in the lending bank;

1 (5) Loans or extensions of credit secured by collateral having a
2 readily ascertained market value of at least one hundred fifteen
3 percent of the outstanding amount of the loan or extension of credit;

4 (6) Loans or extensions of credit secured by bills of lading,
5 warehouse receipts, or similar documents transferring or securing title
6 to readily marketable staples shall be subject to a limitation of
7 thirty-five percent of capital and surplus in addition to the general
8 limitations, if the market value of the staples securing each
9 additional loan or extension of credit at all times equals or exceeds
10 one hundred fifteen percent of the outstanding amount of the loan or
11 extension of credit. The staples shall be fully covered by insurance
12 whenever it is customary to insure the staples;

13 (7) The purchase of bankers' acceptances of the kind described in
14 section 13 of the federal reserve act and issued by other banks shall
15 not be subject to any limitation based on capital and surplus;

16 (8) The unpaid purchase price of a sale of bank property, if
17 secured by such property.

18 For the purposes of this section "capital" shall include the amount
19 of common stock outstanding and unimpaired, the amount of preferred
20 stock outstanding and unimpaired, and capital notes or debentures
21 issued pursuant to chapter 30.36 RCW.

22 For the purposes of this section "surplus" shall include capital
23 surplus, reflecting the amounts paid in excess of the par or stated
24 value of capital stock, or amounts contributed to the bank other than
25 for capital stock, and amounts transferred to surplus from undivided
26 profits pursuant to resolution of the board of directors.

27 The term "person" shall include an individual, sole proprietor,
28 partnership, joint venture, association, trust, estate, business trust,
29 corporation, sovereign government or agency, instrumentality, or
30 political subdivision thereof, or any similar entity or organization.

31 The (~~supervisor~~) director may prescribe rules to administer and
32 carry out the purposes of this section, including rules to define or
33 further define terms used in this section and to establish limits or
34 requirements other than those specified in this section for particular
35 classes or categories of loans or extensions of credit, and to
36 determine when a loan putatively made to a person shall, for purposes
37 of this section, be attributed to another person.

1 **Sec. 13.** RCW 30.04.120 and 1986 c 279 s 4 are each amended to read
2 as follows:

3 The shares of stock of every bank and trust company shall be deemed
4 personal property. No such corporation shall hereafter make any loan
5 or discount on the security of its own capital stock, nor be the
6 purchaser or holder of any such shares, unless such security or
7 purchase shall be necessary to prevent loss upon a debt previously
8 contracted in good faith; in which case the stocks so purchased or
9 acquired shall be sold at public or private sale, or otherwise disposed
10 of, within six months from the time of its purchase or acquisition.
11 Except as hereinafter provided or otherwise permitted by law, nothing
12 herein contained shall authorize the purchase by any such bank or trust
13 company for its own account of any shares of stock of any corporation,
14 except a federal reserve bank of which such corporation shall become a
15 member, and then only to the extent required by such federal reserve
16 bank: PROVIDED, That any bank or trust company may purchase, acquire
17 and hold shares of stock in any other corporation which shares have
18 been previously pledged as security to any loan or discount made in
19 good faith and such purchase shall be necessary to prevent loss upon a
20 debt previously contracted in good faith and stock so purchased or
21 acquired shall be sold at public or private sale or otherwise disposed
22 of within two years from the time of its purchase or acquisition. Any
23 time limit imposed in this section may be extended by the
24 (~~supervisor~~) director upon cause shown. Banks and trust companies
25 are authorized to make loans on the security of the capital stock of a
26 bank or trust company other than the lending corporation.

27 **Sec. 14.** RCW 30.04.125 and 1986 c 279 s 5 are each amended to read
28 as follows:

29 Unless otherwise prohibited by law, any state bank or trust company
30 may invest in the capital stock of corporations organized to conduct
31 the following businesses:

32 (1) A safe deposit business: PROVIDED, That the amount of
33 investment does not exceed fifteen percent of its capital stock and
34 surplus;

35 (2) A corporation holding the premises of the bank or its branches:
36 PROVIDED, That without the approval of the (~~supervisor~~) director, the
37 investment of such stock shall not exceed, together with all loans made

1 to the corporation by the bank, a sum equal to the amount permitted to
2 be invested in the premises by RCW 30.04.210;

3 (3) Stock in a small business investment company licensed and
4 regulated by the United States as authorized by the small business act,
5 Public Law 85-536, 72 Statutes at Large 384, in an amount not to exceed
6 five percent of its capital and surplus;

7 (4) Capital stock of a banking service corporation or corporations.
8 The total amount that a bank may invest in the shares of such
9 corporation may not exceed ten percent of its capital and surplus. A
10 bank service corporation may not engage in any activity other than
11 those permitted by the bank service corporation act, 12 U.S.C. Sec.
12 1861, et seq., as subsequently amended and in effect on June 11, 1986.
13 The performance of any service, and any records maintained by any such
14 corporation for a bank, shall be subject to regulation and examination
15 by the ((supervisor)) director and appropriate federal agencies to the
16 same extent as if the services or records were being performed or
17 maintained by the bank on its own premises;

18 (5) Capital stock of a federal reserve bank to the extent required
19 by such federal reserve bank;

20 (6) A corporation engaging in business activities that have been
21 determined by the board of governors of the federal reserve system or
22 by the United States congress to be closely related to the business of
23 banking, as of June 11, 1986;

24 (7) A governmentally sponsored corporation engaged in secondary
25 marketing of loans and the stock of which must be owned in order to
26 participate in its marketing activities;

27 (8) A corporation in which all of the voting stock is owned by the
28 bank and that engages exclusively in nondeposit-taking activities that
29 are authorized to be engaged in by the bank or trust company.

30 **Sec. 15.** RCW 30.04.127 and 1987 c 498 s 1 are each amended to read
31 as follows:

32 (1) A bank or trust company, alone or in conjunction with other
33 entities, may form, incorporate, or invest in corporations or other
34 entities, whether or not such other corporation or entity is related to
35 the bank or trust company's business. The aggregate amount of funds
36 invested, or used in the formation of corporations or other entities
37 under this section shall not exceed ten percent of the assets or fifty
38 percent of the net worth, whichever is less, of the bank or trust

1 company. For purposes of this subsection, "net worth" means the
2 aggregate of capital, surplus, undivided profits, and all capital notes
3 and debentures which are subordinate to the interest of depositors.

4 (2) A bank or trust company may engage in an activity permitted
5 under this section only with the prior authorization of the
6 ((~~supervisor~~)) director. In approving or denying a proposed activity,
7 the ((~~supervisor~~)) director shall consider the financial and management
8 strength of the institution, the convenience and needs of the public,
9 and whether the proposed activity should be conducted through a
10 subsidiary or affiliate of the bank. The ((~~supervisor~~)) director may
11 not authorize under this section and no bank or trust company may act
12 as an insurance or travel agent unless otherwise authorized by state
13 statute.

14 **Sec. 16.** RCW 30.04.130 and 1986 c 279 s 6 are each amended to read
15 as follows:

16 Any debt due a bank or trust company on which interest is one year
17 or more past due and unpaid, unless such debt be well secured and in
18 the course of collection by legal process or probate proceedings, or
19 unless such debt be represented by or secured by bonds or other
20 collateral having a readily ascertainable market value shall be
21 considered a bad debt, and shall be charged off of the books of such
22 corporation. Such assets shall be carried on the books of such
23 corporation at such value as the ((~~supervisor~~)) director may from time
24 to time direct, but in no event shall such carrying value exceed the
25 market value thereof. A judgment held by a bank or trust company shall
26 not be considered an asset of the corporation after two years from the
27 date of its rendition unless with the written permission of the
28 ((~~supervisor~~)) director specifying an additional period: PROVIDED,
29 That time consumed by any appeal shall be excluded.

30 All assets or portion thereof that the ((~~supervisor~~)) director may
31 have required a bank or trust company to charge off shall be charged
32 off. No bank or trust company shall enter or at any time carry on its
33 books any of its assets at a valuation exceeding the actual cost.
34 However, accreting the discount on securities is permitted on a pro
35 rata basis, over the life of the security.

36 **Sec. 17.** RCW 30.04.180 and 1986 c 279 s 8 are each amended to read
37 as follows:

1 No bank or trust company shall declare or pay any dividend to an
2 amount greater than its net profits then on hand.

3 The board of directors of any bank or trust company may declare a
4 dividend out of so much of the undivided profits of such bank or trust
5 company as they shall judge expedient: PROVIDED, HOWEVER, That before
6 any such dividend is declared or the net profits in any way disposed
7 of, not less than one-tenth of such net profits shall be carried to a
8 surplus fund until the amount in such surplus fund shall be equal to
9 twenty-five percent of the paid-in common stock of such bank or trust
10 company: PROVIDED, FURTHER, That for the purposes of this section, any
11 amounts paid into a fund for the retirement of any preferred stock of
12 any such bank and trust company out of its net profits for such period
13 or periods shall be deemed to be additions to its surplus fund if, upon
14 the retirement of such preferred stock, the amounts so paid into such
15 retirement fund may then properly be carried to surplus. In any such
16 case the bank and trust company shall be obligated to transfer to
17 surplus the amounts so paid into such retirement fund on account of the
18 preferred stock as such stock is retired: PROVIDED FURTHER, That the
19 ((~~supervisor~~)) director shall in his or her discretion have the power
20 to require any bank or trust company to suspend the payment of any and
21 all dividends until all requirements that may have been made by the
22 ((~~supervisor~~)) director shall have been complied with; and upon such
23 notice to suspend dividends no bank or trust company shall thereafter
24 declare or pay any dividends until such notice has been rescinded in
25 writing. A dividend is payable in property or capital stock.

26 **Sec. 18.** RCW 30.04.210 and 1986 c 279 s 9 are each amended to read
27 as follows:

28 A bank or trust company may purchase, hold, and convey real estate
29 for the following purposes:

30 (1) Such as shall be necessary for the convenient transaction of
31 its business, including with its banking offices other space in the
32 same building to rent as a source of income: PROVIDED, That any bank
33 or trust company shall not invest for such purposes more than the
34 greater of: (a) Fifty percent of its capital, surplus, and undivided
35 profits; or (b) one hundred twenty-five percent of its capital stock
36 without the approval of the ((~~supervisor~~)) director.

1 (2) Such as shall be purchased or conveyed to it in satisfaction,
2 or on account of, debts previously contracted in the course of its
3 business.

4 (3) Such as it shall purchase at sale under judgments, decrees,
5 liens, or mortgage foreclosures, from debts owed to it.

6 (4) Such as a trust company receives in trust or acquires pursuant
7 to the terms or authority of any trust.

8 (5) Such as it may take title to or for the purpose of investing in
9 real estate conditional sales contracts.

10 (6) Such as shall be purchased, held, or conveyed in accordance
11 with RCW 30.04.212 granting banks the power to invest directly or
12 indirectly in unimproved or improved real estate.

13 No real estate specified in subdivision (4) shall be considered an
14 asset of the bank or trust company holding the same in trust nor shall
15 any real estate except that specified in subdivision (1) be carried as
16 an asset on the bank's or trust company's books for a longer period
17 than five years from the date title is acquired thereto, unless an
18 extension of time be granted by the ((~~supervisor~~)) director.

19 **Sec. 19.** RCW 30.04.212 and 1985 c 329 s 5 are each amended to read
20 as follows:

21 (1) In addition to the powers granted under RCW 30.04.210 and
22 subject to the limitations and restrictions contained in this section
23 and in RCW 30.60.010 and 30.60.020, a bank:

24 (a) May acquire any interest in unimproved or improved real
25 property;

26 (b) May construct, alter, and manage improvements of any
27 description on real estate in which it holds a substantial equity
28 interest.

29 (2) The powers granted under subsection (1) of this section do not
30 include, and a bank may not:

31 (a) Manage any real property in which the bank does not own a
32 substantial equity interest;

33 (b) Engage in activities of selling, leasing, or otherwise dealing
34 in real property as an agent or broker; or

35 (c) Acquire any equity interest in any one to four-family dwelling
36 that is used as a principal residence by the owner of the dwelling;
37 however, this shall not prohibit a bank from making loans secured by

1 such dwelling where all or part of the bank's anticipated compensation
2 results from the appreciation and sale of such dwelling.

3 (3) The aggregate amount of funds invested under this section shall
4 not exceed two percent of a bank's capital, surplus, and undivided
5 profits. Such percentage amount shall be increased based upon the most
6 recent community reinvestment rating assigned to a bank by the
7 ((~~supervisor~~)) director in accordance with RCW 30.60.010, as follows:

8 (a) Excellent performance: Increase to 10%

9 (b) Good performance: Increase to 8%

10 (c) Satisfactory performance: Increase to 6%

11 (d) Inadequate performance: Increase to 3%

12 (e) Poor performance: No increase

13 (4) For purposes of this section only, each bank will be deemed to
14 have been assigned a community reinvestment rating of "1" for the
15 period beginning with January 1, 1986, and ending December 31, 1986.
16 Thereafter, each bank will be assigned an annual rating in accordance
17 with RCW 30.60.010, which rating shall remain in effect for the next
18 succeeding year and until the ((~~supervisor~~)) director has conducted a
19 new investigation and assigned a new rating for the next succeeding
20 year, the process repeating on an annual basis.

21 (5) No bank may at any time be required to dispose of any
22 investment made in accordance with this section due to the fact that
23 the bank is not then authorized to acquire such investment, if such
24 investment was lawfully acquired by the bank at the time of
25 acquisition.

26 (6) The ((~~supervisor~~)) director shall limit the amount that may be
27 invested in a single project or investment and may adopt any rule
28 necessary to the safe and sound exercise of powers granted by this
29 section.

30 **Sec. 20.** RCW 30.04.215 and 1986 c 279 s 10 are each amended to
31 read as follows:

32 (1) Notwithstanding any other provisions of law, in addition to all
33 powers enumerated by this title, and those necessarily implied
34 therefrom, a bank may engage in other business activities that have
35 been determined by the board of governors of the federal reserve system
36 or by the United States Congress to be closely related to the business
37 of banking, as of June 11, 1986. At least thirty days before
38 investment in corporations or other entities under this chapter,

1 notification by letter shall be made to the ((~~supervisor~~)) director in
2 accordance with such terms and conditions as the ((~~supervisor~~))
3 director might establish by rule.

4 (2) A bank that desires to perform an activity that is not
5 expressly authorized by subsection (1) of this section shall first
6 apply to the ((~~supervisor~~)) director for authorization to conduct such
7 activity. Within thirty days of the receipt of this application, the
8 ((~~supervisor~~)) director shall determine whether the activity is closely
9 related to the business of banking, whether the public convenience and
10 advantage will be promoted, whether the activity is apt to create an
11 unsafe or unsound practice by the bank and whether the applicant is
12 capable of performing such an activity. If the ((~~supervisor~~)) director
13 finds the activity to be closely related to the business of banking and
14 the bank is otherwise qualified, ((~~he~~)) the director shall forthwith
15 inform the applicant that the activity is authorized. If the
16 ((~~supervisor~~)) director determines that such activity is not closely
17 related to the business of banking or the bank is not otherwise
18 qualified, ((~~he~~)) the director shall forthwith inform the applicant in
19 writing. The applicant shall have the right to appeal from an
20 unfavorable determination in accordance with the procedures of the
21 Administrative Procedure Act, chapter 34.05 RCW. In determining
22 whether a particular activity is closely related to the business of
23 banking, the ((~~supervisor~~)) director shall be guided by the rulings of
24 the board of governors of the federal reserve system and the
25 comptroller of the currency in making determinations in connection with
26 the powers exercisable by bank holding companies, and the activities
27 performed by other commercial banks or their holding companies. Any
28 activity which may be performed by a bank, except the taking of
29 deposits, may be performed by a corporation, all of the outstanding
30 stock of which is owned by the bank.

31 (3) In addition to all powers enumerated by this title, and those
32 necessarily implied therefrom, a bank may engage in other business
33 activities that are determined by the ((~~supervisor~~)) director, by
34 ((~~regulation~~)) rule adopted pursuant to chapter 34.05 RCW, to be
35 closely related to the business of banking, or necessary or convenient
36 thereto, and the exercise thereof will promote the public convenience
37 and advantage. Provided, however, that such other business activities
38 shall also have been determined by the board of governors of the

1 federal reserve system or by the United States congress to be closely
2 related to the business of banking.

3 **Sec. 21.** RCW 30.04.220 and 1955 c 33 s 30.04.220 are each amended
4 to read as follows:

5 Every corporation, which on March 10, 1917, was actually and
6 publicly engaged in banking or trust business in this state in full
7 compliance with the laws hereof, which were in force immediately prior
8 to March 10, 1917, may, if it otherwise complies with the provisions of
9 this title, continue its said business, subject to the terms and
10 regulations hereof and without amending its articles of incorporation,
11 although its name and the amount of its capital stock, the number or
12 length of terms of its directors or the form of its articles of
13 incorporation do not comply with the requirements of this title:
14 PROVIDED,

15 (1) That any such bank, which was by the ((supervisor)) director
16 lawfully permitted to operate, although its capital stock was not fully
17 paid in, shall pay in the balance of its capital stock at such times
18 and in such amounts as the ((supervisor)) director may require;

19 (2) That, except with written permission of the ((supervisor))
20 director, any bank or trust company which shall amend its articles of
21 incorporation must in such event comply with all the requirements of
22 this title.

23 **Sec. 22.** RCW 30.04.230 and 1987 c 420 s 2 are each amended to read
24 as follows:

25 (1) A corporation or association organized under the laws of this
26 state or licensed to transact business in the state may acquire any or
27 all shares of stock of any bank, trust company, or national banking
28 association. Nothing in this section shall be construed to prohibit
29 the merger, consolidation, or reorganization of a bank or trust company
30 in accordance with this title.

31 (2) Unless the terms of this section or RCW 30.04.232 are complied
32 with, an out-of-state bank holding company shall not acquire more than
33 five percent of the shares of the voting stock or all or substantially
34 all of the assets of a bank, trust company, or national banking
35 association the principal operations of which are conducted within this
36 state.

1 (3) As used in this section a "bank holding company" means a
2 company that is a bank holding company as defined by the Bank Holding
3 Company Act of 1956, as amended (12 U.S.C. Sec. 1841 et seq.). An
4 "out-of-state bank holding company" is a bank holding company that
5 principally conducts its operations outside this state, as measured by
6 total deposits held or controlled by its bank subsidiaries on the date
7 on which it became a holding company. A "domestic bank holding
8 company" is a bank holding company that principally conducts its
9 operations within this state, as measured by total deposits held or
10 controlled by its bank subsidiaries on the date on which it became a
11 bank holding company.

12 (4) Any such acquisition referred to under subsection (2) of this
13 section by an out-of-state bank holding company requires the express
14 written approval of the (~~supervisor of banking~~) director. Approval
15 shall not be granted unless and until the following conditions are met:

16 (a) An out-of-state bank holding company desiring to make an
17 acquisition referred to under subsection (2) of this section and the
18 bank, trust company, national banking association, or domestic bank
19 holding company parent thereof, if any, proposed to be acquired shall
20 file an application in writing with the (~~supervisor of banking~~)
21 director. The (~~supervisor~~) director shall by rule establish the fee
22 schedule to be collected from the applicant in connection with the
23 application. The fee shall not exceed the cost of processing the
24 application. The application shall contain such information as the
25 (~~supervisor of banking~~) director may prescribe by rule as necessary
26 or appropriate for the purpose of making a determination under this
27 section. The application and supporting information and all
28 examination reports and information obtained by the (~~supervisor~~)
29 director and the (~~supervisor's~~) director's staff in conducting its
30 investigation shall be confidential and privileged and not subject to
31 public disclosure under chapter 42.17 RCW. The application and
32 information may be disclosed to federal bank regulatory agencies and to
33 officials empowered to investigate criminal charges, subject to legal
34 process, valid search warrant, or subpoena. In any civil action in
35 which such application or information is sought to be discovered or
36 used as evidence, any party may, upon notice to the (~~supervisor~~)
37 director and other parties, petition for an in camera review. The
38 court may permit discovery and introduction of only those portions that
39 are relevant and otherwise unobtainable by the requesting party. The

1 application and information shall be discoverable in any judicial
2 action challenging the approval of an acquisition by the ((~~supervisor~~))
3 director as arbitrary and capricious or unlawful.

4 (b) The ((~~supervisor of banking~~)) director shall find that:

5 (i) The bank, trust company, or national banking association that
6 is proposed to be acquired or the domestic bank holding company
7 controlling such bank, trust company, or national banking association
8 is in such a liquidity or financial condition as to be in danger of
9 closing, failing, or insolvency. In making any such determination the
10 ((~~supervisor~~)) director shall be guided by the criteria developed by
11 the federal regulatory agencies with respect to emergency acquisitions
12 under the provisions of 12 U.S.C. Sec. 1828(c);

13 (ii) There is no state bank, trust company, or national banking
14 association doing business in the state of Washington or domestic bank
15 holding company with sufficient resources willing to acquire the entire
16 bank, trust company, or national banking association on at least as
17 favorable terms as the out-of-state bank holding company is willing to
18 acquire it;

19 (iii) The applicant out-of-state bank holding company has provided
20 all information and documents requested by the ((~~supervisor~~)) director
21 in relation to the application; and

22 (iv) The applicant out-of-state bank holding company has
23 demonstrated an acceptable record of meeting the credit needs of its
24 entire community, including low and moderate income neighborhoods,
25 consistent with the safe and sound operation of such institution.

26 (c) The ((~~supervisor~~)) director shall consider:

27 (i) The financial institution structure of this state; and

28 (ii) The convenience and needs of the public of this state.

29 (5) Nothing in this section may be construed to prohibit, limit,
30 restrict, or subject to further regulation the ownership by a bank of
31 the stock of a bank service corporation or a banker's bank.

32 **Sec. 23.** RCW 30.04.232 and 1985 c 310 s 1 are each amended to read
33 as follows:

34 (1) In addition to an acquisition pursuant to RCW 30.04.230, an
35 out-of-state bank holding company may acquire more than five percent of
36 the voting stock or all or substantially all of the assets of a bank,
37 trust company, or national banking association, the principal

1 operations of which are conducted within this state, if the following
2 terms or conditions are fulfilled:

3 (a) The bank, trust company, or national banking association, the
4 voting stock of which is to be acquired, shall have been conducting
5 business for a period of not less than three years;

6 (b) The laws of the state in which the out-of-state bank holding
7 company principally conducts its operations permit a domestic bank
8 holding company to acquire more than five percent of the shares of the
9 voting stock or all or substantially all of the assets of a bank, trust
10 company, or national banking association, the principal operations of
11 which are conducted within that state, and permit the operation of the
12 acquired bank, trust company, or national banking association within
13 that state on terms and conditions no less favorable than other banks,
14 trust companies, or national banking associations doing a banking
15 business within that state;

16 (c) The (~~supervisor of banking~~) director, upon the request of any
17 person, shall adopt a rule making a determination whether the law, of
18 a particular state or states meets the qualifications of (b) of this
19 subsection.

20 (2) As used in this section, the terms "bank holding company,"
21 "domestic bank holding company," and "out-of-state bank holding
22 company" shall have the meanings provided in RCW 30.04.230.

23 **Sec. 24.** RCW 30.04.238 and 1986 c 279 s 12 are each amended to
24 read as follows:

25 (1) Notwithstanding any other provision of this title, a bank, with
26 the prior approval of the (~~supervisor~~) director, may purchase shares
27 of its own capital stock.

28 (2) When a bank purchases such shares, its capital accounts shall
29 be reduced appropriately. The shares shall be held as authorized but
30 unissued shares.

31 **Sec. 25.** RCW 30.04.240 and 1979 c 45 s 1 are each amended to read
32 as follows:

33 (1) Every corporation doing a trust business shall maintain in its
34 office a trust department in which it shall keep books and accounts of
35 its trust business, separate and apart from its other business. Such
36 books and accounts shall specify the cash, securities and other
37 properties, real and personal, held in each trust, and such securities

1 and properties shall be at all times segregated from all other
2 securities and properties except as otherwise provided in this section.
3 Any person connected with a bank or trust company who shall, contrary
4 to this section or any other provision of law, commingle any funds or
5 securities of any kind held by such corporation in trust, for
6 safekeeping or as agent for another, with the funds or assets of the
7 corporation shall be guilty of a felony.

8 (2) Notwithstanding any other provisions of law, any fiduciary
9 holding securities in its fiduciary capacity or any state bank,
10 national bank, or trust company holding securities as fiduciary or as
11 custodian for a fiduciary is authorized to deposit or arrange for the
12 deposit of such securities: (a) In a clearing corporation (as defined
13 in Article 8 of the Uniform Commercial Code, chapter 62A.8 RCW); (b)
14 within another state bank, national bank, or trust company having trust
15 power whether located inside or outside of this state; or (c) within
16 itself. When such securities are so deposited, certificates
17 representing securities of the same class of the same issuer may be
18 merged and held in bulk in the name of the nominee of such clearing
19 corporation or state bank, national bank, or trust company holding the
20 securities as the depository, with any other such securities deposited
21 in such clearing corporation or depository by any person, regardless of
22 the ownership of such securities, and certificates of small
23 denomination may be merged into one or more certificates of larger
24 denomination. The records of such fiduciary and the records of such
25 state bank, national bank, or trust company as a fiduciary or as
26 custodian for a fiduciary shall at all times show the name of the party
27 for whose account the securities are so deposited. Ownership of, and
28 other interests in, such securities may be transferred by bookkeeping
29 entries on the books of such clearing corporation, state bank, national
30 bank, or trust company without physical delivery or alteration of
31 certificates representing such securities. A state bank, national
32 bank, or trust company so depositing securities pursuant to this
33 section shall be subject to such rules and regulations as, in the case
34 of state chartered banks and trust companies, the (~~supervisor of~~
35 ~~banking~~) director and, in the case of national banking associations,
36 the comptroller of the currency may from time to time issue. A state
37 bank, national bank, or trust company acting as custodian for a
38 fiduciary shall, on demand by the fiduciary, certify in writing to the
39 fiduciary the securities so deposited by such state bank, national

1 bank, or trust company in such clearing corporation or state bank,
2 national bank, or trust company acting as such depository for the
3 account of such fiduciary. A fiduciary shall, on demand by any party
4 to a judicial proceeding for the settlement of such fiduciary's account
5 or on demand by the attorney for such party, certify in writing to such
6 party the securities deposited by such fiduciary in such clearing
7 corporation or state bank, national bank, or trust company acting as
8 such depository for its account as such fiduciary.

9 This subsection shall apply to any fiduciary holding securities in
10 its fiduciary capacity, and to any state bank, national bank, or trust
11 company holding securities as a custodian, managing agent, or custodian
12 for a fiduciary, acting on March 14, 1973 or who thereafter may act
13 regardless of the date of the agreement, instrument, or court order by
14 which it is appointed and regardless of whether or not such fiduciary,
15 custodian, managing agent, or custodian for a fiduciary owns capital
16 stock of such clearing corporation.

17 **Sec. 26.** RCW 30.04.270 and 1955 c 33 s 30.04.270 are each amended
18 to read as follows:

19 Each official communication, directed by the ((supervisor))
20 director or by one of his ((deputies)) or her assistants to any bank,
21 trust company, mutual savings bank or industrial loan company or to any
22 officer thereof relating to an investigation or examination conducted
23 by the banking department or containing suggestions or recommendations
24 relative to the conduct of the business of the bank, trust company,
25 mutual savings bank or industrial loan company shall be submitted by
26 the officer receiving it to the board of directors at the next meeting
27 of such board and shall be duly noted in the minutes of the meeting of
28 such board.

29 **Sec. 27.** RCW 30.04.290 and 1973 1st ex.s. c 53 s 36 are each
30 amended to read as follows:

31 A foreign corporation, whose name contains the words "bank,"
32 "banker," "banking," or "trust," or whose articles of incorporation
33 empower it to do a banking or trust business and which desires to
34 engage in the business of loaning money on mortgage securities or in
35 buying and selling exchange, coin, bullion or securities in this state
36 may do so, but only upon filing with the ((supervisor)) director and
37 with the secretary of state a certified copy of a resolution of its

1 governing board to the effect that it will not engage in banking or
2 trust business in this state, which copy shall be duly attested by its
3 president and secretary. Such corporation shall also comply with the
4 general corporation laws of this state relating to foreign corporations
5 doing business herein. Nothing herein shall prevent operations by an
6 alien bank in this state in conformance with chapter 30.42 RCW, RCW
7 30.04.290 and 30.40.020; nor after July 16, 1973 authorize the
8 transaction of business in this state by an alien bank in any manner
9 except in accordance with the provisions of chapter 30.42 RCW, RCW
10 30.04.290 and 30.40.020.

11 **Sec. 28.** RCW 30.04.310 and 1988 c 25 s 1 are each amended to read
12 as follows:

13 Every bank or trust company which violates or fails to comply with
14 any provision of chapters 30.04 through 30.22, 30.44, and 11.100 RCW or
15 any lawful direction or requirement of the (~~supervisor~~) director
16 shall be subject, in addition to any penalty now provided, to a penalty
17 of not more than one hundred dollars for each offense, to be recovered
18 by the attorney general in a civil action in the name of the state.
19 Each day's continuance of the violation shall be a separate and
20 distinct offense.

21 **Sec. 29.** RCW 30.04.405 and 1986 c 279 s 15 are each amended to
22 read as follows:

23 (1) It is unlawful for any person to acquire control of a bank
24 until thirty days after filing with the (~~supervisor~~) director a copy
25 of the notice of change of control required to be filed with the
26 federal deposit insurance corporation or a completed application. The
27 notice or application shall be under oath and contain substantially all
28 of the following information plus any additional information that the
29 (~~supervisor~~) director may prescribe as necessary or appropriate in
30 the particular instance for the protection of bank depositors,
31 borrowers, or shareholders and the public interest:

32 (a) The identity, banking and business experience of each person by
33 whom or on whose behalf acquisition is to be made;

34 (b) The financial and managerial resources and future prospects of
35 each person involved in the acquisition;

36 (c) The terms and conditions of any proposed acquisition and the
37 manner in which the acquisition is to be made;

1 (d) The source and amount of the funds or other consideration used
2 or to be used in making the acquisition, and a description of the
3 transaction and the names of the parties if any part of these funds or
4 other consideration has been or is to be borrowed or otherwise obtained
5 for the purpose of making the acquisition;

6 (e) Any plan or proposal which any person making the acquisition
7 may have to liquidate the bank, to sell its assets, to merge it with
8 any other bank, or to make any other major change in its business or
9 corporate structure for management;

10 (f) The identification of any person employed, retained, or to be
11 compensated by the acquiring party, or by any person on its behalf, who
12 makes solicitations or recommendations to shareholders for the purpose
13 of assisting in the acquisition and a brief description of the terms of
14 the employment, retainer, or arrangement for compensation; and

15 (g) Copies of all invitations for tenders or advertisements making
16 a tender offer to shareholders for the purchase of their stock to be
17 used in connection with the proposed acquisition.

18 (2) Notwithstanding any other provision of this section, a bank or
19 domestic bank holding company as defined in RCW 30.04.230 need only
20 notify the (~~supervisor~~) director of an intent to acquire control and
21 the date of the proposed acquisition of control at least thirty days
22 before the date of the acquisition of control.

23 (3) When a person, other than an individual or corporation, is
24 required to file an application under this section, the (~~supervisor~~)
25 director may require that the information required by subsection
26 (1)(a), (b), and (f) of this section be given with respect to each
27 person, as defined in RCW 30.04.400(3), who has an interest in or
28 controls a person filing an application under this subsection.

29 (4) When a corporation is required to file an application under
30 this section, the (~~supervisor~~) director may require that information
31 required by subsection (1)(a), (b), and (f) of this section be given
32 for the corporation, each officer and director of the corporation, and
33 each person who is directly or indirectly the beneficial owner of
34 twenty-five percent or more of the outstanding voting securities of the
35 corporation.

36 (5) If any tender offer, request, or invitation for tenders or
37 other agreements to acquire control is proposed to be made by means of
38 a registration statement under the Securities Act of 1933 (48 Stat. 74,
39 15 U.S.C., Sec. 77(a)), as amended, or in circumstances requiring the

1 disclosure of similar information under the Securities Exchange Act of
2 1934 (48 Stat. 881, 15 U.S.C., Sec. 78(a)), as amended, the
3 registration statement or application may be filed with the
4 ((~~supervisor~~)) director in lieu of the requirements of this section.

5 (6) Any acquiring party shall also deliver a copy of any notice or
6 application required by this section to the bank proposed to be
7 acquired within two days after the notice or application is filed with
8 the ((~~supervisor~~)) director.

9 (7) Any acquisition of control in violation of this section shall
10 be ineffective and void.

11 (8) Any person who willfully or intentionally violates this section
12 or any rule adopted pursuant thereto is guilty of a gross misdemeanor
13 pursuant to chapter 9A.20 RCW. Each day's violation shall be
14 considered a separate violation, and any person shall upon conviction
15 be fined not more than one thousand dollars for each day the violation
16 continues.

17 **Sec. 30.** RCW 30.04.410 and 1989 c 180 s 3 are each amended to read
18 as follows:

19 (1) The ((~~supervisor~~)) director may disapprove the acquisition of
20 a bank or trust company within thirty days after the filing of a
21 complete application pursuant to RCW 30.04.405 or an extended period
22 not exceeding an additional fifteen days if:

23 (a) The poor financial condition of any acquiring party might
24 jeopardize the financial stability of the bank or might prejudice the
25 interests of the bank depositors, borrowers, or shareholders;

26 (b) The plan or proposal of the acquiring party to liquidate the
27 bank, to sell its assets, to merge it with any person, or to make any
28 other major change in its business or corporate structure or management
29 is not fair and reasonable to the bank's depositors, borrowers, or
30 stockholders or is not in the public interest;

31 (c) The banking and business experience and integrity of any
32 acquiring party who would control the operation of the bank indicates
33 that approval would not be in the interest of the bank's depositors,
34 borrowers, or shareholders;

35 (d) The information provided by the application is insufficient for
36 the ((~~supervisor~~)) director to make a determination or there has been
37 insufficient time to verify the information provided and conduct an
38 examination of the qualification of the acquiring party; or

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

2 (2) An acquisition may be made prior to expiration of the
3 disapproval period if the ((supervisor)) director issues written notice
4 of intent not to disapprove the action.

5 (3) The ((supervisor)) director shall set forth the basis for
6 disapproval of any proposed acquisition in writing and shall provide a
7 copy of such findings and order to the applicants and to the bank
8 involved. Such findings and order shall not be disclosed to any other
9 party and shall not be subject to public disclosure under chapter 42.17
10 RCW unless the findings and/or order are appealed pursuant to chapter
11 34.05 RCW.

12 (4) Whenever such a change in control occurs, each party to the
13 transaction shall report promptly to the ((supervisor)) director any
14 changes or replacement of its chief executive officer, or of any
15 director, that occurs in the next twelve-month period, including in its
16 report a statement of the past and present business and professional
17 affiliations of the new chief executive officer or directors.

18 **Sec. 31.** RCW 30.04.450 and 1977 ex.s. c 178 s 1 are each amended
19 to read as follows:

20 (1) The ((supervisor)) director may issue and serve upon a bank or
21 trust company a notice of charges if in the opinion of the
22 ((supervisor)) director any bank or trust company:

23 (a) Is engaging or has engaged in an unsafe or unsound practice in
24 conducting the business of the bank or trust company;

25 (b) Is violating or has violated the law, rule, or any condition
26 imposed in writing by the ((supervisor)) director in connection with
27 the granting of any application or other request by the bank or trust
28 company or any written agreement made with the ((supervisor)) director;
29 or

30 (c) Is about to do the acts prohibited in (a) or (b) of this
31 subsection when the opinion that the threat exists is based upon
32 reasonable cause.

33 (2) The notice shall contain a statement of the facts constituting
34 the alleged violation or violations or the practice or practices and
35 shall fix a time and place at which a hearing will be held to determine
36 whether an order to cease and desist should issue against the bank or
37 trust company. The hearing shall be set not earlier than ten days nor
38 later than thirty days after service of the notice unless a later date

1 is set by the ((~~supervisor~~)) director at the request of the bank or
2 trust company.

3 Unless the bank or trust company shall appear at the hearing by a
4 duly authorized representative it shall be deemed to have consented to
5 the issuance of the cease and desist order. In the event of this
6 consent or if upon the record made at the hearing the ((~~supervisor~~))
7 director finds that any violation or practice specified in the notice
8 of charges has been established, the ((~~supervisor~~)) director may issue
9 and serve upon the bank or trust company an order to cease and desist
10 from the violation or practice. The order may require the bank or
11 trust company and its directors, officers, employees, and agents to
12 cease and desist from the violation or practice and may require the
13 bank to take affirmative action to correct the conditions resulting
14 from the violation or practice.

15 (3) A cease and desist order shall become effective at the
16 expiration of ten days after the service of the order upon the bank or
17 trust company concerned except that a cease and desist order issued
18 upon consent shall become effective at the time specified in the order
19 and shall remain effective as provided therein unless it is stayed,
20 modified, terminated, or set aside by action of the ((~~supervisor~~))
21 director or a reviewing court.

22 **Sec. 32.** RCW 30.04.455 and 1977 ex.s. c 178 s 2 are each amended
23 to read as follows:

24 Whenever the ((~~supervisor~~)) director determines that the acts
25 specified in RCW 30.04.450 or their continuation is likely to cause
26 insolvency or substantial dissipation of assets or earnings of the bank
27 or trust company or to otherwise seriously prejudice the interests of
28 its depositors, the ((~~supervisor~~)) director may also issue a temporary
29 order requiring the bank or trust company to cease and desist from the
30 violation or practice. The order shall become effective upon service
31 on the bank or trust company and shall remain effective unless set
32 aside, limited, or suspended by a court in proceedings under RCW
33 30.04.460 pending the completion of the administrative proceedings
34 under the notice and until such time as the ((~~supervisor~~)) director
35 shall dismiss the charges specified in the notice or until the
36 effective date of a cease and desist order issued against the bank or
37 trust company under RCW 30.04.450.

1 **Sec. 33.** RCW 30.04.465 and 1977 ex.s. c 178 s 4 are each amended
2 to read as follows:

3 In the case of a violation or threatened violation of a temporary
4 cease and desist order issued under RCW 30.04.455, the ((~~supervisor~~))
5 director may apply to the superior court of the county of the principal
6 place of business of the bank or trust company for an injunction to
7 enforce the order, and the court shall issue an injunction if it
8 determines that there has been a violation or threatened violation.

9 **Sec. 34.** RCW 30.04.470 and 1977 ex.s. c 178 s 8 are each amended
10 to read as follows:

11 (1) Any administrative hearing provided in RCW 30.04.450 or
12 30.12.042 may be held at such place as is designated by the
13 ((~~supervisor~~)) director and shall be conducted in accordance with
14 chapter 34.05 RCW. The hearing shall be private unless the
15 ((~~supervisor~~)) director determines that a public hearing is necessary
16 to protect the public interest after fully considering the views of the
17 party afforded the hearing.

18 Within sixty days after the hearing the ((~~supervisor~~)) director
19 shall render a decision which shall include findings of fact upon which
20 the decision is based and shall issue and serve upon each party to the
21 proceeding an order or orders consistent with RCW 30.04.450 or
22 30.12.042, as the case may be.

23 Unless a petition for review is timely filed in the superior court
24 of the county of the principal place of business of the affected bank
25 or trust company under subsection (2) of this section and until the
26 record in the proceeding has been filed as therein provided, the
27 ((~~supervisor~~)) director may at any time modify, terminate, or set aside
28 any order upon such notice and in such manner as he or she shall deem
29 proper. Upon filing the record, the ((~~supervisor~~)) director may
30 modify, terminate, or set aside any order only with permission of the
31 court.

32 The judicial review provided in this section for an order shall be
33 exclusive.

34 (2) Any party to the proceeding or any person required by an order
35 issued under RCW 30.04.450, 30.04.455, 30.04.465, or 30.12.042 to
36 refrain from any of the violations or practices stated therein may
37 obtain a review of any order served under subsection (1) of this
38 section other than one issued upon consent by filing in the superior

1 court of the county of the principal place of business of the affected
2 bank or trust company within ten days after the date of service of the
3 order a written petition praying that the order of the ((~~supervisor~~))
4 director be modified, terminated, or set aside. A copy of the petition
5 shall be immediately served upon the ((~~supervisor~~)) director and the
6 ((~~supervisor~~)) director shall then file in the court the record of the
7 proceeding. The court shall have jurisdiction upon the filing of the
8 petition, which jurisdiction shall become exclusive upon the filing of
9 the record to affirm, modify, terminate, or set aside in whole or in
10 part the order of the ((~~supervisor~~)) director except that the
11 ((~~supervisor~~)) director may modify, terminate, or set aside an order
12 with the permission of the court. The judgment and decree of the court
13 shall be final, except that it shall be subject to appellate review
14 under the rules of court.

15 (3) The commencement of proceedings for judicial review under
16 subsection (2) of this section shall not operate as a stay of any order
17 issued by the ((~~supervisor~~)) director unless specifically ordered by
18 the court.

19 (4) Service of any notice or order required to be served under RCW
20 30.04.450, 30.04.455, 30.12.040 or 30.12.042 shall be accomplished in
21 the same manner as required for the service of process in civil actions
22 in superior courts of this state.

23 **Sec. 35.** RCW 30.04.475 and 1977 ex.s. c 178 s 9 are each amended
24 to read as follows:

25 The ((~~supervisor~~)) director may apply to the superior court of the
26 county of the principal place of business of the bank or trust company
27 affected for the enforcement of any effective and outstanding order
28 issued under RCW 30.04.450, 30.04.455, 30.04.465, or 30.12.042, and the
29 court shall have jurisdiction to order compliance therewith.

30 No court shall have jurisdiction to affect by injunction or
31 otherwise the issuance or enforcement of any order or to review,
32 modify, suspend, terminate, or set aside any order except as provided
33 in RCW 30.04.460 and 30.04.470.

34 **Sec. 36.** RCW 30.04.550 and 1986 c 279 s 40 are each amended to
35 read as follows:

36 A state banking corporation may, with the approval of the
37 ((~~supervisor of banking~~)) director and the affirmative vote of the

1 shareholders of such corporation owning at least two-thirds of each
2 class of shares entitled to vote under the terms of such shares, be
3 reorganized to become a subsidiary of a bank holding company or a
4 company that will, upon consummation of such reorganization, become a
5 bank holding company, as defined in the federal bank holding company
6 act of 1956, as amended.

7 **Sec. 37.** RCW 30.04.560 and 1986 c 279 s 42 are each amended to
8 read as follows:

9 If the shareholders approve the reorganization by a two-thirds vote
10 of each class of shares entitled to vote under the terms of such
11 shares, and if it is thereafter approved by the (~~supervisor~~) director
12 and consummated, any shareholder of the banking corporation who has
13 voted shares against such reorganization at such meeting or has given
14 notice in writing at or prior to such meeting to the banking
15 corporation that he or she dissents from the plan of reorganization and
16 has not voted in favor of the reorganization, shall be entitled to
17 receive the value of the shares determined as provided in RCW
18 30.04.565. Such dissenter's rights must be exercised by making written
19 demand which shall be delivered to the corporation at any time within
20 thirty days after the date of shareholder approval, accompanied by the
21 surrender of the appropriate stock certificates.

22 **Sec. 38.** RCW 30.04.565 and 1982 c 196 s 4 are each amended to read
23 as follows:

24 The value of the shares of a dissenting shareholder who has
25 properly perfected dissenter's rights shall be ascertained as of the
26 day prior to the date of the shareholder action approving such
27 reorganization by three appraisers, one to be selected by the owners of
28 two-thirds of the dissenting shares, one by the board of directors of
29 the acquiring bank holding company, and the third by the two so chosen.
30 The valuation agreed upon by any two appraisers shall govern. If the
31 appraisal is not completed within ninety days after the effective date
32 of the reorganization, the (~~supervisor of banking~~) director shall
33 cause an appraisal to be made which shall be final and binding upon all
34 parties.

35 **Sec. 39.** RCW 30.04.570 and 1982 c 196 s 5 are each amended to read
36 as follows:

1 The reorganization and exchange authorized by RCW 30.04.550 through
2 30.04.570 shall become effective as follows:

3 (1) If the board of directors and shareholders of the state banking
4 corporation and the board of directors of the acquiring corporation
5 approve the plan of reorganization, then both corporations shall apply
6 for the approval of the (~~(supervisor of banking))~~ director, providing
7 such information as the (~~(supervisor))~~ director by (~~(regulation))~~ rule
8 may prescribe.

9 (2) If the (~~(supervisor))~~ director approves the reorganization, the
10 (~~(supervisor))~~ director shall issue a certificate of reorganization to
11 the state banking corporation.

12 (3) Upon the issuance of a certificate of reorganization by the
13 (~~(supervisor))~~ director, or on such later date as shall be provided for
14 in the plan of reorganization, the shares of the state banking
15 corporation shall be deemed to be exchanged in accordance with the plan
16 of reorganization, subject to the rights of dissenters under RCW
17 30.04.560 and 30.04.565.

18 **Sec. 40.** RCW 30.04.575 and 1986 c 279 s 44 are each amended to
19 read as follows:

20 Prior to the approval of the reorganization, the (~~(supervisor))~~
21 director, upon request of the board of directors of the bank, or not
22 less than ten percent of its shareholders, shall hold a public hearing
23 at which bank shareholders and other interested parties may appear.
24 Notice of the public hearing shall be sent to each shareholder and
25 otherwise publicized in accordance with the administrative procedure
26 act, chapter 34.05 RCW.

27 The approval of the reorganization by the (~~(supervisor of banking))~~
28 director shall be conditioned on a finding that the terms of the
29 reorganization are fair to the shareholders and other interested
30 parties.

31 **Sec. 41.** RCW 30.04.900 and 1987 c 498 s 2 are each amended to read
32 as follows:

33 (1) The director (~~(of general administration))~~ shall study the
34 financial institution structure in the state and report to the governor
35 and the appropriate standing committees of the house of representatives
36 and the senate on changes which should be made to enable state
37 chartered financial institutions to remain safe and sound and yet be

1 competitive with other federally chartered and nonchartered financial
2 institutions. In conducting the study the director shall consider:

3 (a) The powers which financial institutions under state regulatory
4 authority should be entitled to exercise;

5 (b) The level of supervision that is necessary to assure safe and
6 sound financial institutions without unnecessarily restricting the
7 operation of the institutions;

8 (c) Whether the distinction among commercial banks, savings banks,
9 and savings and loan associations should be retained, and if so,
10 whether there should continue to be differences in their powers;

11 (d) The general corporate powers that should be authorized for
12 financial institutions; and

13 (e) Any other matters deemed by the director to be relevant.

14 (2) The director, in conducting the study required by subsection
15 (1) of this section shall consult with (~~the supervisor of banking,~~
16 ~~with the supervisor of savings and loans and with~~) representatives
17 from all types of financial institutions, including large and small,
18 urban and rural, commercial banks, savings banks, and savings and loan
19 associations and credit unions. The director shall also advise the
20 appropriate standing committees of the house of representatives and the
21 senate of all meetings held to consider the study conducted under this
22 section.

23 (3) The director shall submit the report required by subsection (1)
24 of this section not later than November 1, 1987.

25 **Sec. 42.** RCW 30.08.010 and 1986 c 279 s 17 are each amended to
26 read as follows:

27 When authorized by the (~~supervisor~~) director, as hereinafter
28 provided, five or more natural persons, citizens of the United States,
29 may incorporate a bank or trust company in the manner herein
30 prescribed. No bank or trust company shall incorporate for less amount
31 nor commence business unless it has a paid-in capital stock, surplus
32 and undivided profits in the amount as may be determined by the
33 (~~supervisor~~) director after consideration of the proposed location,
34 management, and the population and economic characteristics for the
35 area, the nature of the proposed activities and operation of the bank
36 or trust company, and other factors deemed pertinent by the
37 (~~supervisor~~) director. Each bank and trust company shall before
38 commencing business have subscribed and paid into it in the same manner

1 as is required for capital stock, an amount equal to at least ten
2 percent of the capital stock above required, that shall be carried in
3 the undivided profit account and may be used to defray organization and
4 operating expenses of the company. Any sum not so used shall be
5 transferred to the surplus fund of the company before any dividend
6 shall be declared to the stockholders.

7 **Sec. 43.** RCW 30.08.020 and 1986 c 279 s 18 are each amended to
8 read as follows:

9 Persons desiring to incorporate a bank or trust company shall file
10 with the ((~~supervisor~~)) director a notice of their intention to
11 organize a bank or trust company in such form and containing such
12 information as the ((~~supervisor~~)) director shall prescribe by
13 ((~~regulation~~)) rule, together with proposed articles of incorporation,
14 which shall be submitted for examination to the ((~~supervisor~~)) director
15 at his or her office in Olympia.

16 The proposed articles of incorporation shall state:

17 (1) The name of such bank or trust company.

18 (2) The city, village or locality and county where the head office
19 of such corporation is to be located.

20 (3) The nature of its business, whether that of a commercial bank,
21 or a trust company.

22 (4) The amount of its capital stock, which shall be divided into
23 shares of a par or no par value as may be provided in the articles of
24 incorporation.

25 (5) The names and places of residence and mailing addresses of the
26 persons who as directors are to manage the corporation until the first
27 annual meeting of its stockholders.

28 (6) If there is to be preferred or special classes of stock, a
29 statement of preferences, voting rights, if any, limitations and
30 relative rights in respect of the shares of each class; or a statement
31 that the shares of each class shall have the attributes as shall be
32 determined by the bank's board of directors from time to time with the
33 approval of the ((~~supervisor~~)) director.

34 (7) Any provision granting the shareholders the preemptive right to
35 acquire additional shares of the bank and any provision granting
36 shareholders the right to cumulate their votes.

37 (8) Any provision, not inconsistent with law, which the
38 incorporators elect to set forth in the articles of incorporation for

1 the regulation of the internal affairs of the corporation, including
2 any provision restricting the transfer of shares and any provision
3 which under this title is required or permitted to be set forth in the
4 bylaws.

5 (9) Any provision the incorporators elect to so set forth, not
6 inconsistent with law or the purposes for which the bank is organized,
7 or any provision limiting any of the powers granted in this title.

8 It shall not be necessary to set forth in the articles of
9 incorporation any of the corporate powers granted in this title. The
10 articles of incorporation shall be signed by all of the incorporators
11 and acknowledged before an officer to take acknowledgments.

12 **Sec. 44.** RCW 30.08.030 and 1973 1st ex.s. c 104 s 5 are each
13 amended to read as follows:

14 When the notice of intention to organize and proposed articles of
15 incorporation complying with the foregoing requirements have been
16 received by the (~~supervisor~~) director, together with the fees
17 required by law, (~~he~~) the director shall ascertain from the best
18 source of information at his or her command and by such investigation
19 as he or she may deem necessary, whether the character, responsibility
20 and general fitness of the persons named in such articles are such as
21 to command confidence and warrant belief that the business of the
22 proposed bank or trust company will be honestly and efficiently
23 conducted in accordance with the intent and purpose of this title,
24 whether the resources in the neighborhood of such place and in the
25 surrounding country afford a reasonable promise of adequate support for
26 the proposed bank and whether the proposed bank or trust company is
27 being formed for other than the legitimate objects covered by this
28 title.

29 **Sec. 45.** RCW 30.08.040 and 1981 c 302 s 15 are each amended to
30 read as follows:

31 After the (~~supervisor~~) director shall have satisfied himself or
32 herself of the above facts, and, within six months of the date the
33 notice of intention to organize has been received in his or her office,
34 (~~he~~) the director shall notify the incorporators to file executed and
35 acknowledged articles of incorporation with (~~him~~) the director in
36 triplicate. Unless the (~~supervisor~~) director otherwise consents in
37 writing, such articles shall be in the same form and shall contain the

1 same information as the proposed articles and shall be filed with
2 ((him)) the director within ten days of such notice. Within thirty
3 days after the receipt of such articles of incorporation, ((he)) the
4 director shall endorse upon each of the triplicates thereof, over his
5 or her official signature, the word "approved," or the word "refused,"
6 with the date of such endorsement. In case of refusal ((he)) the
7 director shall forthwith return one of the triplicates, so endorsed,
8 together with a statement explaining the reason for refusal to the
9 person from whom the articles were received, which refusal shall be
10 conclusive, unless the incorporators, within ten days of the issuance
11 of such notice of refusal, shall request a hearing pursuant to the
12 Administrative Procedure Act, chapter 34.05 RCW, as now or hereafter
13 amended.

14 **Sec. 46.** RCW 30.08.050 and 1986 c 279 s 19 are each amended to
15 read as follows:

16 In case of approval the ((~~supervisor~~)) director shall forthwith
17 give notice thereof to the proposed incorporators and file one of the
18 triplicate articles of incorporation in his or her own office, and
19 shall transmit another triplicate to the secretary of state, and the
20 last to the incorporators. Upon receipt from the proposed
21 incorporators of the same fees as are required for filing and recording
22 other articles of incorporation the secretary of state shall file such
23 articles and record the same. Upon the filing of articles of
24 incorporation approved as aforesaid by the ((~~supervisor~~)) director,
25 with the secretary of state, all persons named therein and their
26 successors shall become and be a corporation, which shall have the
27 powers and be subject to the duties and obligations prescribed by this
28 title, and whose existence shall continue from the date of the filing
29 of such articles until terminated pursuant to law; but such corporation
30 shall not transact any business except as is necessarily preliminary to
31 its organization until it has received a certificate of authority as
32 provided herein.

33 **Sec. 47.** RCW 30.08.060 and 1986 c 279 s 20 are each amended to
34 read as follows:

35 Before any bank or trust company shall be authorized to do
36 business, and within ninety days after approval of the articles of
37 incorporation or such other time as the ((~~supervisor~~)) director may

1 allow, it shall furnish proof satisfactory to the ((~~supervisor~~))
2 director that such corporation has a paid-in capital in the amount
3 determined by the ((~~supervisor~~)) director, that the requisite surplus
4 or reserve fund has been accumulated or paid in cash, and that it has
5 in good faith complied with all the requirements of law and fulfilled
6 all the conditions precedent to commencing business imposed by this
7 title. If so satisfied, and within thirty days after receipt of such
8 proof, the ((~~supervisor~~)) director shall issue under his or her hand
9 and official seal, in triplicate, a certificate of authority for such
10 corporation. The certificate shall state that the corporation therein
11 named has complied with the requirements of law, that it is authorized
12 to transact the business of a bank or trust company, or both, as the
13 case may be: PROVIDED, HOWEVER, That the ((~~supervisor~~)) director may
14 make his or her issuance of the certificate to a bank or trust company
15 authorized to accept deposits, conditional upon the granting of deposit
16 insurance by the federal deposit insurance corporation, and in such
17 event, shall set out such condition in a written notice which shall be
18 delivered to the corporation.

19 One of the triplicate certificates shall be transmitted by the
20 ((~~supervisor~~)) director to the corporation and one of the other two
21 shall be filed by the ((~~supervisor~~)) director in the office of the
22 secretary of state and shall be attached to ((~~said~~)) the articles of
23 incorporation: PROVIDED, HOWEVER, That if the issuance of the
24 certificate is made conditional upon the granting of deposit insurance
25 by the federal deposit insurance corporation, the ((~~supervisor~~))
26 director shall not transmit or file the certificate until such
27 condition is satisfied.

28 **Sec. 48.** RCW 30.08.070 and 1986 c 279 s 21 are each amended to
29 read as follows:

30 Every corporation heretofore or hereafter authorized by the laws of
31 this state to do business as a bank or trust company, which corporation
32 shall have failed to organize and commence business within six months
33 after certificate of authority to commence business has been issued by
34 the ((~~supervisor~~)) director, shall forfeit its rights and privileges as
35 such corporation, which fact the ((~~supervisor~~)) director shall certify
36 to the secretary of state, and such certificate of forfeiture shall be
37 filed and recorded in the office of the secretary of state in the same
38 manner as the certificate of authority: PROVIDED, That the

1 ((~~supervisor~~)) director may, upon showing of cause satisfactory to him
2 or her, issue an order under his or her hand and seal extending for not
3 more than three months the time within which such organization may be
4 effected and business commenced, such order to be transmitted to the
5 office of the secretary of state and filed and recorded therein.

6 **Sec. 49.** RCW 30.08.080 and 1961 c 280 s 1 are each amended to read
7 as follows:

8 At any time not less than one year prior to the expiration of the
9 time of the existence of any bank, trust company or mutual savings
10 bank, it may by written application to the ((~~supervisor~~)) director,
11 signed and verified by a majority of its directors and approved in
12 writing by the owners of not less than two-thirds of its capital stock,
13 apply to the ((~~supervisor~~)) director for leave to file amended articles
14 of incorporation, extending its time of existence. Prior to acting
15 upon such application, the ((~~supervisor~~)) director shall make such
16 investigation of the applicant as he or she deems necessary. If ((he))
17 the director determines that the applicant is in sound condition, that
18 it is conducting its business in a safe manner and in compliance with
19 law and that no reason exists why it should not be permitted to
20 continue, he or she shall issue to the applicant a certificate
21 authorizing it to file amended articles of incorporation extending the
22 time of its existence until such time as it be dissolved by the act of
23 its shareholders owning not less than two-thirds of its stock, or until
24 its certificate of authority becomes revoked or forfeited by reason of
25 violation of law, or until its affairs be taken over by the
26 ((~~supervisor~~)) director for legal cause and finally wound up by him or
27 her. Otherwise ((he)) the director shall notify the applicant that he
28 or she refuses to grant such certificate. The applicant may appeal
29 from such refusal in the same manner as in the case of a refusal to
30 grant an original certificate of authority. Otherwise the
31 determination of the ((~~supervisor~~)) director shall be conclusive.

32 Upon receiving a certificate, as hereinabove provided, the
33 applicant may file amended articles of incorporation, extending the
34 time of its existence for the term authorized, to which shall be
35 attached a copy of the certificate of the ((~~supervisor~~)) director.
36 Such articles shall be filed in the same manner and upon payment of the
37 same fees as for original articles of incorporation.

1 Should any bank, trust company or mutual savings bank fail to
2 continue its existence in the manner herein provided and be not
3 previously dissolved, the ((~~supervisor~~)) director shall at the end of
4 its original term of existence immediately take possession thereof and
5 wind up the same in the same manner as in the case of insolvency.

6 **Sec. 50.** RCW 30.08.082 and 1986 c 279 s 22 are each amended to
7 read as follows:

8 (1) Notwithstanding any other provisions of law and if so
9 authorized by its articles of incorporation or amendments thereto made
10 in the manner provided in the case of a capital increase, any bank or
11 trust company may, pursuant to action taken by its board of directors
12 from time to time with the approval of the ((~~supervisor~~)) director,
13 issue shares of preferred or special classes of stock with the
14 attributes and in such amounts and with such par value, if any, as
15 shall be determined by the board of directors from time to time with
16 the approval of the ((~~supervisor~~)) director. No increase of preferred
17 stock shall be valid until the amount thereof shall have been
18 subscribed and actually paid in and a certificate of increase is
19 received from the ((~~supervisor~~)) director.

20 (2) If provided in its articles of incorporation, a bank or trust
21 company may issue shares of preferred or special classes having any one
22 or several of the following provisions:

23 (a) Subjecting the shares to the right of the bank or trust company
24 to repurchase or retire any such shares at the price fixed by the
25 articles of incorporation for the repurchase or retirement thereof;

26 (b) Entitling the holders thereof to cumulative, noncumulative, or
27 partially cumulative dividends;

28 (c) Having preference over any other class or classes of shares as
29 to the payment of dividends;

30 (d) Having preference in the assets of the bank or trust company
31 over any other class or classes of shares upon the voluntary or
32 involuntary liquidation of the bank or trust company;

33 (e) Having voting or nonvoting rights; and

34 (f) Being convertible into shares of any other class or into shares
35 of any series of the same or any other class, except a class having
36 prior or superior rights and preferences as to dividends or
37 distribution of assets upon liquidation.

1 **Sec. 51.** RCW 30.08.083 and 1986 c 279 s 23 are each amended to
2 read as follows:

3 (1) If the articles of incorporation shall expressly vest authority
4 in the board of directors, then, to the extent that the articles of
5 incorporation shall not have established series, and fixed and
6 determined the variations in the relative rights and preferences as
7 between series, the board of directors have authority to divide any or
8 all of the classes into series and, within the limitation set forth in
9 this section and in the articles of incorporation, fix and determine
10 the relative rights and preferences of the shares of any series so
11 established.

12 (2) In order for the board of directors to establish a series,
13 where authority to do so is contained in the articles of incorporation,
14 the board of directors shall adopt a resolution setting forth the
15 designation of the series and fixing and determining the relative
16 rights and preferences thereof, or so much thereof as is not fixed and
17 determined by the articles of incorporation.

18 (3) Prior to the issue of any shares of a series established by
19 resolution adopted by the board of directors, the corporation shall
20 file and execute in the manner provided in this section a statement
21 setting forth:

22 (a) The name of the bank;

23 (b) A copy of the resolution establishing and designating the
24 series, and fixing and determining the relative rights and preferences
25 thereof;

26 (c) The date of adoption of such resolution; and

27 (d) That the resolution was duly adopted by the board of directors.

28 (4) The statement shall be executed in triplicate by the bank by
29 one of its officers and shall be delivered to the ((supervisor))
30 director. If the ((supervisor)) director finds that the statement
31 conforms to law, the ((supervisor)) director shall, when all fees have
32 been paid as provided in this title:

33 (a) Endorse on each of the triplicate originals the word "Filed,"
34 and the effective date of the filing thereof;

35 (b) File two of the originals; and

36 (c) Return the other original to the bank or its representative.

37 (5) Upon the filing of the statement by the ((supervisor)) director
38 with the secretary of state, the resolution establishing and
39 designating the series and fixing and determining the relative rights

1 and preferences thereof shall become effective and shall constitute an
2 amendment of the articles of incorporation.

3 **Sec. 52.** RCW 30.08.084 and 1986 c 279 s 24 are each amended to
4 read as follows:

5 Notwithstanding any other provisions of law, whether relating to
6 restriction upon the payment of dividends upon capital stock or
7 otherwise, the holders of shares of preferred or special classes of
8 stock shall be entitled to receive such dividends on the purchase price
9 received by the bank or trust company for such stock as may be provided
10 by the articles of incorporation or by the board of directors of the
11 bank or trust company with the approval of the ((~~supervisor~~)) director.

12 No dividends shall be declared or paid on common stock until
13 cumulative dividends, if any, on the shares of preferred or special
14 classes of stock shall have been paid in full; and, if the
15 ((~~supervisor~~)) director takes possession of a bank or trust company for
16 purposes of liquidation, no payments shall be made to the holders of
17 the common stock until the holders of the shares of preferred or
18 special classes of stock shall have been paid in full such amount as
19 may be provided under the terms of said shares plus all accumulated
20 dividends, if any.

21 **Sec. 53.** RCW 30.08.088 and 1986 c 279 s 27 are each amended to
22 read as follows:

23 The authorized but unissued shares shall not become a part of the
24 capital stock until they have been issued and paid for. Prior to the
25 issuance of authorized but unissued stock, the bank shall notify the
26 ((~~supervisor~~)) director of the proposed issuance and the consideration
27 to be received therefor and receive the ((~~supervisor's~~)) director's
28 approval thereof, except that such notification and such approval shall
29 not be required if the authorized but unissued stock is issued to
30 employees of the bank pursuant to approved stock option, stock
31 purchase, stock bonus or other similar plans approved by the
32 ((~~supervisor~~)) director.

33 **Sec. 54.** RCW 30.08.090 and 1987 c 420 s 3 are each amended to read
34 as follows:

35 Any bank or trust company may amend its articles of incorporation,
36 in any manner not inconsistent with the provisions of this title, by a

1 vote of the stockholders representing two-thirds of each class of
2 shares entitled to vote under the terms of the shares at any regular
3 meeting, or special meeting duly called for that purpose in the manner
4 prescribed by its bylaws. A certificate of the fact and the terms of
5 the amendment shall be executed by a majority of the directors and
6 filed as required herein for articles of incorporation. No amendment
7 shall be made whereby a bank becomes a trust company unless such bank
8 shall first receive permission from the ((~~supervisor~~)) director.

9 **Sec. 55.** RCW 30.08.092 and 1987 c 420 s 4 are each amended to read
10 as follows:

11 A bank or trust company may increase or decrease its capital stock
12 by amendment to its articles of incorporation. No issuance of capital
13 stock shall be valid, until the amount thereof shall have been actually
14 paid in and a certificate of increase is received from the
15 ((~~supervisor~~)) director. No reduction of the capital stock shall be
16 made to an amount less than is required for capital by the
17 ((~~supervisor~~)) director.

18 Banks having authorized but unissued stock shall disclose on all
19 statements of condition the amount of authorized stock, and the amount
20 of issued and paid-in stock, as certified by the ((~~supervisor~~))
21 director. The ((~~supervisor~~)) director shall certify to each bank
22 having authorized but unissued stock the amount of its issued and paid-
23 in capital stock, and this amount shall be used in all statements of
24 condition and in computing the capital of the bank for purposes of
25 determining loan or investment limits until a new certificate is issued
26 by the ((~~supervisor~~)) director. In cases where a bank issued
27 authorized but unissued stock as permitted by this title, a new
28 certificate need not be requested upon each stock issue. However, if
29 the bank so requests and the ((~~supervisor~~)) director approves, a
30 certificate of issued and paid-in capital stock shall be issued by the
31 ((~~supervisor~~)) director. A new certificate must be requested at such
32 time as any increase of paid-in capital stock represents five percent
33 of the authorized capital stock and at such time as there is no
34 remaining authorized but unissued stock.

35 **Sec. 56.** RCW 30.08.095 and 1981 c 302 s 19 are each amended to
36 read as follows:

1 The ((supervisor)) director shall collect in advance fees for the
2 following services:

3 For filing application for certificate of authority and attendant
4 investigation as outlined in the law;

5 For filing application for certificate conferring trust powers upon
6 a state or national bank;

7 For filing articles of incorporation, or amendments thereof, or
8 other certificates required to be filed in his or her office;

9 For filing merger agreement and attendant investigation;

10 For filing application to relocate main office or branch and
11 attendant investigation;

12 For issuing a certificate of increase or decrease of capital stock;

13 For issuing each certificate of authority;

14 For furnishing copies of papers filed in his or her office, per
15 page.

16 The ((supervisor)) director shall establish the amount of the fee
17 for each of the above transactions, and for other services rendered
18 ~~((by the division of banking by rules and regulations promulgated
19 pursuant to the Administrative Procedure Act, chapter 34.05 RCW, as now
20 or hereafter amended))~~.

21 Every bank or trust company shall also pay to the secretary of
22 state for filing any instrument with him or her the same fees as are
23 required of general corporations for filing corresponding instruments,
24 and also the same license fees as are required of general corporations.

25 **Sec. 57.** RCW 30.08.120 and 1955 c 33 s 30.08.120 are each amended
26 to read as follows:

27 Before any such national bank shall engage in such trust business,
28 it shall file a certificate with the ((supervisor)) director, wherein
29 it agrees to conform to all the regulations and restrictions of this
30 title relating to trust companies and trust business, including the
31 examination of its trust business by the ((supervisor)) director and
32 the payment of the fees therefor, herein prescribed for the examination
33 of banks and trust companies. Upon the filing of such a certificate in
34 a form to be approved by the ((supervisor)) director, such national
35 bank shall be subject to all the regulations and restrictions of this
36 title relative to trust companies and trust business.

1 **Sec. 58.** RCW 30.08.140 and 1986 c 279 s 29 are each amended to
2 read as follows:

3 Upon the issuance of a certificate of authority to a bank, the
4 persons named in the articles of incorporation and their successors
5 shall thereupon become a corporation and shall have power:

6 (1) To adopt and use a corporate seal.

7 (2) To have perpetual succession.

8 (3) To make contracts.

9 (4) To sue and be sued, the same as a natural person.

10 (5) To elect directors who, subject to the provisions of the
11 corporation's bylaws, shall have power to appoint such officers as may
12 be necessary or convenient, to define their powers and duties and to
13 dismiss them at pleasure, and who shall also have general supervision
14 and control of the affairs of such corporation.

15 (6) To make and alter bylaws, not inconsistent with its articles of
16 incorporation or with the laws of this state, for the administration
17 and regulation of its affairs.

18 (7) To invest and reinvest its funds in marketable obligations
19 evidencing the indebtedness of any person, copartnership, association,
20 or corporation in the form of bonds, notes, or debentures commonly
21 known as investment securities except as may by regulation be limited
22 by the ((~~supervisor~~)) director.

23 (8) To discount and negotiate promissory notes, drafts, bills of
24 exchange and other evidences of debt, to receive deposits of money and
25 commercial paper, to lend money secured or unsecured, to issue all
26 forms of letters of credit, to buy and sell bullion, coins and bills of
27 exchange.

28 (9) To take and receive as bailee for hire upon terms and
29 conditions to be prescribed by the corporation, for safekeeping and
30 storage, jewelry, plate, money, specie, bullion, stocks, bonds,
31 mortgages, securities and valuable paper of any kind and other valuable
32 personal property, and to rent vaults, safes, boxes and other
33 receptacles for safekeeping and storage of personal property.

34 (10) If the bank be located in a city of not more than five
35 thousand inhabitants, to act as insurance agent. A bank exercising
36 this power may continue to act as an insurance agent notwithstanding a
37 change of the population of the city in which it is located.

38 (11) To accept drafts or bills of exchange drawn upon it having not
39 more than six months sight to run, which grow out of transactions

1 involving the importation or exportation of goods; or which grow out of
2 transactions involving the domestic shipment of goods, providing
3 shipping documents conveying or securing title are attached at the time
4 of acceptance; or which are secured at the time of acceptance by a
5 warehouse receipt or other such document conveying or securing title to
6 readily marketable staples. No bank shall accept, either in a foreign
7 or a domestic transaction, for any one person, company, firm or
8 corporation, to an amount equal at any one time in the aggregate to
9 more than ten percent of its paid up and unimpaired capital stock and
10 surplus unless the bank is secured by attached documents or by some
11 other actual security growing out of the same transaction as the
12 acceptance; and no bank shall accept such bills to an amount equal at
13 any time in the aggregate to more than one-half of its paid up and
14 unimpaired capital stock and surplus: PROVIDED, HOWEVER, That the
15 (~~supervisor~~) director, under such general regulations applicable to
16 all banks irrespective of the amount of capital or surplus, as ((he))
17 the director may prescribe may authorize any bank to accept such bills
18 to an amount not exceeding at any time in the aggregate one hundred
19 percent of its paid up and unimpaired capital stock and surplus:
20 PROVIDED, FURTHER, That the aggregate of acceptances growing out of
21 domestic transactions shall in no event exceed fifty percent of such
22 capital stock and surplus.

23 (12) To accept drafts or bills of exchange drawn upon it, having
24 not more than three months sight to run, drawn under regulations to be
25 prescribed by the (~~supervisor~~) director by banks or bankers in
26 foreign countries or dependencies or insular possessions of the United
27 States for the purpose of furnishing dollar exchange as required by the
28 usages of trade in the respective countries, dependencies or insular
29 possessions. Such drafts or bills may be acquired by banks in such
30 amounts and subject to such regulations, restrictions and limitations
31 as may be provided by the (~~supervisor~~) director: PROVIDED, HOWEVER,
32 That no bank shall accept such drafts or bills of exchange referred to
33 in this subdivision for any one bank to an amount exceeding in the
34 aggregate ten percent of the paid up and unimpaired capital and surplus
35 of the accepting bank unless the draft or bill of exchange is
36 accompanied by documents conveying or securing title or by some other
37 adequate security, and that no such drafts or bills of exchange shall
38 be accepted by any bank in an amount exceeding at any time the
39 aggregate of one-half of its paid up and unimpaired capital and

1 surplus: PROVIDED FURTHER, That compliance by any bank which is a
2 member of the federal reserve system of the United States with the
3 rules, regulations and limitations adopted by the federal reserve board
4 thereof with respect to the acceptance of drafts or bills of exchange
5 by members of such federal reserve system shall be a sufficient
6 compliance with the requirements of this subdivision or paragraph
7 relating to rules, regulations and limitations prescribed by the
8 ((~~supervisor~~)) director.

9 (13) To have and exercise all powers necessary or convenient to
10 effect its purposes.

11 (14) To serve as custodian of an individual retirement account and
12 pension and profit sharing plans qualified under internal revenue code
13 section 401(a), the assets of which are invested in deposits of the
14 bank or trust company or are invested, pursuant to directions from the
15 customer owning the account, in securities traded on a national
16 securities market: PROVIDED, That the bank or trust company shall
17 accept no investment responsibilities over the account unless it is
18 granted trust powers by the ((~~supervisor~~)) director.

19 (15) To be a limited partner in a limited partnership that engages
20 in only such activities as are authorized for the bank.

21 **Sec. 59.** RCW 30.08.160 and 1955 c 33 s 30.08.160 are each amended
22 to read as follows:

23 Any trust company receiving moneys for investment, and for which it
24 shall give its bonds as in RCW 30.08.150(12) provided, shall within ten
25 days after any regular report is called for from banks or trust
26 companies by the ((~~supervisor~~)) director, make a statement of its total
27 liability, on all bonds issued and then in force, certified by its
28 board of directors, and shall at the same time deposit with the state
29 treasurer, for the benefit of the holders of such bonds or obligations,
30 sufficient securities or money so that it will have on deposit with
31 said state treasurer a sufficient amount of said securities, which may
32 be exchanged for other securities as necessity may require, or money
33 to, at any time, pay all of said liability. In the event of its
34 failure to make such deposits, it shall cease doing such business:
35 PROVIDED, That whenever money shall have been deposited with the
36 treasurer, it may be withdrawn at any time upon a like amount of
37 securities being deposited in its stead: AND PROVIDED FURTHER, That

1 the securities deposited shall consist of such securities as are by
2 this title permitted for the investment of trust funds.

3 **Sec. 60.** RCW 30.08.180 and 1955 c 33 s 30.08.180 are each amended
4 to read as follows:

5 Every bank and trust company shall make at least three regular
6 reports each year to the ((~~supervisor~~)) director, as of the dates which
7 he or she shall designate, according to form prescribed by him or her,
8 verified by the president, manager or cashier and attested by at least
9 two directors, which shall exhibit under appropriate heads the
10 resources and liabilities of such corporation. The dates designated by
11 the ((~~supervisor~~)) director shall be the dates designated by the
12 comptroller of the currency of the United States for reports of
13 national banking associations. Each such report in condensed form, to
14 be prescribed by the ((~~supervisor~~)) director, shall be published once
15 in a newspaper of general circulation, published in a place where the
16 corporation is located, or if there be no newspaper published in such
17 place, then in some newspaper published in the same county.

18 Every such corporation shall also make such special reports as the
19 ((~~supervisor~~)) director shall call for.

20 **Sec. 61.** RCW 30.08.190 and 1977 c 38 s 1 are each amended to read
21 as follows:

22 Every regular report shall be filed with the ((~~supervisor~~))
23 director within thirty days from the date of issuance of the notice
24 therefor and proof of publication of such report shall be filed with
25 the ((~~supervisor~~)) director within forty days from such date. Every
26 special report shall be filed with the ((~~supervisor~~)) director within
27 such time as shall be specified by ((~~him~~)) the director in the notice
28 therefor.

29 Every bank and trust company which fails to file any report,
30 required to be filed as aforesaid, or to file proof of publication of
31 any report required to be published, within the time herein specified,
32 shall be subject to a penalty of fifty dollars per day for each day's
33 delay. A civil action for the recovery of any such penalty may be
34 brought by the attorney general in the name of the state.

35 **Sec. 62.** RCW 30.12.010 and 1987 c 420 s 1 are each amended to read
36 as follows:

1 Every bank and trust company shall be managed by not less than five
2 directors, who need not be residents of this state. Directors shall be
3 elected by the stockholders and hold office for such term as is
4 specified in the articles of incorporation, not exceeding three years,
5 and until their successors are elected and have qualified. In the
6 first instance the directors shall be those named in the articles of
7 incorporation and afterwards, those elected at the annual meeting of
8 the stockholders to be held at least once each year on a day to be
9 specified by the bank's or trust company's bylaws. Shareholders may
10 not cumulate their votes unless the articles of incorporation
11 specifically so provide. If for any cause no election is held at that
12 time, it may be held at an adjourned meeting or at a subsequent meeting
13 called for that purpose in the manner prescribed by the corporation's
14 bylaws. The directors shall meet at least once each quarter and
15 whenever required by the ((~~supervisor~~)) director. A majority of the
16 then serving board of directors shall constitute a quorum for the
17 transaction of business. At all stockholders' meetings, each share
18 shall be entitled to one vote, unless the articles of incorporation
19 provide otherwise. Any stockholder may vote in person or by written
20 proxy.

21 Immediately upon election, each director shall take, subscribe,
22 swear to, and file with the ((~~supervisor~~)) director an oath that he or
23 she will, so far as the duty devolves upon him or her, diligently and
24 honestly administer the affairs of such corporation and will not
25 knowingly violate or willingly permit to be violated any provision of
26 law applicable to such corporation. Vacancies in the board of
27 directors shall be filled by the board.

28 **Sec. 63.** RCW 30.12.030 and 1986 c 279 s 33 are each amended to
29 read as follows:

30 (1) Except as otherwise permitted by the ((~~supervisor~~)) director
31 under specified terms and conditions, the board of directors of each
32 bank and trust company shall direct and require good and sufficient
33 surety company fidelity bonds issued by a company authorized to engage
34 in the insurance business in the state of Washington on all active
35 officers and employees, whether or not they draw salary or
36 compensation, which bonds shall provide for indemnity to such bank or
37 trust company, on account of any losses sustained by it as the result
38 of any dishonest, fraudulent or criminal act or omission committed or

1 omitted by them acting independently or in collusion or combination
2 with any person or persons. Such bonds may be individual, schedule or
3 blanket form, and the premiums therefor shall be paid by the bank or
4 trust company.

5 (2) The said directors shall also direct and require suitable
6 insurance protection to the bank or trust company against burglary,
7 robbery, theft and other similar insurance hazards to which the bank or
8 trust company may be exposed in the operations of its business on the
9 premises or elsewhere.

10 The said directors shall be responsible for prescribing at least
11 once in each year the amount or penal sum of such bonds or policies and
12 the sureties or underwriters thereon, after giving due consideration to
13 all known elements and factors constituting such risk or hazard. Such
14 action shall be recorded in the minutes of the board of directors.

15 **Sec. 64.** RCW 30.12.040 and 1977 ex.s. c 178 s 5 are each amended
16 to read as follows:

17 The ((~~supervisor~~)) director may serve upon a director, officer, or
18 employee of any bank or trust company a written notice of the
19 ((~~supervisor's~~)) director's intention to remove the person from office
20 or to prohibit the person from participation in the conduct of the
21 affairs of the bank or trust company, or both, whenever:

22 (1) In the opinion of the ((~~supervisor~~)) director any director,
23 officer, or employee of any bank or trust company has committed or
24 engaged in:

25 (a) Any violation of law or rule or of a cease and desist order
26 which has become final;

27 (b) Any unsafe or unsound practice in connection with the bank or
28 trust company; or

29 (c) Any act, omission, or practice which constitutes a breach of
30 his or her fiduciary duty as director, officer, or employee; and

31 (2) The ((~~supervisor~~)) director determines that:

32 (a) The bank or trust company has suffered or may suffer
33 substantial financial loss or other damage; or

34 (b) The interests of its depositors could be seriously prejudiced
35 by reason of the violation or practice or breach of fiduciary duty; and

36 (c) The violation or practice or breach of fiduciary duty is one
37 involving personal dishonesty, recklessness, or incompetence on the
38 part of the director, officer, or employee.

1 **Sec. 65.** RCW 30.12.042 and 1977 ex.s. c 178 s 6 are each amended
2 to read as follows:

3 A notice of an intention to remove a director, officer, or employee
4 from office or to prohibit his or her participation in the conduct of
5 the affairs of a bank or trust company shall contain a statement of the
6 facts which constitute grounds therefor and shall fix a time and place
7 at which a hearing will be held. The hearing shall be set not earlier
8 than ten days nor later than thirty days after the date of service of
9 the notice unless an earlier or later date is set by the ((~~supervisor~~))
10 director at the request of the director, officer, or employee for good
11 cause shown or of the attorney general of the state.

12 Unless the director, officer, or employee appears at the hearing
13 personally or by a duly authorized representative, the person shall be
14 deemed to have consented to the issuance of an order of removal or
15 prohibition or both. In the event of such consent or if upon the
16 record made at the hearing the ((~~supervisor~~)) director finds that any
17 of the grounds specified in the notice have been established, the
18 ((~~supervisor~~)) director may issue such orders of removal from office or
19 prohibition from participation in the conduct of the affairs of the
20 bank or trust company as the ((~~supervisor~~)) director may consider
21 appropriate.

22 Any order shall become effective at the expiration of ten days
23 after service upon the bank and the director, officer, or employee
24 concerned except that an order issued upon consent shall become
25 effective at the time specified in the order.

26 An order shall remain effective except to the extent it is stayed,
27 modified, terminated, or set aside by the ((~~supervisor~~)) director or a
28 reviewing court.

29 **Sec. 66.** RCW 30.12.044 and 1977 ex.s. c 178 s 7 are each amended
30 to read as follows:

31 If at any time because of the removal of one or more directors
32 under this chapter there shall be on the board of directors of a bank
33 or trust company less than a quorum of directors, all powers and
34 functions vested in or exercisable by the board shall vest in and be
35 exercisable by the director or directors remaining until such time as
36 there is a quorum on the board of directors. If all of the directors
37 of a bank or trust company are removed under this chapter, the

1 ((~~supervisor~~)) director shall appoint persons to serve temporarily as
2 directors until such time as their respective successors take office.

3 **Sec. 67.** RCW 30.12.047 and 1977 ex.s. c 178 s 10 are each amended
4 to read as follows:

5 Any present or former director, officer, or employee of a bank or
6 trust company or any other person against whom there is outstanding an
7 effective final order served upon the person and who participates in
8 any manner in the conduct of the affairs of the bank or trust company
9 involved; or who directly or indirectly solicits or procures, transfers
10 or attempts to transfer, or votes or attempts to vote any proxies,
11 consents, or authorizations with respect to any voting rights in the
12 bank or trust company; or who, without the prior approval of the
13 ((~~supervisor~~)) director, votes for a director or serves or acts as a
14 director, officer, employee, or agent of any bank or trust company
15 shall upon conviction for a violation of any order, be guilty of a
16 gross misdemeanor punishable as prescribed under chapter 9A.20 RCW, as
17 now or hereafter amended.

18 **Sec. 68.** RCW 30.12.050 and 1986 c 279 s 34 are each amended to
19 read as follows:

20 A director, officer, employee or other agent of any bank shall not
21 purchase, or be interested in the purchase, directly or indirectly, of
22 any of its assets without the previous consent of a majority of
23 disinterested directors of the bank: PROVIDED, That if the fair market
24 value of the asset or assets exceed ten thousand dollars, not less than
25 ten days' prior notice of the sale shall be given to the ((~~supervisor~~))
26 director.

27 **Sec. 69.** RCW 30.12.060 and 1985 c 305 s 6 are each amended to read
28 as follows:

29 (1) Any bank or trust company shall be permitted to make loans to
30 any employee of such corporation, or to purchase, discount or acquire,
31 as security or otherwise, the obligation or debt of any employee to any
32 other person, to the same extent as if the employee were in no way
33 connected with the corporation. Any bank or trust company shall be
34 permitted to make loans to any officer of such corporation, or to
35 purchase, discount or acquire, as security or otherwise, the obligation
36 or debt of any officer to any other person: PROVIDED, That the total

1 value of the loans made and obligation acquired for any one officer
2 shall not exceed such amount as shall be prescribed by the (~~supervisor~~
3 ~~of banking~~) director pursuant to regulations adopted in accordance
4 with the Administrative Procedure Act, chapter 34.05 RCW, as now or
5 hereafter amended: AND PROVIDED FURTHER, That no such loan shall be
6 made, or obligation acquired, in excess of five percent of a bank's
7 capital and unimpaired surplus or twenty-five thousand dollars,
8 whichever is larger, unless a resolution authorizing the same shall be
9 adopted by a vote of a majority of the board of directors of such
10 corporation prior to the making of such loan or discount, and such vote
11 and resolution shall be entered in the corporate minutes. In no event
12 shall the loan or obligation acquired exceed five hundred thousand
13 dollars in the aggregate without prior approval by a majority of the
14 corporation's board of directors. No loan in excess of five percent of
15 a bank's capital and unimpaired surplus or twenty-five thousand
16 dollars, whichever is larger, shall be made by any bank or trust
17 company to any director of such corporation nor shall the note or
18 obligation in excess of five percent of a bank's capital and unimpaired
19 surplus or twenty-five thousand dollars, whichever is larger, of such
20 director be discounted by any such corporation, or by any officer or
21 employee thereof in its behalf, unless a resolution authorizing the
22 same shall be adopted by a vote of a majority of the entire board of
23 directors of such corporation exclusive of the vote of such interested
24 director, and such vote and resolution shall be entered in the
25 corporate minutes. In no event may the loan or obligation acquired
26 exceed five hundred thousand dollars in the aggregate without prior
27 approval by a majority of the corporation's board of directors.

28 Each bank or trust company shall at such times and in such form as
29 may be required by the (~~supervisor~~) director, report to the
30 (~~supervisor~~) director all outstanding loans to directors of such bank
31 or trust company.

32 The amount of any endorsement or agreement of suretyship or
33 guaranty of any such director to the corporation shall be construed to
34 be a loan within the provisions of this section. Any modification of
35 the terms of an existing obligation (excepting only such modifications
36 as merely extend or renew the indebtedness) shall be construed to be a
37 loan within the meaning of this section.

38 (2) "Unimpaired surplus," as used in this section, consists of the
39 sum of the following amounts:

- 1 (a) Fifty percent of the reserve for possible loan losses;
2 (b) Subordinated notes and debentures;
3 (c) Surplus;
4 (d) Undivided profits; and
5 (e) Reserve for contingencies and other capital reserves, excluding
6 accrued dividends on preferred stock.

7 **Sec. 70.** RCW 30.12.070 and 1955 c 33 s 30.12.070 are each amended
8 to read as follows:

9 The (~~supervisor~~) director may at any time, if in his or her
10 judgment excessive, unsafe or improvident loans are being made or are
11 likely to be made by a bank or trust company to any of its directors,
12 or to any corporation, copartnership or association of which such
13 director is a stockholder, member, co-owner, or in which such director
14 is financially interested, or like discounts of the notes or
15 obligations of any such director, corporation, copartnership or
16 association are being made or are likely to be made, require such bank
17 or trust company to submit to him or her for approval all proposed
18 loans to, or discounts of the note or obligation of, any such director,
19 corporation, copartnership or association, and thereafter such proposed
20 loans and discounts shall be reported upon such forms and with such
21 information concerning the desirability and safety of such loans or
22 discounts and of the responsibility and financial condition of the
23 person, corporation, copartnership or association to whom such loan is
24 to be made or whose note or obligation is to be discounted and of the
25 amount and value of any collateral that may be offered as security
26 therefor, as the (~~supervisor~~) director may require, and no such loan
27 or discount shall be made without his or her written approval thereon.

28 **Sec. 71.** RCW 30.12.100 and 1955 c 33 s 30.12.100 are each amended
29 to read as follows:

30 Every officer, director or employee or agent of any bank or trust
31 company who, for the purpose of concealing any fact or suppressing any
32 evidence against himself or herself, or against any other person,
33 abstracts, removes, mutilates, destroys or secretes any paper, book or
34 record of any bank or trust company, or of the (~~supervisor~~) director,
35 or of anyone connected with his or her office, shall be guilty of a
36 felony.

1 **Sec. 72.** RCW 30.12.180 and 1955 c 33 s 30.12.180 are each amended
2 to read as follows:

3 Whenever the ((~~supervisor~~)) director shall notify the board of
4 directors of a bank or trust company to levy an assessment upon the
5 stock of such corporation and the holders of two-thirds of the stock
6 shall consent thereto, such board shall, within ten days from the
7 issuance of such notice, adopt a resolution for the levy of such
8 assessment, and shall immediately upon the adoption of such resolution
9 serve notice upon each stockholder, personally or by mail, at his or
10 her last known address, to pay such assessment; and that if the same be
11 not paid within twenty days from the date of the issuance of such
12 notice, his or her stock will be subject to sale and all amounts
13 previously paid thereon shall be subject to forfeiture. If any
14 stockholder fail within said twenty days to pay the assessment as
15 provided in this section, it shall be the duty of the board of
16 directors to cause a sufficient amount of the capital stock of such
17 stockholder to be sold to make good the deficiency. The sale shall be
18 held at such time and place as shall be designated by the board of
19 directors and shall be either public or private, as the board shall
20 deem best. At any time after the expiration of sixty days from the
21 expiration of said twenty-day period the ((~~supervisor~~)) director may
22 require any stock upon which the assessment remains unpaid to be
23 canceled and deducted from the capital of the corporation. If such
24 cancellation shall reduce the capital of the corporation below the
25 minimum required by this title or its articles of incorporation the
26 capital shall, within thirty days thereafter be increased to the
27 required amount by original subscription, in default of which the
28 ((~~supervisor~~)) director may take possession of such corporation in the
29 manner provided by law in case of insolvency.

30 **Sec. 73.** RCW 30.12.240 and 1989 c 180 s 7 are each amended to read
31 as follows:

32 If the directors of any bank shall knowingly violate, or knowingly
33 permit any of the officers, agents, or servants of the bank to violate
34 any of the provisions of this title or any lawful regulation or
35 directive of the ((~~supervisor of banking~~)) director, and if the
36 directors are aware that such facts and circumstances constitute such
37 violations, then each director who participated in or assented to the

1 violation is personally and individually liable for all damages which
2 the state or any insurer of the deposits sustains due to the violation.

3 **Sec. 74.** RCW 30.20.005 and 1981 c 192 s 23 are each amended to
4 read as follows:

5 Deposits made by individuals in a national bank, state bank, trust
6 company, or other banking institution subject to the supervision of the
7 (~~supervisor of banking~~) director are governed by chapter 30.22 RCW.

8 **Sec. 75.** RCW 30.20.090 and 1981 c 192 s 25 are each amended to
9 read as follows:

10 Notice to any national bank, state bank, trust company, mutual
11 savings bank or bank under the supervision of the (~~supervisor of~~
12 ~~banking~~) director, doing business in this state of an adverse claim to
13 a deposit standing on its books to the credit of any person may be
14 disregarded without liability by said bank or trust company unless said
15 adverse claimant shall also either procure a restraining order,
16 injunction or other appropriate process against said bank or trust
17 company from a court of competent jurisdiction in a cause therein
18 instituted by him or her wherein the person to whose credit the deposit
19 stands is made a party and served with summons or shall execute to said
20 bank or trust company, in form and with sureties acceptable to it, a
21 bond, in an amount which is double either the amount of said deposit or
22 said adverse claim, whichever is the lesser, indemnifying said bank or
23 trust company from any and all liability, loss, damage, costs and
24 expenses, for and on account of the payment of such adverse claim or
25 the dishonor of the check or other order of the person to whose credit
26 the deposit stands on the books of said bank or trust company:
27 PROVIDED, That where the person to whose credit the deposit stands is
28 a fiduciary for such adverse claimant, and the facts constituting such
29 relationship, and also the facts showing reasonable cause of belief on
30 the part of said claimant that the said fiduciary is about to
31 misappropriate said deposit, are made to appear by the affidavit of
32 such claimant, the bank or trust company shall without liability refuse
33 to deliver such property for a period of not more than five business
34 days from the date that the bank received the adverse claimant's
35 affidavit, without liability for the sufficiency or truth of the facts
36 alleged in the affidavit, after which time the claim shall be treated
37 as any other claim under this section.

1 This section shall not apply to accounts subject to chapter 30.22
2 RCW.

3 **Sec. 76.** RCW 30.36.020 and 1979 c 106 s 5 are each amended to read
4 as follows:

5 With the approval of the ((~~supervisor~~)) director, any bank, trust
6 company or mutual savings bank may at any time, through action of its
7 board of directors or trustees, issue and sell its capital notes or
8 debentures. Such capital notes or debentures shall be subordinate to
9 the claims of depositors and other creditors. The holders of capital
10 notes or debentures issued by a bank or trust company shall have such
11 conversion rights as may be provided in the articles of incorporation
12 with the approval of the ((~~supervisor~~)) director.

13 **Sec. 77.** RCW 30.36.030 and 1955 c 33 s 30.36.030 are each amended
14 to read as follows:

15 Where any bank, trust company or mutual savings bank has issued and
16 has outstanding capital notes or debentures, it may carry its capital
17 stock on its books at a sum less than par, and it shall not be
18 considered impaired so long as the amount of such capital notes or
19 debentures equals or exceeds the impairment as found by the
20 ((~~supervisor~~)) director.

21 **Sec. 78.** RCW 30.36.040 and 1955 c 33 s 30.36.040 are each amended
22 to read as follows:

23 Before such capital notes or debentures are retired or paid by the
24 bank, trust company or mutual savings bank, any existing impairment of
25 its capital stock must be overcome or corrected to the satisfaction of
26 the ((~~supervisor~~)) director.

27 **Sec. 79.** RCW 30.40.020 and 1986 c 279 s 39 are each amended to
28 read as follows:

29 A bank or trust company may, with the approval of the
30 ((~~supervisor~~)) director, establish and operate branches anywhere within
31 the state. A bank having a paid-in capital of not less than one
32 million dollars may, with the approval of the ((~~supervisor~~)) director,
33 establish and operate branches in any foreign country. The
34 ((~~supervisor's~~)) director's approval of a branch within this state
35 shall be conditioned on a finding that the resources in the

1 neighborhood of the proposed location and in the surrounding country
2 offer a reasonable promise of adequate support for the proposed branch
3 and that the proposed branch is not being formed for other than the
4 legitimate objects covered by this title. The (~~supervisor's~~)
5 director's approval of a branch in a foreign country shall be
6 conditioned on a finding that the proposed location offers a reasonable
7 promise of adequate support for the proposed branch, (~~and~~) and that
8 the proposed branch is not being formed for other than the legitimate
9 objects covered by this title.

10 **Sec. 80.** RCW 30.42.020 and 1983 c 3 s 48 are each amended to read
11 as follows:

12 For the purposes of this chapter, the following terms shall be
13 defined as follows:

14 (1) "Alien bank" means a bank organized under the laws of a foreign
15 country and having its principal place of business in that country, the
16 majority of the beneficial ownership and control of which is vested in
17 citizens of countries other than the United States of America.

18 (2) "Office" means a branch or agency of an alien bank carrying on
19 business in this state pursuant to this chapter.

20 (3) "Branch" means an office of an alien bank that is exercising
21 the powers authorized by RCW 30.42.105, 30.42.115, and 30.42.155.

22 (4) "Agency" means an office of an alien bank that is exercising
23 the powers authorized by RCW 30.42.180.

24 (5) "Bureau" means an alien bank's operation in this state
25 exercising the powers authorized by RCW 30.42.230.

26 (~~(6) "Supervisor" means the supervisor of banking of the state of~~
27 ~~Washington.~~)

28 **Sec. 81.** RCW 30.42.030 and 1973 1st ex.s. c 53 s 3 are each
29 amended to read as follows:

30 An alien bank shall not establish and operate an office or bureau
31 in this state unless it is authorized to do so by the (~~supervisor~~)
32 director and unless it first complies with all of the provisions of
33 this chapter and then only to the extent expressly permitted by this
34 chapter.

35 **Sec. 82.** RCW 30.42.060 and 1973 1st ex.s. c 53 s 6 are each
36 amended to read as follows:

1 An alien bank shall not hereafter open an office in this state
2 until it has met the following conditions:

3 (1) It has filed with the ((~~supervisor~~)) director an application in
4 such form and containing such information as shall be prescribed by the
5 ((~~supervisor~~)) director.

6 (2) It has designated the ((~~supervisor~~)) director by a duly
7 executed instrument in writing, its agent, upon whom process in any
8 action or proceeding arising out of a transaction with the Washington
9 office may be served. Such service shall have the same force and
10 effect as if the alien bank were a Washington corporation and had been
11 lawfully served with process within the state. The ((~~supervisor~~))
12 director shall forward by mail, postage prepaid, a copy of every
13 process served upon him or her under the provisions of this
14 subdivision, addressed to the manager or agent of such bank at its
15 office in this state.

16 (3) It has allocated and assigned to its office within this state
17 paid-in capital of not less than two hundred thousand dollars or such
18 larger amounts as the ((~~supervisor~~)) director in his or her discretion
19 may require.

20 (4) It has filed with the ((~~supervisor~~)) director a letter from its
21 chief executive officer guaranteeing that the alien bank's entire
22 capital and surplus is and shall be available for all liabilities and
23 obligations of its office doing business in this state.

24 (5) It has paid the fees required by law and established by the
25 ((~~supervisor~~)) director pursuant to RCW 30.08.095.

26 (6) It has received from the ((~~supervisor~~)) director his or her
27 certificate authorizing the transaction of business in conformity with
28 this chapter.

29 **Sec. 83.** RCW 30.42.070 and 1982 c 95 s 1 are each amended to read
30 as follows:

31 The capital allocated as required in RCW 30.42.060(3) shall be
32 maintained within this state at all times in cash or in ((~~supervisor~~))
33 director approved interest bearing bonds, notes, debentures, or other
34 obligations: (1) Of the United States or of any agency or
35 instrumentality thereof, or guaranteed by the United States; or (2) of
36 this state, or of a city, county, town, or other municipal corporation,
37 or instrumentality of this state or guaranteed by this state, or such
38 other assets as the ((~~supervisor~~)) director may approve. Such capital

1 shall be deposited with a bank qualified to do business in and having
2 its principal place of business within this state, or in a national
3 bank qualified to engage in banking in this state. Such bank shall
4 issue a written receipt addressed and delivered to the ((~~supervisor~~))
5 director reciting that such deposit is being held for the sole benefit
6 of the United States domiciled creditors of such alien bank's
7 Washington office and that the same is subject to his or her order
8 without offset for the payment of such creditors. For the purposes of
9 this section, the term "creditor" shall not include any other offices,
10 branches, subsidiaries, or affiliates of such alien bank. Subject to
11 the approval of the ((~~supervisor~~)) director, reasonable arrangements
12 may be made for substitution of securities. So long as it shall
13 continue business in this state in conformance with this chapter and
14 shall remain solvent, such alien bank shall be permitted to collect all
15 interest and/or income from the assets constituting such allocated
16 capital.

17 Should any securities so depreciate in market value and/or quality
18 as to reduce the deposit below the amount required, additional money or
19 securities shall be deposited promptly in amounts sufficient to meet
20 such requirements. The ((~~supervisor~~)) director may make an
21 investigation of the market value and of the quality of any security
22 deposited at the time such security is presented for deposit or at any
23 time thereafter. The ((~~supervisor~~)) director may make such charge as
24 may be reasonable and proper for such investigation.

25 **Sec. 84.** RCW 30.42.080 and 1973 1st ex.s. c 53 s 8 are each
26 amended to read as follows:

27 Every alien bank maintaining an office in this state shall keep the
28 assets of its Washington office entirely separate and apart from the
29 assets of its other operations as though the Washington office was
30 conducted as a separate and distinct entity. Every such alien bank
31 shall keep separate books of account and records for its Washington
32 office and shall observe with respect to such office the applicable
33 requirements of this chapter and the applicable rules and regulations
34 of the ((~~supervisor~~)) director. The United States domiciled creditors
35 of such alien bank's Washington office shall be entitled to priority
36 with respect to the assets of its Washington office before such assets
37 may be used or applied for the benefit of its other creditors or
38 transferred to its general business.

1 **Sec. 85.** RCW 30.42.090 and 1973 1st ex.s. c 53 s 9 are each
2 amended to read as follows:

3 The ((~~supervisor~~)) director may give or withhold his or her
4 approval of an application by an alien bank to establish an office in
5 this state at his or her discretion. ((His)) The director's decision
6 shall be based on the information submitted to his or her office in the
7 application required by RCW 30.42.060 and such additional investigation
8 as the ((~~supervisor~~)) director deems necessary or appropriate. Prior
9 to granting approval to said application, ((he)) the director shall
10 have ascertained to his or her satisfaction that all of the following
11 are true:

12 (1) The proposed location offers a reasonable promise of adequate
13 support for the proposed office;

14 (2) The proposed office is not being formed for other than
15 legitimate objects;

16 (3) The proposed officers of the proposed office have sufficient
17 banking experience and ability to afford reasonable promise of
18 successful operation;

19 (4) The reputation and financial standing of the alien bank is such
20 as to command the confidence and warrant belief that the business of
21 the proposed office will be conducted honestly and efficiently in
22 accordance with the intent and purpose of this chapter, as set forth in
23 RCW 30.42.010;

24 (5) The principal purpose of establishing such office shall be
25 within the intent of this chapter.

26 The ((~~supervisor~~)) director shall not grant an application for an
27 office of an alien bank unless the law of the foreign country under
28 which laws the alien bank is organized permits a bank with its
29 principal place of business in this state to establish in that foreign
30 country a branch, agency or similar operation.

31 **Sec. 86.** RCW 30.42.100 and 1985 c 305 s 7 are each amended to read
32 as follows:

33 If the ((~~supervisor~~)) director approves the application, he or she
34 shall notify the alien bank of his or her approval and shall file
35 certified copies of its charter, certificate or other authorization to
36 do business with the secretary of state. Upon such filing, the
37 ((~~supervisor~~)) director shall issue a certificate of authority stating
38 that the alien bank is authorized to conduct business through a branch

1 or agency in this state at the place designated in accordance with this
2 chapter. Each such certificate shall be conspicuously displayed at all
3 times in the place of business specified therein.

4 The office of the alien bank must commence business within six
5 months after the issuance of the (~~supervisor's~~) director's
6 certificate: PROVIDED, That the (~~supervisor~~) director for good cause
7 shown may extend such period for an additional time not to exceed three
8 months.

9 **Sec. 87.** RCW 30.42.105 and 1982 c 95 s 4 are each amended to read
10 as follows:

11 An approved branch of an alien bank shall have the same power to
12 make loans and guarantee obligations as a state bank chartered pursuant
13 to Title 30 RCW: PROVIDED, HOWEVER, That the base for computing the
14 applicable loan limitation shall be the entire capital and surplus of
15 the alien bank. The (~~supervisor~~) director may adopt rules (~~and~~
16 ~~regulations~~) limiting the amount of loans to full-time employees of
17 the branch.

18 **Sec. 88.** RCW 30.42.115 and 1985 c 305 s 8 are each amended to read
19 as follows:

20 (1) Any branch of an alien bank that received approval of its
21 branch application pursuant to RCW 30.42.090, or that had filed its
22 branch application pursuant to RCW 30.42.060, on or before July 27,
23 1978, and any approved branch of an alien bank that has designated
24 Washington as its home state pursuant to section 5 of the International
25 Banking Act of 1978, shall have the same power to solicit and accept
26 deposits as a state bank chartered pursuant to Title 30 RCW, except
27 that acceptance of initial deposits of less than one hundred thousand
28 dollars shall be limited to deposits of the following:

29 (a) Any business entity, including any corporation, partnership,
30 association, or trust, that engages in commercial activity for profit:
31 PROVIDED, That there shall be excluded from this category any such
32 business entity that is organized under the laws of any state or the
33 United States, is majority-owned by United States citizens or
34 residents, and has total assets, including assets of majority owned
35 subsidiaries, of less than one million five hundred thousand dollars as
36 of the date of the initial deposit;

1 (b) Any governmental unit, including the United States government,
2 any state government, any foreign government and any political
3 subdivision or agency of the foregoing;

4 (c) Any international organization which is composed of two or more
5 nations;

6 (d) Any draft, check, or similar instrument for the transmission of
7 funds issued by the branch;

8 (e) Any depositor who is not a citizen of the United States and who
9 is not a resident of the United States at the time of the initial
10 deposit;

11 (f) Any depositor who established a deposit account on or before
12 July 1, 1982, and who has continuously maintained the deposit account
13 since that date: PROVIDED, That this subparagraph (f) of this
14 subsection shall be effective only until July 1, 1985;

15 (g) Any other person: PROVIDED, That the amount of deposits under
16 this subparagraph (g) of this subsection may not exceed four percent of
17 the average of the branch's deposits for the last thirty days of the
18 most recent calendar quarter, excluding deposits in the branch of other
19 offices, branches, agencies, or wholly owned subsidiaries of the alien
20 bank.

21 (2) As used in subsection (1) of this section, "initial deposit"
22 means the first deposit transaction between a depositor and the branch.
23 Different deposit accounts that are held by a depositor in the same
24 right and capacity may be added together for purposes of determining
25 the dollar amount of that depositor's initial deposit.

26 (3) Approved branches of alien banks, other than those described in
27 subsection (1) of this section, may solicit and accept deposits only
28 from foreign governments and their agencies and instrumentalities,
29 persons, or entities conducting business principally at their offices
30 or establishments abroad, and such other deposits that:

31 (a) Are to be transmitted abroad;

32 (b) Consist of collateral or funds to be used for payment of
33 obligations to the branch;

34 (c) Consist of the proceeds of collections abroad that are to be
35 used to pay for exported or imported goods or for other costs of
36 exporting or importing or that are to be periodically transferred to
37 the depositor's account at another financial institution;

38 (d) Consist of the proceeds of extensions of credit by the branch;

39 or

1 (e) Represent compensation to the branch for extensions of credit
2 or services to the customer.

3 (4) A branch may accept deposits, subject to the limitations set
4 forth in subsections (1) and (3) of this section, only upon the same
5 terms and conditions (including nature and extent of such deposits,
6 withdrawal, and the payment of interest thereon) that banks organized
7 under the laws of this state which are members of the Federal Reserve
8 System may accept such deposits. Any branch that is not subject to
9 reserve requirements under regulations of the Federal Reserve Board
10 shall maintain deposit reserves in this state, pursuant to rules
11 adopted by the ((~~supervisor~~)) director, to the same extent they must be
12 maintained by banks organized under the laws of this state which are
13 members of the Federal Reserve System.

14 **Sec. 89.** RCW 30.42.120 and 1982 c 95 s 2 are each amended to read
15 as follows:

16 A branch shall not commence to transact in this state the business
17 of accepting deposits or transact such business thereafter unless it
18 has met the following requirements:

19 (1) It has obtained federal deposit insurance corporation insurance
20 covering its eligible deposit liabilities within this state, or in lieu
21 thereof, made arrangements satisfactory to the ((~~supervisor~~)) director
22 for maintenance within this state of additional capital equal to not
23 less than five percent of its deposit liabilities, computed on the
24 basis of the average daily net deposit balances covering semimonthly
25 periods as prescribed by the ((~~supervisor pursuant to RCW 30.04.090~~))
26 director. Such additional capital shall be deposited in the manner
27 provided in RCW 30.42.070.

28 (2) It holds in this state currency, bonds, notes, debentures,
29 drafts, bills of exchange, or other evidences of indebtedness or other
30 obligations payable in the United States or in United States funds or,
31 with the approval of the ((~~supervisor~~)) director, in funds freely
32 convertible into United States funds or such other assets as are
33 approved by the ((~~supervisor~~)) director, in an amount not less than one
34 hundred percent of the aggregate amount of liabilities of such alien
35 bank payable at or through its office in this state. When calculating
36 the value of the assets so held, credit shall be given for the amounts
37 deposited pursuant to RCW 30.42.060(3) and 30.42.120(1), but there
38 shall be excluded all amounts due from the head office and any other

1 branch, agency, or other office or wholly-owned subsidiary of the bank,
2 except those amounts due from such offices or subsidiaries located
3 within the United States and payable in United States dollars.

4 (3) If deposits are not insured by the federal deposit insurance
5 corporation, then that fact shall be disclosed to all depositors
6 pursuant to rules (~~and regulations~~) of the (~~supervisor~~) director.

7 (4) If the branch conducts an international banking facility, the
8 deposits of which are exempt from reserve requirements of the federal
9 reserve banking system, the liabilities of that facility shall be
10 excluded from the deposit and other liabilities of the branch for the
11 purposes of subsection (1) of this section.

12 **Sec. 90.** RCW 30.42.130 and 1973 1st ex.s. c 53 s 13 are each
13 amended to read as follows:

14 The (~~supervisor~~) director may take possession of the office of an
15 alien bank for the reasons stated and in the manner provided in chapter
16 30.44 RCW. Upon the (~~supervisor~~) director taking such possession of
17 a branch, no deposit liabilities of which are insured by the federal
18 deposit insurance corporation, the amounts deposited pursuant to RCW
19 30.42.120(1) shall thereupon become the property of the (~~supervisor~~)
20 director, free and clear of any and all liens and other claims, and
21 shall be held by (~~him~~) the director in trust for the United States
22 domiciled depositors of the office in this state of such alien bank.
23 Upon obtaining the approval of the superior court of Thurston county,
24 the (~~supervisor~~) director shall reduce such deposited capital to cash
25 and as soon as practicable distribute it to such depositors.

26 If sufficient cash is available, such distribution shall be in
27 equal amounts to each such depositor: PROVIDED, That no such depositor
28 receives more than the amount of his or her deposit or an amount equal
29 to the maximum amount insured by the federal deposit insurance
30 corporation, whichever is less. If sufficient cash is not available,
31 such distribution shall be on a pro rata basis to each such depositor:
32 PROVIDED, That no such depositor receives more than the maximum amount
33 insured by the federal deposit insurance corporation. If any cash
34 remains after such distribution, it shall be distributed pro rata to
35 those depositors whose deposits have not been paid in full: PROVIDED,
36 That no depositor receives more than the amount of his deposit. For
37 purposes of this section, the term "depositor" shall not include any
38 other offices, subsidiaries or affiliates of such alien bank.

1 The term "deposit" as used in this section shall mean the unpaid
2 balance of money or its equivalent received or held by the branch in
3 the usual course of its business and for which it has given or is
4 obligated to give credit, either conditionally or unconditionally to a
5 demand, time or savings account, or which is evidenced by its
6 certificate of deposit, or a check or draft drawn against a deposit
7 account and certified by the branch, or a letter of credit or
8 traveler's checks on which the branch is primarily liable.

9 Claims of depositors and creditors shall be made and disposed of in
10 the manner provided in chapter 30.44 RCW in the event of insolvency or
11 inability of the bank to pay its creditors in this state. The capital
12 deposit of the bank shall be available for claims of depositors and
13 creditors. The claims of depositors and creditors shall be paid from
14 the capital deposit in the following order or priority:

15 (1) Claims of depositors not paid from the amounts deposited
16 pursuant to RCW 30.42.120(1);

17 (2) Claims of Washington domiciled creditors;

18 (3) Other creditors domiciled in the United States; and

19 (4) Creditors domiciled in foreign countries.

20 The (~~supervisor~~) director shall proceed in accordance with and
21 have all the powers granted by chapter 30.44 RCW.

22 **Sec. 91.** RCW 30.42.140 and 1982 c 95 s 3 are each amended to read
23 as follows:

24 The (~~supervisor, deputy supervisor, or a bank examiner~~) director,
25 without previous notice, shall visit the office of an alien bank doing
26 business in this state pursuant to this chapter at least once in each
27 year, and more often if necessary, for the purpose of making a full
28 investigation into the condition of such office, and for that purpose
29 they are hereby empowered to administer oaths and to examine under oath
30 any director or member of its governing body, officer, employee, or
31 agent of such alien bank or office. The (~~supervisor~~) director shall
32 make such other full or partial examination as he or she deems
33 necessary. The (~~supervisor~~) director shall collect, from each alien
34 bank for each examination of the conditions of its office in this
35 state, the estimated actual cost of such examination.

36 **Sec. 92.** RCW 30.42.160 and 1975 1st ex.s. c 285 s 3 are each
37 amended to read as follows:

1 An alien bank may purchase, hold and convey real estate for the
2 following purposes and no other:

3 (1) Such as shall be necessary for the convenient transaction of
4 its business, including with its banking offices other apartments in
5 the same building to rent as a source of income: PROVIDED, That not to
6 exceed thirty percent of its capital and surplus and undivided profits
7 may be so invested without the approval of the ((~~supervisor~~)) director.

8 (2) Such as shall be purchased or conveyed to it in satisfaction,
9 or on account of, debts previously contracted in the course of
10 business.

11 (3) Such as it shall purchase at sale under judgments, decrees,
12 liens or mortgage foreclosures, against securities held by it.

13 (4) Such as it may take title to or for the purpose of investing in
14 real estate conditional sales contracts.

15 (5) Such as shall be convenient for the residences of its
16 employees.

17 No real estate except that specified in subsections (1) and (5) of
18 this section may be carried as an asset on the corporation's books for
19 a longer period than five years from the date title is acquired
20 thereto, unless an extension of time be granted by the ((~~supervisor~~))
21 director.

22 **Sec. 93.** RCW 30.42.210 and 1973 1st ex.s. c 53 s 21 are each
23 amended to read as follows:

24 (1) Application procedure. An alien bank shall not establish and
25 operate a bureau in this state unless it is authorized to do so and
26 unless it has met the following conditions:

27 (a) It has filed with the ((~~supervisor~~)) director an application in
28 such form and containing such information as shall be prescribed by the
29 ((~~supervisor~~)) director;

30 (b) It has paid the fee required by law and established by the
31 ((~~supervisor~~)) director pursuant to RCW 30.08.095;

32 (c) It has received from the ((~~supervisor~~—his)) director a
33 certificate authorizing the applicant bank to establish and operate a
34 bureau in conformity herewith.

35 (2) Upon receipt of the bank's application, and the conducting of
36 such examination or investigation as the ((~~supervisor~~)) director deems
37 necessary and appropriate and being satisfied that the opening of such
38 bureau will be consistent with the purposes of this chapter, the

1 ((supervisor)) director may grant approval for the bureau and issue
2 ((his)) a certificate authorizing the alien bank to establish and
3 operate a bureau in the state of Washington.

4 **Sec. 94.** RCW 30.42.220 and 1973 1st ex.s. c 53 s 22 are each
5 amended to read as follows:

6 If the ((supervisor)) director approves the application, he or she
7 shall notify the alien bank of his or her approval and shall file
8 certified copies of its charter, certificate, or other authorization to
9 do business with the secretary of state and with the recording officer
10 of the county in which the bureau is to be located. Upon such filing,
11 the ((supervisor)) director shall issue a certificate of authority
12 stating that the alien bank is authorized to operate a bureau in this
13 state at the place designated in accordance with this chapter. No such
14 certificate shall be transferable or assignable. Such certificate
15 shall be conspicuously displayed at all times in the place of business
16 specified therein.

17 A bureau of an alien bank must commence business within six months
18 after the issuance of the ((supervisor's)) director's certificate:
19 PROVIDED, That the ((supervisor)) director for good cause shown may
20 extend such period for an additional time not to exceed three months.

21 **Sec. 95.** RCW 30.42.230 and 1973 1st ex.s. c 53 s 23 are each
22 amended to read as follows:

23 An alien bank may have as many bureaus in this state as the
24 ((supervisor)) director will authorize. A bureau in this state may
25 provide information about services offered by the alien bank, its
26 subsidiaries and affiliates and may gather and provide business and
27 economic information. A bureau may not take deposits, make loans or
28 transact other commercial or banking business in this state.

29 **Sec. 96.** RCW 30.42.240 and 1973 1st ex.s. c 53 s 24 are each
30 amended to read as follows:

31 The ((supervisor)) director is empowered to examine the bureau
32 operations of an alien bank whenever he or she deems it necessary. The
33 ((supervisor)) director shall collect from such alien bank the
34 estimated actual cost of such examination.

1 **Sec. 97.** RCW 30.42.250 and 1973 1st ex.s. c 53 s 25 are each
2 amended to read as follows:

3 An alien bank may operate temporary facilities at trade fairs or
4 other commercial events of short duration without first obtaining the
5 approval of the ((~~supervisor~~)) director: PROVIDED, That the activities
6 of such temporary facility are limited solely to the dissemination of
7 information: AND PROVIDED FURTHER, If an alien bank engages in such
8 activity, it shall notify the ((~~supervisor~~)) director in writing prior
9 to opening of the nature and location of such facility. The
10 ((~~supervisor~~)) director is empowered to investigate the operation of
11 such temporary facility if he or she deems it necessary, and to collect
12 from the alien bank the estimated actual cost thereof.

13 **Sec. 98.** RCW 30.42.260 and 1973 1st ex.s. c 53 s 26 are each
14 amended to read as follows:

15 (1) An office of an alien bank shall file the following reports
16 with the ((~~supervisor~~)) director within such times and in such form as
17 the ((~~supervisor~~)) director shall prescribe by rule ((~~or regulation~~)):

18 (a) A statement of condition of the office;

19 (b) A capital position report of the office;

20 (c) A consolidated statement of condition of an alien bank.

21 (2) An office of an alien bank shall publish such reports as the
22 ((~~supervisor by regulation~~)) director by rule may prescribe.

23 (3) An alien bank operating a bureau in this state shall file a
24 copy of the alien bank's annual financial report with the
25 ((~~supervisor~~)) director as soon as possible following the end of each
26 fiscal year and shall file such other material as the ((~~supervisor~~))
27 director may prescribe by rule ((~~or regulation~~)).

28 **Sec. 99.** RCW 30.42.290 and 1973 1st ex.s. c 53 s 29 are each
29 amended to read as follows:

30 (1) The ((~~supervisor~~)) director shall have the responsibility for
31 assuring compliance with the provisions of this chapter. An alien bank
32 that conducts business in this state in violation of any provisions of
33 this chapter shall be guilty of a misdemeanor and in addition thereto
34 shall be liable in the sum of one hundred dollars per day that each
35 such offense continues, such sum to be recovered by the attorney
36 general in a civil action in the name of the state.

1 (2) Every person who shall knowingly subscribe to or make or cause
2 to be made any false entry in the books of any alien bank office or
3 bureau doing business in this state pursuant to this chapter or shall
4 knowingly subscribe to or exhibit any false or fictitious paper or
5 security, instrument or paper, with the intent to deceive any person
6 authorized to examine into the affairs of any such office or bureau or
7 shall make, state or publish any false statement of the amount of the
8 assets or liabilities of any such office or bureau shall be guilty of
9 a felony.

10 (3) Every director or member of the governing body, officer,
11 employee or agent of such alien bank operating an office or bureau in
12 this state who conceals or destroys any fact or otherwise suppresses
13 any evidence relating to a violation of this chapter is guilty of a
14 felony.

15 (4) Any person who transacts business in this state on behalf of an
16 alien bank which is subject to the provisions of this chapter, but
17 which is not authorized to transact such business pursuant to this
18 chapter is guilty of a misdemeanor and in addition thereto shall be
19 liable in the sum of one hundred dollars per day for each day that such
20 offense continues, such sum to be recovered by the attorney general in
21 a civil action in the name of the state.

22 **Sec. 100.** RCW 30.42.300 and 1973 1st ex.s. c 53 s 30 are each
23 amended to read as follows:

24 If the ((~~supervisor~~)) director finds that any alien bank to which
25 he or she has issued a certificate to operate an office or bureau in
26 this state pursuant to this chapter has violated any law((~~τ~~)) or rule
27 ((~~or regulation~~)), or has conducted its affairs in an unauthorized
28 manner, or has been unresponsive to the ((~~supervisor's~~)) director's
29 lawful orders or directions, or is in an unsound or unsafe condition,
30 or cannot with safety and expediency continue business, or if he or she
31 finds that the alien bank's country is unjustifiably refusing to allow
32 banks qualified to do business in and having their principal office
33 within this state to operate offices or similar operations in such
34 country, the ((~~supervisor~~)) director may suspend or revoke the
35 certificate of such alien bank and notify it of such suspension or
36 revocation.

1 **Sec. 101.** RCW 30.42.310 and 1973 1st ex.s. c 53 s 31 are each
2 amended to read as follows:

3 An alien bank licensed to maintain an office or bureau in this
4 state pursuant to this chapter may apply to the ((~~supervisor~~)) director
5 for leave to change the location of its office or bureau. Such
6 applications shall be accompanied by an investigation fee as
7 established in accordance with RCW 30.42.330. Leave for a change of
8 location shall be granted if the ((~~supervisor~~)) director finds that the
9 proposed new location offers reasonable promise of adequate support for
10 the office.

11 **Sec. 102.** RCW 30.42.320 and 1973 1st ex.s. c 53 s 32 are each
12 amended to read as follows:

13 The ((~~supervisor~~)) director shall have power to adopt uniform rules
14 ((~~and regulations~~)) to govern examination and reports of alien bank
15 offices and bureaus doing business in this state pursuant to this
16 chapter and the form in which they shall report their assets,
17 liabilities, and reserves, charge off bad debts and otherwise keep
18 their records and accounts and otherwise to govern the administration
19 of this chapter.

20 **Sec. 103.** RCW 30.42.330 and 1973 1st ex.s. c 53 s 33 are each
21 amended to read as follows:

22 The ((~~supervisor~~)) director shall collect in advance from an alien
23 bank for filing its application for an office or a bureau and the
24 attendant investigation, and for such other applications, approvals or
25 certificates provided herein, such fee as shall be established by
26 ((~~rules and regulations promulgated~~)) rule adopted pursuant to the
27 administrative procedure act, chapter 34.05 RCW, as now or hereafter
28 amended. The alien bank shall also pay to the secretary of state and
29 the county recording officer for filing instruments as required by this
30 chapter the same fees as are charged general corporations for the
31 filing of similar instruments and also the same license fees as are
32 required of foreign corporations doing business in this state.

33 **Sec. 104.** RCW 30.43.010 and 1986 c 279 s 45 are each amended to
34 read as follows:

35 As used in this chapter the term "financial institution" means any
36 bank or trust company established in this state pursuant to Title 12,

1 United States Code, chapter 2, or Title 30 RCW, any mutual savings bank
2 established in this state pursuant to Title 32 RCW, any savings and
3 loan association established in this state pursuant to Title 12, United
4 States Code, chapter 12, or Title 33 RCW, and any credit union
5 established in this state pursuant to Title 12, United States Code,
6 chapter 14 or chapters 31.12 and 31.13 RCW.

7 ~~((As used in this chapter, the term "supervisor" means, if
8 applicable to banks, trust companies, or mutual savings banks, the
9 supervisor of banking and, if applicable to savings and loan
10 associations and credit unions, the supervisor of savings and loan
11 associations, or the National Credit Union Administration in the case
12 of federally chartered credit unions.))~~

13 As used in this chapter, the term "satellite facility" means an
14 unmanned facility at which transactions, including, but not being
15 limited to account transfers, payments, and instructions for deposits
16 and withdrawals may be conducted and which is not a part of a branch or
17 main office of the financial institution: PROVIDED, That such a
18 facility shall not be construed to be the establishment of a branch:
19 PROVIDED FURTHER, That an unmanned facility which is connected to a
20 dispenser of goods or services and that originates or communicates
21 funds transfer instructions for the payment of such goods or services
22 shall not be a "satellite facility."

23 **Sec. 105.** RCW 30.43.020 and 1981 c 83 s 1 are each amended to read
24 as follows:

25 A financial institution may, subject to the conditions hereof, and
26 with the approval of the appropriate ~~((supervisor))~~ director, provide
27 satellite facilities in addition to its main office and such branches
28 as are authorized by law. The ~~((supervisor's))~~ director's approval
29 shall be conditioned on a finding that the public convenience will be
30 served by the proposed satellite facility. A satellite facility may be
31 located anywhere within the state of Washington and, subject to RCW
32 30.43.045, may be located anywhere outside the state of Washington.

33 **Sec. 106.** RCW 30.43.045 and 1981 c 83 s 2 are each amended to read
34 as follows:

35 Subject to the approval of the ~~((appropriate supervisor))~~ director,
36 a financial institution may operate or use satellite facilities located
37 outside the state of Washington, and, subject to the approval of the

1 ((~~appropriate supervisor~~)) director, satellite facilities located
2 within the state of Washington may be made available to banks, trust
3 companies, mutual savings banks, savings and loan associations, and
4 credit unions which do not have offices in this state.

5 The ((~~supervisor's~~)) director's approval shall be conditioned on a
6 finding that the public convenience will be served by the proposed use
7 or operation of the satellite facility. The ((~~supervisor~~)) director
8 shall not grant approval for the use or operation of satellite
9 facilities by banks, trust companies, mutual savings banks, savings and
10 loan associations, and credit unions which do not have offices in this
11 state unless like facilities located in the jurisdiction in which these
12 institutions are organized are made available on a reciprocal basis for
13 the benefit of financial institutions which have offices in this state.

14 The ((~~supervisor's~~)) director's approval of the use or operation of
15 satellite facilities located within the state of Washington by banks,
16 trust companies, mutual savings banks, savings and loan associations,
17 and credit unions which do not have offices in this state is not
18 approval or authority to conduct or transact any other business in this
19 state by these banks, trust companies, mutual savings banks, savings
20 and loan associations, and credit unions which is not otherwise
21 permitted by the laws of this state.

22 **Sec. 107.** RCW 30.44.010 and 1955 c 33 s 30.44.010 are each amended
23 to read as follows:

24 Whenever it shall in any manner appear to the ((~~supervisor~~))
25 director that any bank or trust company has violated any provision of
26 law or is conducting its business in an unsafe manner or that it
27 refuses to submit its books, papers, or concerns to lawful inspection
28 or that any director or officer thereof refuses to submit to
29 examination on oath touching its concerns, or that it has failed to
30 carry out any authorized order or direction of an examiner, the
31 ((~~supervisor~~)) director may give notice to the bank or trust company so
32 offending or delinquent or whose director or officer is thus offending
33 or delinquent to correct such offense or delinquency and if such bank
34 or trust company fails to comply with the terms of such notice within
35 thirty days from the date of its issuance or within such further time
36 as ((~~said supervisor~~)) the director may allow, then the ((~~supervisor~~))
37 director may take possession of such bank or trust company as in case
38 of insolvency.

1 **Sec. 108.** RCW 30.44.020 and 1955 c 33 s 30.44.020 are each amended
2 to read as follows:

3 Whenever it shall in any manner appear to the ((~~supervisor of~~
4 ~~banking~~)) director that any offense or delinquency referred to in RCW
5 30.44.010 renders a bank or trust company in an unsound or unsafe
6 condition to continue its business or that its capital or surplus is
7 reduced or impaired below the amount required by its articles of
8 incorporation or by this title, or that it has suspended payment of its
9 obligations or is insolvent, ((~~said supervisor~~)) the director may
10 notify such bank or trust company to levy an assessment on its stock or
11 otherwise to make good such impairment or offense or other delinquency
12 within such time and in such manner as he or she may specify or if he
13 or she deems necessary he or she may take possession thereof without
14 notice.

15 The board of directors of any such bank or trust company, with the
16 consent of the holders of record of two-thirds of the capital stock
17 expressed either in writing or by vote at a stockholders' meeting
18 called for that purpose, shall have power and authority to levy such
19 assessment upon the stockholders pro rata and to forfeit the stock upon
20 which any such assessment is not paid, in the manner prescribed in RCW
21 30.12.180.

22 **Sec. 109.** RCW 30.44.030 and 1955 c 33 s 30.44.030 are each amended
23 to read as follows:

24 Within ten days after the ((~~supervisor~~)) director takes possession
25 thereof, a bank or trust company may serve a notice upon the
26 ((~~supervisor~~)) director to appear before the superior court of the
27 county wherein such corporation is located and at a time to be fixed by
28 said court, which shall not be less than five nor more than fifteen
29 days from the date of the service of such notice, to show cause why
30 such corporation should not be restored to the possession of its
31 assets. Upon the return day of such notice, or such further day as the
32 matter may be continued to, the court shall summarily hear said cause
33 and shall dismiss the same, if it be found that possession was taken by
34 the ((~~supervisor~~)) director in good faith and for cause, but if it find
35 that no cause existed for the taking possession of such corporation, it
36 shall require the ((~~supervisor~~)) director to restore such bank or trust
37 company to possession of its assets and enjoin him or her from further
38 interference therewith without cause.

1 **Sec. 110.** RCW 30.44.040 and 1955 c 33 s 30.44.040 are each amended
2 to read as follows:

3 Upon taking possession of any bank or trust company, the
4 ((~~supervisor~~)) director shall forthwith give written notice thereof to
5 all persons having possession of any assets of such corporation. No
6 person knowing of the taking of such possession by the ((~~supervisor~~))
7 director shall have a lien or charge for any payment thereafter
8 advanced or clearance thereafter made or liability thereafter incurred
9 against any of the assets of such corporation.

10 **Sec. 111.** RCW 30.44.050 and 1955 c 33 s 30.44.050 are each amended
11 to read as follows:

12 Upon taking possession of any bank or trust company, the
13 ((~~supervisor~~)) director shall proceed to collect the assets thereof and
14 to preserve, administer and liquidate the business and assets of such
15 corporation. With the approval of the superior court of the county in
16 which such corporation is located, he or she may sell, compound or
17 compromise bad or doubtful debts, and upon such terms as the court
18 shall direct borrow, mortgage, pledge or sell all or any part of the
19 real estate and personal property of such corporation. He or she shall
20 deliver to each purchaser or lender an appropriate deed, mortgage,
21 agreement of pledge or other instrument of title or security. If real
22 estate is situated outside of said county, a certified copy of the
23 orders authorizing and confirming the sale or mortgage thereof shall be
24 filed for record in the office of the auditor of the county in which
25 such property is situated. He or she may appoint special ((~~deputy~~
26 ~~supervisors~~)) assistants and other necessary agents to assist in the
27 administration and liquidation of such corporation, a certificate of
28 such appointment to be filed with the clerk of the county in which such
29 corporation is located. He or she shall require each special
30 ((~~deputy~~)) assistant to give a surety company bond, conditioned as he
31 or she shall provide, the premium of which shall be paid out of the
32 assets of such corporation. He or she may also employ an attorney for
33 legal assistance in such administration and liquidation.

34 **Sec. 112.** RCW 30.44.060 and 1955 c 33 s 30.44.060 are each amended
35 to read as follows:

36 The ((~~supervisor~~)) director shall publish once a week for four
37 consecutive weeks in a newspaper which he or she shall select, a notice

1 requiring all persons having claims against such corporation to make
2 proof thereof at the place therein specified not later than ninety days
3 from the date of the first publication of said notice, which date shall
4 be therein stated. He or she shall mail similar notices to all persons
5 whose names appear as creditors upon the books of the corporation. He
6 or she may approve or reject any claims, but shall serve notice of
7 rejection upon the claimant by mail or personally. An affidavit of
8 service of such notice shall be prima facie evidence thereof. No
9 action shall be brought on any claim after three months from the date
10 of service of notice of rejection.

11 Claims of depositors may be presented after the expiration of the
12 time fixed in the notice, and, if approved, shall be entitled to their
13 proportion of prior dividends, if there be funds sufficient therefor,
14 and shall share in the distribution of the remaining assets.

15 After the expiration of the time fixed in the notice the
16 (~~supervisor~~) director shall have no power to accept any claim except
17 the claim of a depositor, and all claims except the claims of
18 depositors shall be barred.

19 **Sec. 113.** RCW 30.44.070 and 1955 c 33 s 30.44.070 are each amended
20 to read as follows:

21 Upon taking possession of such corporation, the (~~supervisor~~)
22 director shall make an inventory of the assets in duplicate and file
23 one in his or her office and one in the office of the county clerk.
24 Upon the expiration of the time fixed for the presentation of claims,
25 he or she shall make a duplicate list of claims presented, segregating
26 those approved and those rejected, to be filed as aforesaid. He or she
27 shall also make and file a supplemental list of claims at least fifteen
28 days before the declaration of any dividend, and in any event at least
29 every six months.

30 **Sec. 114.** RCW 30.44.080 and 1955 c 33 s 30.44.080 are each amended
31 to read as follows:

32 Objection may be made by any interested person to any claim
33 approved by the (~~supervisor~~) director, which objection shall be
34 determined by the court upon such notice to the claimant and objector
35 as the court shall prescribe.

1 **Sec. 115.** RCW 30.44.090 and 1955 c 33 s 30.44.090 are each amended
2 to read as follows:

3 At any time after the expiration of the date fixed for the
4 presentation of claims, the (~~supervisor~~) director, subject to the
5 approval of the court, may declare one or more dividends out of the
6 funds remaining in his or her hands after the payment of expenses.

7 **Sec. 116.** RCW 30.44.100 and 1955 c 33 s 30.44.100 are each amended
8 to read as follows:

9 No receiver shall be appointed by any court for any bank or trust
10 company nor shall any assignment of any bank or trust company for the
11 benefit of creditors be valid, excepting only that a court otherwise
12 having jurisdiction may in case of imminent necessity appoint a
13 temporary receiver to take possession of and preserve the assets of
14 such corporation. Immediately upon any such appointment, the clerk of
15 such court shall notify the (~~supervisor~~) director by telegraph and
16 mail of such appointment and the (~~supervisor~~) director shall
17 forthwith take possession of such bank or trust company, as in case of
18 insolvency, and such temporary receiver shall upon demand of the
19 (~~supervisor~~) director surrender up to him or her such possession and
20 all assets which shall have come into the hands of such receiver. The
21 (~~supervisor~~) director shall in due course pay such receiver out of
22 the assets of such corporation such amount as the court shall allow.

23 **Sec. 117.** RCW 30.44.130 and 1955 c 33 s 30.44.130 are each amended
24 to read as follows:

25 All expenses incurred by the (~~supervisor~~) director in taking
26 possession, administering and winding up any such corporation,
27 including the expenses of (~~deputies and other~~) assistants and
28 reasonable fees for any attorney who may be employed (~~by him~~) in
29 connection therewith, and the reasonable compensation of any special
30 (~~deputy~~) assistant placed in charge of such corporation shall be a
31 first charge upon the assets thereof. Such charges shall be fixed by
32 the (~~supervisor~~) director, subject to the approval of the court.

33 **Sec. 118.** RCW 30.44.140 and 1955 c 33 s 30.44.140 are each amended
34 to read as follows:

35 When all proper claims of depositors and creditors (not including
36 stockholders) have been paid, as well as all expenses of administration

1 and liquidation and proper provision has been made for unclaimed or
2 unpaid deposits and dividends, and assets still remain in his or her
3 hands, the ((~~supervisor~~)) director shall call a meeting of the
4 stockholders of such corporation, giving thirty days' notice thereof,
5 by one publication in a newspaper published in the county where such
6 corporation is located. At such meeting, each share shall entitle the
7 holder thereof to a vote in person or by proxy. A vote by ballot shall
8 be taken to determine whether the ((~~supervisor~~)) director shall wind up
9 the affairs of such corporation or the stockholders appoint an agent to
10 do so. The ((~~supervisor~~)) director, if so required, shall wind up such
11 corporation and distribute its assets to those entitled thereto. If
12 the appointment of an agent is determined upon, the stockholders shall
13 forthwith select such agent by ballot. Such agent shall file a bond to
14 the state of Washington in such amount and so conditioned as the
15 ((~~supervisor~~)) director shall require. Thereupon the ((~~supervisor~~))
16 director shall transfer to such agent the assets of such corporation
17 then remaining in his or her hands, and be relieved from further
18 responsibility in reference to such corporation. Such agent shall
19 convert the assets of such corporation into cash and distribute the
20 same to the parties thereunto entitled, subject to the supervision of
21 the court. In case of his or her death, removal or refusal to act, the
22 stockholders may select a successor with like powers.

23 **Sec. 119.** RCW 30.44.150 and 1955 c 33 s 30.44.150 are each amended
24 to read as follows:

25 Any dividends to depositors or other creditors of such bank or
26 trust company remaining uncalled for and unpaid in the hands of the
27 ((~~supervisor~~)) director for six months after order of final
28 distribution, shall be deposited in a bank or trust company to his or
29 her credit, in trust for the benefit of the persons entitled thereto
30 and subject to the supervision of the court shall be paid by him or her
31 to them upon receipt of satisfactory evidence of their right thereto.

32 All moneys so deposited remaining unclaimed for five years after
33 deposit shall escheat to the state for the benefit of the permanent
34 school fund and shall be paid by the ((~~supervisor~~)) director into the
35 state treasury. It shall not be necessary to have the escheat adjudged
36 in a suit or action.

1 **Sec. 120.** RCW 30.44.160 and 1955 c 33 s 30.44.160 are each amended
2 to read as follows:

3 Any bank or trust company may place itself under the control of the
4 ((~~supervisor~~)) director to be liquidated as herein provided by posting
5 a notice on its door as follows: "This bank (trust company) is in the
6 hands of the State ((~~Supervisor of Banking~~)) Director of Financial
7 Institutions."

8 Immediately upon the posting of such notice, the officers of such
9 corporation shall notify the ((~~supervisor~~)) director thereof by
10 telegraph and mail. The posting of such notice or the taking
11 possession of any bank or trust company by the ((~~supervisor~~)) director
12 shall be sufficient to place all of its assets and property of every
13 nature in his or her possession and bar all attachment proceedings.

14 **Sec. 121.** RCW 30.44.170 and 1955 c 33 s 30.44.170 are each amended
15 to read as follows:

16 Any bank or trust company may, upon receipt of written permission
17 from the ((~~supervisor~~)) director, go into voluntary liquidation by a
18 vote of its stockholders owning two-thirds of its capital stock. When
19 such liquidation is authorized, the directors of such corporation shall
20 publish in a newspaper published in the place where such corporation is
21 located, once a week for four consecutive weeks, a notice requiring
22 creditors of such corporation to present their claims against it for
23 payment.

24 **Sec. 122.** RCW 30.44.180 and 1955 c 33 s 30.44.180 are each amended
25 to read as follows:

26 Whenever any bank or trust company shall voluntarily liquidate, any
27 dividends to depositors or other creditors of such bank or trust
28 company remaining uncalled for and unpaid at the conclusion of the
29 liquidation shall be transmitted to the ((~~supervisor~~)) director and
30 shall be deposited by him or her in a bank or trust company to his or
31 her credit in trust for the benefit of the persons entitled thereto,
32 and shall be paid by him or her to them upon receipt of satisfactory
33 evidence of their right thereto.

34 All moneys so deposited remaining unclaimed for five years after
35 deposit shall escheat to the state for the benefit of the permanent
36 school fund and shall be paid by the ((~~supervisor~~)) director into the

1 state treasury. It shall not be necessary to have the escheat adjudged
2 in a suit or action.

3 **Sec. 123.** RCW 30.44.190 and 1955 c 33 s 30.44.190 are each amended
4 to read as follows:

5 Whenever any bank or trust company shall be liquidated, voluntarily
6 or involuntarily, and shall retain in its possession at the conclusion
7 of the liquidation, uncalled for and unclaimed personal property left
8 with it for safekeeping, such property shall, in the presence of at
9 least one witness, be inventoried by the liquidating agent and sealed
10 in separate packages, each package plainly marked with the name and
11 last known address of the person in whose name the property stands on
12 the books of the bank or trust company. If the property is in safe
13 deposit boxes, such boxes shall be opened by the liquidating agent in
14 the presence of at least one witness, and the property inventoried,
15 sealed in packages and marked as above required. All the packages
16 shall be transmitted to the ((~~supervisor~~)) director, together with
17 certificates signed by the liquidating agent and witness or witnesses,
18 listing separately the property standing in the name of any one person
19 on the books of the bank or trust company, together with the date of
20 inventory, and name and last known address of the person in whose name
21 the property stands.

22 **Sec. 124.** RCW 30.44.200 and 1955 c 33 s 30.44.200 are each amended
23 to read as follows:

24 Upon receiving possession of the packages, the ((~~supervisor~~))
25 director shall cause them to be opened in the presence of at least one
26 witness, the property reinventoried, and the packages resealed, and
27 held for safekeeping. The liquidated bank, its directors, officers,
28 and shareholders, and the liquidating agent shall thereupon be relieved
29 of responsibility and liability for the property so delivered to and
30 received by the ((~~supervisor~~)) director. The ((~~supervisor~~)) director
31 shall send immediately to each person in whose name the property stood
32 on the books of the liquidated bank or trust company, at his or her
33 last known address, in a securely closed, postpaid and registered
34 letter, a notice that the property listed will be held in his or her
35 name for a period of not less than two years. At any time after the
36 mailing of such notice, and before the expiration of two years, such
37 person may require the delivery of the property so held, by properly

1 identifying himself or herself and offering evidence of his or her
2 right thereto, to the satisfaction of the ((~~supervisor~~)) director.

3 **Sec. 125.** RCW 30.44.210 and 1985 c 469 s 15 are each amended to
4 read as follows:

5 After the expiration of two years from the time of mailing the
6 notice, the ((~~supervisor~~)) director shall mail in a securely closed
7 postpaid registered letter, addressed to the person at his or her last
8 known address, a final notice stating that two years have elapsed since
9 the sending of the notice referred to in RCW 30.44.200, and that the
10 ((~~supervisor~~)) director will sell all the property or articles of value
11 set out in the notice, at a specified time and place, not less than
12 thirty days after the time of mailing the final notice. Unless the
13 person shall, on or before the day mentioned, claim the property,
14 identify himself or herself and offer evidence of his or her right
15 thereto, to the satisfaction of the ((~~supervisor~~)) director, the
16 ((~~supervisor~~)) director may sell all the property or articles of value
17 listed in the notice, at public auction, at the time and place stated
18 in the final notice: PROVIDED, That a notice of the time and place of
19 sale has been published once within ten days prior to the sale in a
20 newspaper of general circulation in the county where the sale is held.
21 Any such property held by the ((~~supervisor~~)) director, the owner of
22 which is not known, may be sold at public auction after it has been
23 held by the ((~~supervisor~~)) director for two years, provided, that a
24 notice of the time and place of sale has been published once within ten
25 days prior to the sale in a newspaper of general circulation in the
26 county where the sale is held.

27 **Sec. 126.** RCW 30.44.220 and 1955 c 33 s 30.44.220 are each amended
28 to read as follows:

29 The proceeds of such sale shall be deposited by the ((~~supervisor~~))
30 director in a bank or trust company to his or her credit, in trust for
31 the benefit of the person entitled thereto, and shall be paid by him or
32 her to such person upon receipt of satisfactory evidence of his or her
33 right thereto.

34 All moneys so deposited remaining unclaimed for five years after
35 deposit shall escheat to the state for the benefit of the permanent
36 school fund and shall be paid by the ((~~supervisor~~)) director into the

1 state treasury. It shall not be necessary to have the escheat adjudged
2 in a suit or action.

3 **Sec. 127.** RCW 30.44.230 and 1955 c 33 s 30.44.230 are each amended
4 to read as follows:

5 Whenever the personal property held by a liquidated bank or trust
6 company shall consist either wholly or in part, of documents, letters,
7 or other papers of a private nature, such documents, letters, or papers
8 shall not be sold, but shall be retained by the ((~~supervisor~~)) director
9 for a period of five years, and, unless sooner claimed by the owner,
10 may be thereafter destroyed in the presence of the ((~~supervisor~~))
11 director and at least one other witness.

12 **Sec. 128.** RCW 30.44.240 and 1955 c 33 s 30.44.240 are each amended
13 to read as follows:

14 A bank or trust company may for the purpose of voluntary
15 liquidation transfer its assets and liabilities to another bank or
16 trust company, by a vote, or with the written consent of the
17 stockholders of record owning two-thirds of its capital stock, but only
18 with the written consent of the ((~~supervisor~~)) director and upon such
19 terms and conditions as he or she may prescribe. Upon any such
20 transfer being made, or upon the liquidation of any such corporation
21 for any cause whatever or upon its being no longer engaged in the
22 business of a bank or trust company, the ((~~supervisor~~)) director shall
23 terminate its certificate of authority, which shall not thereafter be
24 revived or renewed. When the certificate of authority of any such
25 corporation shall have been revoked, it shall forthwith collect and
26 distribute its remaining assets, and when that is done the
27 ((~~supervisor~~)) director shall certify the fact to the secretary of
28 state, whereupon the corporation shall cease to exist and the secretary
29 of state shall note that fact upon his or her records.

30 **Sec. 129.** RCW 30.44.250 and 1955 c 33 s 30.44.250 are each amended
31 to read as follows:

32 Whenever the ((~~supervisor~~)) director has taken possession of a bank
33 or trust company for any cause, he or she may wind up such corporation
34 and cancel its certificate of authority, unless enjoined from so doing,
35 as herein provided. Or if at any time within ninety days after taking
36 possession, he or she shall determine that all impairment and

1 delinquencies have been made good, and that it is safe and expedient
2 for such corporation to reopen, he or she may permit such corporation
3 to reopen upon such terms and conditions as he or she shall prescribe.
4 Before being permitted to reopen, every such corporation shall pay all
5 of the expenses of the (~~supervisor~~) director, as herein elsewhere
6 defined.

7 **Sec. 130.** RCW 30.44.260 and 1955 c 33 s 30.44.260 are each amended
8 to read as follows:

9 Where any files, records, documents, books of account or other
10 papers have been taken over and are in the possession of the
11 (~~supervisor~~) director in connection with the liquidation of any
12 insolvent banks or trust companies under the laws of this state, the
13 (~~supervisor~~) director may, in his or her discretion at any time after
14 the expiration of one year from the declaration of the final dividend,
15 or from the date when such liquidation has been entirely completed,
16 destroy any of the files, records, documents, books of account or other
17 papers which may appear to the (~~supervisor~~) director to be obsolete
18 or unnecessary for future reference as part of the liquidation and
19 files of his or her office.

20 **Sec. 131.** RCW 30.44.270 and 1973 1st ex.s. c 54 s 1 are each
21 amended to read as follows:

22 The federal deposit insurance corporation is hereby authorized and
23 empowered to be and act without bond as receiver or liquidator of any
24 bank or trust company the deposits in which are to any extent insured
25 by that corporation and which shall have been closed on account of
26 inability to meet the demands of its depositors. In the event of such
27 closing, the (~~supervisor of banking~~) director may appoint the federal
28 deposit insurance corporation as receiver or liquidator of such bank or
29 trust company. If the corporation accepts such appointment, it shall
30 have and possess all the powers and privileges provided by the laws of
31 this state with respect to a liquidator of a bank or trust company, its
32 depositors and other creditors, and be subject to all the duties of
33 such liquidator, except insofar as such powers, privileges, or duties
34 are in conflict with the provisions of the federal deposit insurance
35 act, as now or hereafter amended.

1 **Sec. 132.** RCW 30.44.280 and 1973 1st ex.s. c 54 s 2 are each
2 amended to read as follows:

3 The pendency of any proceedings for judicial review of the
4 (~~supervisor's~~) director's actions in taking possession and control of
5 a bank or trust company and its assets for the purpose of liquidation
6 shall not operate to defer, delay, impede, or prevent the payment or
7 acquisition by the federal deposit insurance corporation of the deposit
8 liabilities of the bank or trust company which are insured by the
9 corporation. During the pendency of any proceedings for judicial
10 review, the (~~supervisor of banking~~) director shall make available to
11 the federal deposit insurance corporation such facilities in or of the
12 bank or trust company and such books, records, and other relevant data
13 of the bank or trust company as may be necessary or appropriate to
14 enable the corporation to pay out or to acquire the insured deposit
15 liabilities of the bank or trust company. The federal deposit
16 insurance corporation and its directors, officers, agents, and
17 employees, and the (~~supervisor of banking,~~) director and his or her
18 agents and employees shall be free from liability to the bank or trust
19 company, its directors, stockholders, and creditors for or on account
20 of any action taken in connection herewith.

21 **Sec. 133.** RCW 30.46.010 and 1975 1st ex.s. c 87 s 1 are each
22 amended to read as follows:

23 For the purposes of this chapter the following terms shall be
24 defined as follows:

25 (1) "Unsafe condition" shall mean and include, but not be limited
26 to, any one or more of the following circumstances:

27 (a) If a bank's capital is impaired or impairment of capital is
28 threatened;

29 (b) If a bank violates the provisions of Title 30 RCW or any other
30 law or regulation applicable to banks;

31 (c) If a bank conducts a fraudulent or questionable practice in the
32 conduct of its business that endangers the bank's reputation or
33 threatens its solvency;

34 (d) If a bank conducts its business in an unsafe or unauthorized
35 manner;

36 (e) If a bank violates any conditions of its charter or any
37 agreement entered with the (~~supervisor~~) director; or

1 (f) If a bank fails to carry out any authorized order or direction
2 of the ((bank)) examiner or the ((supervisor)) director.

3 (2) "Exceeded its powers" shall mean and include, but not be
4 limited to the following circumstances:

5 (a) If a bank has refused to permit examination of its books,
6 papers, accounts, records, or affairs by the ((supervisor, his deputy))
7 director, assistant director, or duly commissioned examiners; or

8 (b) If a bank has neglected or refused to observe an order of the
9 ((supervisor)) director to make good, within the time prescribed, any
10 impairment of its capital.

11 (3) "Consent" includes and means a written agreement by the bank to
12 either supervisory direction or conservatorship under this chapter.

13 **Sec. 134.** RCW 30.46.020 and 1975 1st ex.s. c 87 s 2 are each
14 amended to read as follows:

15 If upon examination or at any other time it appears to the
16 ((supervisor)) director that any bank is in an unsafe condition and its
17 condition is such as to render the continuance of its business
18 hazardous to the public or to its depositors and creditors, or if such
19 bank appears to have exceeded its powers or has failed to comply with
20 the law, or if such bank gives its consent, then the ((supervisor))
21 director shall upon his or her determination (1) notify the bank of his
22 or her determination, and (2) furnish to the bank a written list of the
23 ((supervisor)) director requirements to abate his or her determination,
24 and (3) if the ((supervisor)) director makes further determination to
25 directly supervise, he or she shall notify the bank that it is under
26 the supervisory direction of the ((supervisor)) director and that the
27 ((supervisor)) director is invoking the provisions of this chapter. If
28 placed under supervisory direction the bank shall comply with the
29 lawful requirements of the ((supervisor)) director within such time as
30 provided in the notice of the ((supervisor)) director, subject however,
31 to the provisions of this chapter. If the bank fails to comply within
32 such time the ((supervisor)) director may appoint a conservator as
33 hereafter provided.

34 **Sec. 135.** RCW 30.46.030 and 1975 1st ex.s. c 87 s 3 are each
35 amended to read as follows:

36 During the period of supervisory direction the ((supervisor))
37 director may appoint a representative to supervise such bank and may

1 provide that the bank may not do any of the following during the period
2 of supervisory direction, without the prior approval of the
3 (~~supervisor~~) director or the appointed representative.

- 4 (1) Dispose of, convey or encumber any of the assets;
- 5 (2) Withdraw any of its bank accounts;
- 6 (3) Lend any of its funds;
- 7 (4) Invest any of its funds;
- 8 (5) Transfer any of its property; or
- 9 (6) Incur any debt, obligation, or liability.

10 **Sec. 136.** RCW 30.46.040 and 1975 1st ex.s. c 87 s 4 are each
11 amended to read as follows:

12 After the period of supervisory direction specified by the
13 (~~supervisor~~) director for compliance, if he or she determines that
14 such bank has failed to comply with the lawful requirements imposed,
15 upon due notice and hearing or by consent of the bank, the
16 (~~supervisor~~) director may appoint a conservator, who shall
17 immediately take charge of such bank and all of its property, books,
18 records, and effects. The conservator shall conduct the business of
19 the bank and take such steps toward the removal of the causes and
20 conditions which have necessitated such order, as the (~~supervisor~~)
21 director may direct. During the pendency of the conservatorship the
22 conservator shall make such reports to the (~~supervisor~~) director from
23 time to time as may be required by the (~~supervisor~~) director, and
24 shall be empowered to take all necessary measures to preserve, protect,
25 and recover any assets or property of such bank, including claims or
26 causes of actions belonging to or which may be asserted by such bank,
27 and to deal with the same in his or her own name as conservator, and
28 shall be empowered to file, prosecute, and defend any suit and suits
29 which have been filed or which may thereafter be filed by or against
30 such bank which are deemed by the conservator to be necessary to
31 protect all of the interested parties for a property affected thereby.
32 The (~~supervisor~~) director, or any newly appointed (~~deputy~~)
33 assistant, may be appointed to serve as conservator. If the
34 (~~supervisor~~) director, however, is satisfied that such bank is not in
35 condition to continue business in the interest of its depositors or
36 creditors under the conservator as above provided, the (~~supervisor~~)
37 director may proceed with appropriate remedies provided by other
38 provisions of this title.

1 **Sec. 137.** RCW 30.46.050 and 1975 1st ex.s. c 87 s 5 are each
2 amended to read as follows:

3 All costs incident to supervisory direction and the conservatorship
4 shall be fixed and determined by the ((~~supervisor~~)) director and shall
5 be a charge against the assets of the bank to be allowed and paid as
6 the ((~~supervisor~~)) director may determine.

7 **Sec. 138.** RCW 30.46.060 and 1975 1st ex.s. c 87 s 6 are each
8 amended to read as follows:

9 During the period of the supervisory direction and during the
10 period of conservatorship, the bank may request the ((~~supervisor~~))
11 director to review an action taken or proposed to be taken by the
12 representative or conservator; specifying wherein the action complained
13 of is believed not to be in the best interest of the bank, and such
14 request shall stay the action specified pending review of such action
15 by the ((~~supervisor~~)) director. Any order entered by the
16 ((~~supervisor~~)) director appointing a representative and providing that
17 the bank shall not do certain acts as provided in RCW 30.46.030 and
18 30.46.040, any order entered by the ((~~supervisor~~)) director appointing
19 a conservator, and any order by the ((~~supervisor~~)) director following
20 the review of an action of the representative or conservator as herein
21 above provided shall be subject to review in accordance with the
22 administrative procedure act of the state of Washington.

23 **Sec. 139.** RCW 30.46.070 and 1975 1st ex.s. c 87 s 7 are each
24 amended to read as follows:

25 Any suit filed against a bank or its conservator, after the
26 entrance of an order by the ((~~supervisor~~)) director placing such bank
27 in conservatorship and while such order is in effect, shall be brought
28 in the superior court of Thurston county and not elsewhere. The
29 conservator appointed hereunder for such bank may file suit in any
30 superior court or other court of competent jurisdiction against any
31 person for the purpose of preserving, protecting, or recovering any
32 asset or property of such bank including claims or causes of action
33 belonging to or which may be asserted by such bank.

34 **Sec. 140.** RCW 30.46.090 and 1975 1st ex.s. c 87 s 9 are each
35 amended to read as follows:

1 If the ((~~supervisor~~)) director determines to act under authority of
2 this chapter, the sequence of his or her acts and proceedings shall be
3 as set forth in this chapter. However, it is the purpose and substance
4 of this chapter to authorize administrative discretion--to allow the
5 ((~~supervisor~~)) director administrative discretion in the event of
6 unsound banking operations--and in furtherance of that purpose the
7 ((~~supervisor~~)) director is hereby authorized to proceed with regulation
8 either under this chapter or under any other applicable provisions of
9 law or under this chapter in connection with other law, either as such
10 law is now existing or is hereinafter enacted, and it is so provided.

11 **Sec. 141.** RCW 30.46.100 and 1975 1st ex.s. c 87 s 10 are each
12 amended to read as follows:

13 The ((~~supervisor~~)) director is empowered to adopt and promulgate
14 such reasonable rules ((~~and regulations~~)) as may be necessary for the
15 implementation of this chapter and its purposes.

16 **Sec. 142.** RCW 30.49.030 and 1955 c 33 s 30.49.030 are each amended
17 to read as follows:

18 This section is applicable where there is to be a resulting state
19 bank.

20 Upon approval by the ((~~supervisor of banking~~)) director, state or
21 national banks may be merged to result in a state bank, or a national
22 bank may convert into a state bank as hereafter prescribed, except that
23 the action by a national bank shall be taken in the manner prescribed
24 by and shall be subject to limitations and requirements imposed by the
25 law of the United States which shall also govern the rights of its
26 dissenting shareholders.

27 **Sec. 143.** RCW 30.49.040 and 1986 c 279 s 49 are each amended to
28 read as follows:

29 This section is applicable where there is to be a resulting state
30 bank, except in the case of reorganization and exchange as authorized
31 by this title.

32 (1) The board of directors of each merging state bank shall, by a
33 majority of the entire board, approve a merger agreement which shall
34 contain:

35 (a) The name of each merging state or national bank and location of
36 each office;

1 (b) With respect to the resulting state bank, (i) the name and
2 location of the principal and other offices; (ii) the name and mailing
3 address of each director to serve until the next annual meeting of the
4 stockholders; (iii) the name and mailing address of each officer; (iv)
5 the amount of capital, the number of shares and the par value, if any,
6 of each share; and (v) the amendments to its charters and bylaws;

7 (c) Provisions governing the exchange of shares of the merging
8 state or national banks for such consideration as has been agreed to in
9 the merger agreement;

10 (d) A statement that the agreement is subject to approval by the
11 (~~supervisor of banking~~) director and the stockholders of each merging
12 state or national bank;

13 (e) Provisions governing the manner of disposing of the shares of
14 the resulting state bank if such shares are to be issued in the
15 transaction and are not taken by dissenting shareholders of merging
16 state or national banks;

17 (f) Such other provisions as the (~~supervisor of banking~~) director
18 requires to discharge his or her duties with respect to the merger;

19 (2) After approval by the board of directors of each merging state
20 bank, the merger agreement shall be submitted to the (~~supervisor of~~
21 ~~banking~~) director for approval, together with certified copies of the
22 authorizing resolutions of each board of directors showing approval by
23 a majority of the entire board and evidence of proper action by the
24 board of directors of any merging national bank;

25 (3) Within sixty days after receipt by the (~~supervisor of~~
26 ~~banking~~) director of the papers specified in subsection (2) of this
27 section, the (~~supervisor of banking~~) director shall approve or
28 disapprove of the merger agreement, and if no action is taken, the
29 agreement shall be deemed approved. The (~~supervisor of banking~~)
30 director shall approve the agreement if it appears that:

31 (a) The resulting state bank meets the requirements of state law as
32 to the formation of a new state bank;

33 (b) The agreement provides an adequate capital structure including
34 surplus in relation to the deposit liabilities of the resulting state
35 bank and its other activities which are to continue or are to be
36 undertaken;

37 (c) The agreement is fair;

38 (d) The merger is not contrary to the public interest.

1 If the ((~~supervisor of banking~~)) director disapproves an agreement,
2 he or she shall state his or her objections and give an opportunity to
3 the merging state or national banks to amend the merger agreement to
4 obviate such objections.

5 **Sec. 144.** RCW 30.49.060 and 1955 c 33 s 30.49.060 are each amended
6 to read as follows:

7 A merger which is to result in a state bank shall, unless a later
8 date is specified in the agreement, become effective after the filing
9 with and upon the approval of the ((~~supervisor of banking~~)) director of
10 the executed agreement together with copies of the resolutions of the
11 stockholders of each merging state or national bank approving it,
12 certified by the bank's president or a vice president and a secretary.
13 The charters of the merging banks, other than the resulting bank, shall
14 thereupon automatically terminate.

15 The ((~~supervisor of banking~~)) director shall thereupon issue to the
16 resulting state bank a certificate of merger specifying the name of
17 each merging state or national bank and the name of the resulting state
18 bank. Such certificate shall be conclusive evidence of the merger and
19 of the correctness of all proceedings therefor in all courts and
20 places, and may be recorded in any office for the recording of deeds to
21 evidence the new name in which the property of the merging state or
22 national bank is held.

23 **Sec. 145.** RCW 30.49.070 and 1955 c 33 s 30.49.070 are each amended
24 to read as follows:

25 Except as provided in RCW 30.49.100, a national bank located in
26 this state which follows the procedure prescribed by the laws of the
27 United States to convert into a state bank shall be granted a state
28 charter by the ((~~supervisor of banking~~)) director if he or she finds
29 that the bank meets the standards as to location of offices, capital
30 structures, and business experience and character of officers and
31 directors for the incorporation of a state bank.

32 The national bank may apply for such charter by filing with the
33 ((~~supervisor of banking~~)) director a certificate signed by its
34 president and cashier and by a majority of the entire board of
35 directors, setting forth the corporate action taken in compliance with
36 the provisions of the laws of the United States governing the
37 conversion of a national to a state bank, and the articles of

1 incorporation, approved by the stockholders, for the government of the
2 bank as a state bank.

3 **Sec. 146.** RCW 30.49.090 and 1955 c 33 s 30.49.090 are each amended
4 to read as follows:

5 The owner of shares of a state bank which were voted against a
6 merger to result in a state bank, or against the conversion of a state
7 bank into a national bank, shall be entitled to receive their value in
8 cash, if and when the merger or conversion becomes effective, upon
9 written demand made to the resulting state or national bank at any time
10 within thirty days after the effective date of the merger or
11 conversion, accompanied by the surrender of the stock certificates.
12 The value of such shares shall be determined, as of the date of the
13 shareholders' meeting approving the merger or conversion, by three
14 appraisers, one to be selected by the owners of two-thirds of the
15 dissenting shares, one by the board of directors of the resulting state
16 or national bank, and the third by the two so chosen. The valuation
17 agreed upon by any two appraisers shall govern. If the appraisal is
18 not completed within ninety days after the merger or conversion becomes
19 effective, the ((~~supervisor of banking~~)) director shall cause an
20 appraisal to be made.

21 The expenses of appraisal shall be paid by the resulting state
22 bank.

23 The resulting state or national bank may fix an amount which it
24 considers to be not more than the fair market value of the shares of a
25 merging or the converting bank at the time of the stockholders' meeting
26 approving the merger or conversion, which it will pay dissenting
27 shareholders of the bank entitled to payment in cash. The amount due
28 under such accepted offer or under the appraisal shall constitute a
29 debt of the resulting state or national bank.

30 **Sec. 147.** RCW 30.49.100 and 1955 c 33 s 30.49.100 are each amended
31 to read as follows:

32 Where a resulting state bank is not to exercise trust powers, the
33 ((~~supervisor of banking~~)) director shall not approve a merger or
34 conversion until satisfied that adequate provision has been made for
35 successors to fiduciary positions held by the merging state or national
36 banks or the converting state or national bank.

1 **Sec. 148.** RCW 30.49.110 and 1955 c 33 s 30.49.110 are each amended
2 to read as follows:

3 If a merging or converting state or national bank has assets which
4 do not conform to the requirements of state law for the resulting state
5 bank or carries on business activities which are not permitted for the
6 resulting state bank, the (~~supervisor of banking~~) director may permit
7 a reasonable time to conform with state law.

8 **Sec. 149.** RCW 30.49.120 and 1955 c 33 s 30.49.120 are each amended
9 to read as follows:

10 Without approval by the (~~supervisor of banking~~) director no asset
11 shall be carried on the books of the resulting state bank at a
12 valuation higher than that on the books of the merging or converting
13 state or national bank at the time of its last examination by a state
14 examiner or national bank examiner before the effective date of the
15 merger or conversion.

16 **Sec. 150.** RCW 30.56.020 and 1955 c 33 s 30.56.020 are each amended
17 to read as follows:

18 The (~~supervisor of banking~~) director is hereby empowered, upon
19 the written application of the directors of a bank, if in his or her
20 judgment the circumstances warrant it, to authorize a bank to postpone,
21 for a period of ninety days and for such further period or periods as
22 he or she may deem expedient, the payment of such proportions or
23 amounts of the demands of its depositors from time to time as he or she
24 may deem necessary. The period or periods of postponement and the
25 proportions or amounts of the demands to be deferred shall be
26 determined by him or her according to the ability of the bank to pay
27 withdrawals. By the regulations prescribed for deferred payments, the
28 (~~supervisor~~) director may classify accounts and limit payments to
29 depositors of the several classes differently. The (~~supervisor's~~)
30 director's orders, regulations and directions shall be in writing and
31 be filed in his or her office, and copies thereof shall be delivered to
32 the bank and be forthwith posted in a conspicuous place in the banking
33 room.

34 **Sec. 151.** RCW 30.56.030 and 1955 c 33 s 30.56.030 are each amended
35 to read as follows:

1 During postponement of payments the bank shall remain open for
2 business and be in charge of its officers, but shall not make any
3 loans, investments or expenditures except such as the ((~~supervisor~~))
4 director will approve as necessary to conserve its assets and pay the
5 cost of operation. The bank's failure during a period of postponement
6 to repay deposits existing at the commencement of the period, shall not
7 authorize or require the ((~~supervisor~~)) director to take charge of or
8 liquidate the bank, nor constitute ground for the appointment of a
9 receiver.

10 **Sec. 152.** RCW 30.56.040 and 1955 c 33 s 30.56.040 are each amended
11 to read as follows:

12 Deposits received during a period of postponement and for sixty
13 days thereafter shall be kept separate from other assets of the bank,
14 shall not draw interest, shall not be loaned or invested except by
15 depositing with reserve banks or investing in liquid securities
16 approved by the ((~~supervisor~~)) director, and shall be withdrawable upon
17 demand. If during a postponement of payments, or at the expiration
18 thereof, the ((~~supervisor~~)) director shall take charge of the bank for
19 liquidation, deposits made during the period of postponement shall be
20 deemed trust funds and be repaid to the depositors forthwith.

21 **Sec. 153.** RCW 30.56.050 and 1955 c 33 s 30.56.050 are each amended
22 to read as follows:

23 At the request of the directors of a bank, the ((~~supervisor~~))
24 director may propose a plan for its reorganization, if in his or her
25 judgment it would be for the best interests of the bank's creditors and
26 of the community which the bank serves. The plan may contemplate such
27 temporary ratable reductions of the demands of depositors and other
28 creditors as would leave its reserve adequate and its capital and
29 surplus unimpaired after the charging off of bad and doubtful debts;
30 and also may contemplate a postponement of payments as in a case
31 falling within RCW 30.56.020. The plan shall be fully described in a
32 writing, the original of which shall be filed in the office of the
33 ((~~supervisor~~)) director and several copies of which shall be furnished
34 the bank, where one or more copies shall be kept available for
35 inspection by stockholders, depositors and other creditors.

1 **Sec. 154.** RCW 30.56.060 and 1955 c 33 s 30.56.060 are each amended
2 to read as follows:

3 If, within ninety days after the filing of the plan, creditors
4 having unsecured demands against the bank aggregating not less than
5 three-fourths of the amount of the unsecured demands of all its
6 creditors, approved the plan, the (~~supervisor~~) director shall have
7 power to declare the plan to be in effect. Thereupon the unsecured
8 demands of creditors shall be ratably reduced according to the plan and
9 appropriate debits shall be made in the books. The right of a secured
10 creditor to enforce his or her security shall not be affected by the
11 operation of the plan, but the amount of any deficiency to which he or
12 she may be entitled shall be reduced as unsecured demands were reduced.
13 If the plan contemplates a temporary postponement of payments, RCW
14 30.56.020, 30.56.030 and 30.56.040 shall be applicable, and the bank
15 shall comply therewith and conduct its affairs accordingly.

16 **Sec. 155.** RCW 30.56.080 and 1955 c 33 s 30.56.080 are each amended
17 to read as follows:

18 The failure of a bank operating under such a plan to pay to a
19 creditor at any time a sum greater than the plan then requires, shall
20 not constitute a default nor authorize or require the (~~supervisor~~)
21 director to take charge of or liquidate the bank nor entitle the
22 creditor to maintain an action against the bank.

23 **Sec. 156.** RCW 30.56.090 and 1955 c 33 s 30.56.090 are each amended
24 to read as follows:

25 If the net assets of a bank operating under such a plan are
26 sufficient to provide the capital and surplus of a newly organized bank
27 in the same place, the (~~supervisor~~) director, under such reasonable
28 conditions as he or she shall prescribe, may approve the incorporation
29 of a new bank and permit it to take over the assets and business and
30 assume the liabilities of the existing bank.

31 **Sec. 157.** RCW 30.60.010 and 1985 c 329 s 2 are each amended to
32 read as follows:

33 (1) In conducting an examination of a bank chartered under Title 30
34 RCW, the (~~supervisor of banking, deputy supervisor, or examiner~~)
35 director shall investigate and assess the record of performance of the
36 bank in meeting the credit needs of the bank's entire community,

1 including low and moderate-income neighborhoods. The ((supervisor))
2 director shall accept, in lieu of an investigation or part of an
3 investigation required by this section, any report or document that the
4 bank is required to prepare or file with one or more federal agencies
5 by the act of Congress entitled the "Community Reinvestment Act of
6 1977" and the regulations promulgated in accordance with that act, to
7 the extent such reports or documents assist the ((supervisor)) director
8 in making an assessment based upon the factors outlined in subsection
9 (2) of this section.

10 (2) In making an investigation required under subsection (1) of
11 this section, the ((supervisor)) director shall consider, independent
12 of any federal determination, the following factors in assessing the
13 bank's record of performance:

14 (a) Activities conducted by the institution to ascertain credit
15 needs of its community, including the extent of the institution's
16 efforts to communicate with members of its community regarding the
17 credit services being provided by the institution;

18 (b) The extent of the institution's marketing and special credit
19 related programs to make members of the community aware of the credit
20 services offered by the institution;

21 (c) The extent of participation by the institution's board of
22 directors in formulating the institution's policies and reviewing its
23 performance with respect to the purposes of the Community Reinvestment
24 Act of 1977;

25 (d) Any practices intended to discourage applications for types of
26 credit set forth in the institution's community reinvestment act
27 statement(s);

28 (e) The geographic distribution of the institution's credit
29 extensions, credit applications, and credit denials;

30 (f) Evidence of prohibited discriminatory or other illegal credit
31 practices;

32 (g) The institution's record of opening and closing offices and
33 providing services at offices;

34 (h) The institution's participation, including investments, in
35 local community development projects;

36 (i) The institution's origination of residential mortgage loans,
37 housing rehabilitation loans, home improvement loans, and small
38 business or small farm loans within its community, or the purchase of
39 such loans originated in its community;

1 (j) The institution's participation in governmentally insured,
2 guaranteed, or subsidized loan programs for housing, small businesses,
3 or small farms;

4 (k) The institution's ability to meet various community credit
5 needs based on its financial condition, size, legal impediments, local
6 economic condition, and other factors;

7 (l) Other factors that, in the judgment of the (~~supervisor~~)
8 director, reasonably bear upon the extent to which an institution is
9 helping to meet the credit needs of its entire community.

10 (3) The (~~supervisor~~) director shall include as part of the
11 examination report, a summary of the results of the assessment required
12 under subsection (1) of this section and shall assign annually to each
13 bank a numerical community reinvestment rating based on a one through
14 five scoring system. Such numerical scores shall represent performance
15 assessments as follows:

- | | |
|----------------------------------|---|
| 16 (a) Excellent performance: | 1 |
| 17 (b) Good performance: | 2 |
| 18 (c) Satisfactory performance: | 3 |
| 19 (d) Inadequate performance: | 4 |
| 20 (e) Poor performance: | 5 |

21 **Sec. 158.** RCW 30.60.020 and 1985 c 329 s 3 are each amended to
22 read as follows:

23 Whenever the (~~supervisor of banking~~) director must approve or
24 disapprove of an application for a new branch or satellite facility;
25 for a purchase of assets, a merger, an acquisition or a conversion not
26 required for solvency reasons; or for authority to engage in a business
27 activity, the (~~supervisor~~) director shall consider, among other
28 factors, the record of performance of the applicant in helping to meet
29 the credit needs of the applicant's entire community, including low and
30 moderate-income neighborhoods. Assessment of an applicant's record of
31 performance may be the basis for denying an application.

32 **Sec. 159.** RCW 30.60.030 and 1985 c 329 s 7 are each amended to
33 read as follows:

34 The (~~supervisor of banking~~) director shall adopt all rules
35 necessary to implement sections 2 through 6 of this act by January 1,
36 1986.

1 **Sec. 160.** RCW 30.60.901 and 1985 c 329 s 13 are each amended to
2 read as follows:

3 This act shall take effect on January 1, 1986, but the ((~~supervisor~~
4 ~~of banking and the supervisor of savings and loans~~)) director may
5 immediately take such steps as are necessary to ensure that this act is
6 implemented on its effective date.

7 **Sec. 161.** RCW 31.04.015 and 1991 c 208 s 2 are each amended to
8 read as follows:

9 The definitions set forth in this section apply throughout this
10 chapter unless the context clearly requires a different meaning.

11 (1) "Person" includes individuals, partnerships, associations,
12 trusts, corporations, and all other legal entities.

13 (2) "License" means a single license issued under the authority of
14 this chapter with respect to a single place of business.

15 (3) "Licensee" means a person to whom one or more licenses have
16 been issued.

17 (4) ((~~"Supervisor" means the supervisor of banking of the~~
18 ~~department of general administration~~)) "Director" means the director of
19 financial institutions.

20 (5) "Insurance" means life insurance, disability insurance,
21 property insurance, involuntary unemployment insurance, and such other
22 insurance as may be authorized by the insurance commissioner.

23 (6) "Add-on method" means the method of precomputing interest
24 payable on a loan whereby the interest to be earned is added to the
25 principal balance and the total plus any charges allowed under this
26 chapter is stated as the loan amount, without further provision for the
27 payment of interest except for failure to pay according to loan terms.
28 The ((~~supervisor~~)) director may adopt by rule a more detailed
29 explanation of the meaning and use of this method.

30 (7) "Simple interest method" means the method of computing interest
31 payable on a loan by applying the annual percentage interest rate or
32 its periodic equivalent to the unpaid balances of the principal of the
33 loan outstanding for the time outstanding with each payment applied
34 first to any unpaid penalties, fees, or charges, then to accumulated
35 interest, and the remainder of the payment applied to the unpaid
36 balance of the principal until paid in full. In using such method,
37 interest shall not be payable in advance nor compounded. The

1 ((~~supervisor~~)) director may adopt by rule a more detailed explanation
2 of the meaning and use of this method.

3 **Sec. 162.** RCW 31.04.045 and 1991 c 208 s 5 are each amended to
4 read as follows:

5 (1) Application for a license under this chapter must be in writing
6 and in the form prescribed by the ((~~supervisor~~)) director. The
7 application must contain at least the following information:

8 (a) The name and the business and the residence addresses of the
9 applicant;

10 (b) If the applicant is a partnership or association, the name of
11 every member;

12 (c) If the applicant is a corporation, the name of each officer and
13 director;

14 (d) The street address, county, and municipality where business is
15 to be conducted; and

16 (e) Such other information as the ((~~supervisor~~)) director may
17 require by rule.

18 (2) At the time of filing an application for a license under this
19 chapter, each applicant shall pay to the ((~~supervisor~~)) director an
20 investigation fee and the initial year's license fee in an amount
21 determined by rule of the ((~~supervisor~~)) director to be sufficient to
22 cover the ((~~supervisor's~~)) director's costs in administering this
23 chapter.

24 (3) Each applicant shall file and maintain a surety bond, approved
25 by the ((~~supervisor~~)) director, in the penal sum of one hundred
26 thousand dollars, executed by the applicant as obligor and by a surety
27 company authorized to do a surety business in this state as surety,
28 whose liability as such surety shall not exceed the penal sum in the
29 aggregate. The bond shall run to the state of Washington as obligee
30 for the use and benefit of the state and of any person or persons who
31 may have a cause of action against the obligor under this chapter. The
32 bond shall be conditioned that the obligor as licensee will faithfully
33 conform to and abide by this chapter and all the rules adopted under
34 this chapter. The bond will pay to the state and any person or persons
35 having a cause of action against the obligor all moneys that may become
36 due and owing to the state and those persons under and by virtue of
37 this chapter. In lieu of a surety bond, if the applicant is a
38 Washington business corporation, the applicant may maintain unimpaired

1 capital, surplus, and long-term subordinated debt in an amount that at
2 any time its outstanding promissory notes or other evidences of debt
3 (other than long-term subordinated debt) in an aggregate sum do not
4 exceed three times the aggregate amount of its unimpaired capital,
5 surplus, and long-term subordinated debt. The ((~~supervisor~~)) director
6 may define qualifying "long-term subordinated debt" for purposes of
7 this section.

8 **Sec. 163.** RCW 31.04.055 and 1991 c 208 s 6 are each amended to
9 read as follows:

10 (1) The ((~~supervisor~~)) director shall issue and deliver a license
11 to the applicant to make loans in accordance with this chapter at the
12 location specified in the application if, after investigation, the
13 ((~~supervisor~~)) director finds that the applicant has paid all required
14 fees, has complied with RCW 31.04.045, and that the financial
15 responsibility, experience, character, and general fitness of the
16 applicant are such as to command the confidence of the community and to
17 warrant a belief that the business will be operated honestly, fairly,
18 and efficiently within the purposes of this chapter.

19 (2) If the ((~~supervisor~~)) director does not find the conditions of
20 subsection (1) of this section have been met, the ((~~supervisor~~))
21 director shall not issue the license. The ((~~supervisor~~)) director
22 shall notify the applicant of the denial and return to the applicant
23 the bond posted and the sum paid by the applicant as a license fee,
24 retaining the investigation fee to cover the costs of investigating the
25 application. The ((~~supervisor~~)) director shall approve or deny every
26 application for license under this chapter within sixty days from the
27 filing of a complete application with the fees and the approved bond.

28 **Sec. 164.** RCW 31.04.075 and 1991 c 208 s 8 are each amended to
29 read as follows:

30 The licensee may not maintain more than one place of business under
31 the same license, but the ((~~supervisor~~)) director may issue more than
32 one license to the same licensee upon application by the licensee in a
33 form and manner established by the ((~~supervisor~~)) director. A licensee
34 who has five licensed locations shall not be required to maintain a
35 bond in a penal sum exceeding ten thousand dollars for each
36 additionally licensed location.

1 Whenever a licensee wishes to change the place of business to a
2 street address other than that designated in the license, the licensee
3 shall give written notice to the ((supervisor)) director and shall
4 obtain the ((supervisor's)) director's approval.

5 **Sec. 165.** RCW 31.04.085 and 1991 c 208 s 9 are each amended to
6 read as follows:

7 A licensee shall, for each license held by any person, on or before
8 the twentieth day of each December, pay to the ((supervisor)) director
9 an annual license fee. At the same time the licensee shall file with
10 the ((supervisor)) director the required bond or otherwise demonstrate
11 compliance with RCW 31.04.045.

12 **Sec. 166.** RCW 31.04.093 and 1991 c 208 s 10 are each amended to
13 read as follows:

14 (1) The ((supervisor)) director may revoke a license issued under
15 this chapter if the ((supervisor)) director finds that:

16 (a) The licensee has failed to pay any fee due the state of
17 Washington, has failed to maintain in effect the bond or permitted
18 substitute required under this chapter, or has failed to comply with
19 any specific order or demand of the ((supervisor)) director lawfully
20 made and directed to the licensee in accordance with this chapter;

21 (b) The licensee, either knowingly or without the exercise of due
22 care, has violated any provision of this chapter or any rule adopted
23 under this chapter; or

24 (c) A fact or condition exists that, if it had existed at the time
25 of the original application for the license, clearly would have allowed
26 the ((supervisor)) director to deny the application for the original
27 license. The ((supervisor)) director may revoke or suspend only the
28 particular license with respect to which grounds for revocation or
29 suspension may occur or exist unless the ((supervisor)) director finds
30 that the grounds for revocation or suspension are of general
31 application to all offices or to more than one office operated by the
32 licensee, in which case, the ((supervisor)) director may revoke or
33 suspend all of the licenses issued to the licensee.

34 (2) A licensee may surrender a license by delivering to the
35 ((supervisor)) director written notice of surrender, but the surrender
36 does not affect the licensee's civil or criminal liability, if any, for
37 acts committed before the surrender.

1 (3) The revocation, suspension, or surrender of a license does not
2 impair or affect the obligation of a preexisting lawful contract
3 between the licensee and a borrower.

4 (4) Every license issued under this chapter remains in force and
5 effect until it has been surrendered, revoked, or suspended in
6 accordance with this chapter. However, the ((~~supervisor~~)) director may
7 on his or her own initiative reinstate suspended licenses or issue new
8 licenses to a licensee whose license or licenses have been revoked if
9 the ((~~supervisor~~)) director finds that the licensee meets all the
10 requirements of this chapter.

11 **Sec. 167.** RCW 31.04.105 and 1993 c 190 s 1 are each amended to
12 read as follows:

13 Every licensee may:

14 (1) Lend money at a rate that does not exceed twenty-five percent
15 per annum as determined by the simple interest method of calculating
16 interest owed;

17 (2) In connection with the making of a loan, charge the borrower a
18 nonrefundable, prepaid, loan origination fee not to exceed four percent
19 of the first twenty thousand dollars and two percent thereafter of the
20 principal amount of the loan advanced to or for the direct benefit of
21 the borrower, which fee may be included in the principal balance of the
22 loan;

23 (3) Agree with the borrower for the payment of fees for title
24 insurance, appraisals, recording, reconveyance, and releasing when such
25 fees are actually paid by the licensee to a third party for such
26 services or purposes and may include such fees in the amount of the
27 loan. However, no charge may be collected unless a loan is made,
28 except for reasonable fees properly incurred in connection with the
29 appraisal of property by a qualified, independent, professional, third-
30 party appraiser selected by the borrower and approved by the lender or
31 in the absence of borrower selection, selected by the lender;

32 (4) Charge and collect a penalty of ten cents or less on each
33 dollar of any installment payment delinquent ten days or more;

34 (5) Collect from the debtor reasonable attorneys' fees, actual
35 expenses, and costs incurred in connection with the collection of a
36 delinquent debt, a repossession, or a foreclosure when a debt is
37 referred for collection to an attorney who is not a salaried employee
38 of the licensee;

- 1 (6) Make open-end loans as provided in this chapter;
- 2 (7) Charge and collect a fee for dishonored checks in an amount
- 3 approved by the ((~~supervisor~~)) director; and
- 4 (8) In accordance with Title 48 RCW, sell insurance covering real
- 5 and personal property, covering the life or disability or both of the
- 6 borrower, and covering the involuntary unemployment of the borrower.

7 **Sec. 168.** RCW 31.04.115 and 1993 c 405 s 1 are each amended to

8 read as follows:

9 (1) As used in this section, "open-end loan" means an agreement

10 between a licensee and a borrower that expressly states that the loan

11 is made in accordance with this chapter and that provides that:

12 (a) A licensee may permit the borrower to obtain advances of money

13 from the licensee from time to time, or the licensee may advance money

14 on behalf of the borrower from time to time as directed by the

15 borrower;

16 (b) The amount of each advance and permitted charges and costs are

17 debited to the borrower's account, and payments and other credits are

18 credited to the same account;

19 (c) The charges are computed on the unpaid principal balance, or

20 balances, of the account from time to time; and

21 (d) The borrower has the privilege of paying the account in full at

22 any time without prepayment penalty or, if the account is not in

23 default, in monthly installments of fixed or determinable amounts as

24 provided in the agreement.

25 (2) Interest charges on an open-end loan shall not exceed twenty-

26 five percent per annum computed in each billing cycle by any of the

27 following methods:

28 (a) By converting the annual rate to a daily rate, and multiplying

29 the daily rate by the daily unpaid principal balance of the account, in

30 which case each daily rate is determined by dividing the annual rate by

31 three hundred sixty-five;

32 (b) By multiplying a monthly rate by the average daily unpaid

33 principal balance of the account in the billing cycle, in which case

34 the monthly rate is one-twelfth of the annual rate, and the average

35 daily unpaid principal balance is the sum of the amount unpaid each day

36 during the cycle divided by the number of days in the cycle; or

37 (c) By converting the annual rate to a daily rate, and multiplying

38 the daily rate by the average daily unpaid principal balance of the

1 account in the billing cycle, in which case the daily rate is
2 determined by dividing the annual rate by three hundred sixty-five, and
3 the average daily unpaid principal balance is the sum of the amount
4 unpaid each day during the cycle divided by the number of days in the
5 cycle.

6 For all of the methods of computation specified in this subsection,
7 the billing cycle shall be monthly, and the unpaid principal balance on
8 any day shall be determined by adding to the balance unpaid, as of the
9 beginning of that day, all advances and other permissible amounts
10 charged to the borrower, and deducting all payments and other credits
11 made or received that day. A billing cycle is considered monthly if
12 the closing date of the cycle is on the same date each month, or does
13 not vary by more than four days from that date.

14 (3) In addition to the charges permitted under subsection (2) of
15 this section, the licensee may contract for and receive an annual fee,
16 payable each year in advance, for the privilege of opening and
17 maintaining an open-end loan account. Except as prohibited or limited
18 by this section, the licensee may also contract for and receive on an
19 open-end loan any additional charge permitted by this chapter on other
20 loans, subject to the conditions and restrictions otherwise pertaining
21 to those charges.

22 (4)(a) If credit life or credit disability insurance is provided,
23 the additional charge for credit life insurance or credit disability
24 insurance shall be calculated in each billing cycle by applying the
25 current monthly premium rate for the insurance, at the rate approved by
26 the insurance commissioner to the entire outstanding balances in the
27 borrower's open-end loan account, or so much thereof as the insurance
28 covers using any of the methods specified in subsection (2) of this
29 section for the calculation of interest charges; and

30 (b) The licensee shall not cancel credit life or disability
31 insurance written in connection with an open-end loan because of
32 delinquency of the borrower in the making of the required minimum
33 payments on the loan, unless one or more of the payments is past due
34 for a period of ninety days or more; and the licensee shall advance to
35 the insurer the amounts required to keep the insurance in force during
36 that period, which amounts may be debited to the borrower's account.

37 (5) A security interest in real or personal property may be taken
38 to secure an open-end loan. Any such security interest may be retained
39 until the open-end account is terminated. The security interest shall

1 be promptly released if (a) there has been no outstanding balance in
2 the account for twelve months and the borrower either does not have or
3 surrenders the unilateral right to create a new outstanding balance; or
4 (b) the account is terminated at the borrower's request and paid in
5 full.

6 (6) The licensee may from time to time increase the rate of
7 interest being charged on the unpaid principal balance of the
8 borrower's open-end loans if the licensee mails or delivers written
9 notice of the change to the borrower at least thirty days before the
10 effective date of the increase unless the increase has been earlier
11 agreed to by the borrower. However, the borrower may choose to
12 terminate the open-end account and the licensee shall allow the
13 borrower to repay the unpaid balance incurred before the effective date
14 of the rate increase upon the existing open-end loan account terms and
15 interest rate unless the borrower incurs additional debt on or after
16 the effective date of the rate increase or otherwise agrees to the new
17 rate.

18 (7) The licensee shall deliver a copy of the open-end loan
19 agreement to the borrower at the time the open-end account is created.
20 The agreement must contain the name and address of the licensee and of
21 the principal borrower, and must contain such specific disclosures as
22 may be required by rule of the (~~supervisor~~) director. In adopting
23 the rules the (~~supervisor~~) director shall consider Regulation Z
24 promulgated by the board of governors of the federal reserve system
25 under the federal consumer credit protection act.

26 (8) Except in the case of an account that the licensee deems to be
27 uncollectible, or with respect to which delinquency collection
28 procedures have been instituted, the licensee shall deliver to the
29 borrower at the end of each billing cycle in which there is an
30 outstanding balance of more than one dollar in the account, or with
31 respect to which interest is imposed, a periodic statement in the form
32 required by the (~~supervisor~~) director. In specifying such form the
33 (~~supervisor~~) director shall consider Regulation Z promulgated by the
34 board of governors of the federal reserve system under the federal
35 consumer credit protection act.

36 **Sec. 169.** RCW 31.04.145 and 1991 c 208 s 15 are each amended to
37 read as follows:

1 For the purpose of discovering violations of this chapter or
2 securing information lawfully required under this chapter, the
3 (~~supervisor~~) director may at any time, either personally or by a
4 designee, investigate the loans and business and examine, wherever
5 located, the books, accounts, records, and files used in the business
6 of every licensee and of every person who is engaged in the business
7 described in RCW 31.04.035, whether the person acts or claims to act as
8 principal or agent, or under or without the authority of this chapter.
9 For that purpose the (~~supervisor~~) director and designated
10 representative shall have free access to the offices and places of
11 business, books, accounts, papers, records, files, safes, and vaults of
12 all such persons. The (~~supervisor~~) director and persons designated
13 by the (~~supervisor~~) director may require the attendance of and
14 examine under oath all persons whose testimony may be required about
15 the loans or the business or the subject matter of any investigation,
16 examination, or hearing. The (~~supervisor~~) director shall make such
17 an examination of the affairs, business, office, and records of each
18 licensee at least once each eighteen months. The licensee so examined
19 shall pay to the (~~supervisor~~) director the actual cost of examining
20 and supervising each licensed place of business.

21 **Sec. 170.** RCW 31.04.155 and 1991 c 208 s 16 are each amended to
22 read as follows:

23 The licensee shall keep and use in the business such books,
24 accounts, and records as will enable the (~~supervisor~~) director to
25 determine whether the licensee is complying with this chapter and with
26 the rules adopted by the (~~supervisor~~) director under this chapter.
27 The (~~supervisor~~) director shall have free access to such books,
28 accounts, and records wherever located. Every licensee shall preserve
29 the books, accounts, and records for at least two years after making
30 the final entry on any loan recorded in them.

31 Each licensee shall on or before the first day of March each year
32 file a report with the (~~supervisor~~) director giving such relevant
33 information as the (~~supervisor~~) director reasonably may require
34 concerning the business and operations during the preceding calendar
35 year of each licensed place of business conducted by the licensee
36 within the state. The report must be made under oath and must be in
37 the form prescribed by the (~~supervisor~~) director, who shall make and
38 publish annually an analysis and recapitulation of the reports.

1 **Sec. 171.** RCW 31.04.165 and 1991 c 208 s 17 are each amended to
2 read as follows:

3 (1) The ((~~supervisor~~)) director has the power, and broad
4 administrative discretion, to administer and interpret this chapter to
5 facilitate the delivery of financial services to the citizens of this
6 state by loan companies subject to this chapter. The ((~~supervisor~~))
7 director shall adopt all rules necessary to ensure complete and full
8 disclosure by licensees of lending transactions governed by this
9 chapter.

10 (2) If it appears to the ((~~supervisor~~)) director that a licensee is
11 conducting business in an injurious manner or is violating any
12 provision of this chapter, the ((~~supervisor~~)) director may direct the
13 discontinuance of any such injurious or illegal practice.

14 **Sec. 172.** RCW 31.04.175 and 1991 c 208 s 18 are each amended to
15 read as follows:

16 (1) Every licensee that fails to file a report that is required to
17 be filed by this chapter within the time required under this chapter is
18 subject to a penalty of fifty dollars per day for each day's delay.
19 The attorney general may bring a civil action in the name of the state
20 for recovery of any such penalty.

21 (2) A person who violates, or knowingly aids or abets the violation
22 of any provision of this chapter for which no penalty has been
23 prescribed, and a person who fails to perform any act that it is made
24 his or her duty to perform under this chapter and for which failure no
25 penalty has been prescribed, is guilty of a gross misdemeanor. No
26 person who has been convicted for the violation of the banking laws of
27 this state or of the United States may be permitted to engage in the
28 business, or become an officer or official, of any licensee in this
29 state.

30 (3) No provision imposing civil penalties or criminal liability
31 under this chapter or rule adopted under this chapter applies to an act
32 taken or omission made in good faith in conformity with a written
33 notice, interpretation, or examination report of the ((~~supervisor~~))
34 director or his or her agent.

35 **Sec. 173.** RCW 31.04.185 and 1991 c 208 s 19 are each amended to
36 read as follows:

1 All rules adopted under or to implement the provisions of law
2 repealed by sections 23 and 24, chapter 208, Laws of 1991 remain in
3 effect until amended or repealed by the ((supervisor)) director.

4 **Sec. 174.** RCW 31.04.902 and 1991 c 208 s 25 are each amended to
5 read as follows:

6 (1) Sections 1 through 23 of this act shall take effect January 1,
7 1992, but the ((supervisor)) director shall take such steps and adopt
8 such rules as are necessary to implement this act by that date.

9 (2) Section 24 of this act shall take effect January 1, 1993.

10 **Sec. 175.** RCW 31.12.005 and 1984 c 31 s 2 are each amended to read
11 as follows:

12 Unless the context clearly requires otherwise, as used in this
13 chapter:

14 (1) "Board" means the board of directors of a credit union.

15 (2) "Branch" means any office, other than the principal place of
16 business, maintained by a credit union for the purpose of providing
17 services directly to its members. "Branch" does not include a facility
18 that is limited to an electronic funds transferring machine that can be
19 operated without the assistance of an employee of a credit union.

20 (3) "Credit union" means a credit union organized and operating
21 under this chapter.

22 (4) "Director" means the director of financial institutions.

23 (5) "Employees" means the principal operating officer and other
24 operating personnel of a credit union.

25 ((+5)) (6) "Federal credit union" means a credit union organized
26 and operating under the laws of the United States.

27 ((+6)) (7) "Officers" means the officers of the board of a credit
28 union who are elected under RCW 31.12.265.

29 ((+7)) (8) "Shares" and "deposits" are synonymous and
30 interchangeable. Shares and deposits of a credit union shall be
31 subject to such terms and conditions as established by the board of the
32 credit union.

33 ((+8)) "~~Supervisor~~" means ~~the supervisor of savings and loan~~
34 ~~associations appointed under RCW 43.19.100, or the duly authorized~~
35 ~~agent of the supervisor of savings and loan associations.~~)

1 (9) "Supervisory committee" means a committee having the powers and
2 duties set forth in RCW 31.12.326 through 31.12.355. Supervisory
3 committees are the statutory successors of auditing committees.

4 **Sec. 176.** RCW 31.12.015 and 1984 c 31 s 3 are each amended to read
5 as follows:

6 A credit union is a cooperative society organized for the purposes
7 of promoting thrift among its members and creating a source of credit
8 for them at fair and reasonable rates of interest. The ((~~supervisor~~))
9 director is the state's credit union regulatory authority whose purpose
10 is to protect the members' financial interests, the integrity of credit
11 unions as cooperative institutions, and the interests of the general
12 public, and to ensure that state-chartered credit unions remain viable
13 and competitive in this state.

14 **Sec. 177.** RCW 31.12.035 and 1984 c 31 s 5 are each amended to read
15 as follows:

16 Seven or more persons who reside in this state may apply to the
17 ((~~supervisor~~)) director for permission to organize a credit union. The
18 ((~~supervisor~~)) director shall approve the application if it is in
19 compliance with this chapter.

20 **Sec. 178.** RCW 31.12.045 and 1984 c 31 s 6 are each amended to read
21 as follows:

22 (1) Membership in a credit union shall be limited to groups having
23 a common bond of occupation or association, or to groups within a well-
24 defined neighborhood, community, or rural district. The ((~~supervisor~~))
25 director may adopt rules: (a) Reasonably defining "common bond"; and
26 (b) setting forth standards for the approval of charters.

27 (2) The ((~~supervisor~~)) director may approve the inclusion within
28 the field of membership of a credit union a group having a separate
29 common bond if the ((~~supervisor~~)) director determines that the group is
30 not of sufficient size or resources to support a viable credit union of
31 its own.

32 **Sec. 179.** RCW 31.12.055 and 1984 c 31 s 7 are each amended to read
33 as follows:

34 (1) Persons applying for the organization of a credit union shall
35 execute articles of incorporation stating:

- 1 (a) The initial name of the proposed credit union and its location;
2 (b) That the duration of the credit union is perpetual;
3 (c) That the purpose of the credit union is to engage in the
4 business of a credit union and any other lawful activities permitted to
5 a credit union by applicable laws and rules;
6 (d) The number of its directors, which shall not be less than five
7 nor greater than fifteen, and the names, occupations, and addresses of
8 the persons who are to serve as the initial directors;
9 (e) The names, occupations, and addresses of the subscribers to the
10 articles of incorporation, and a statement of the number of shares
11 which each has agreed to take; and
12 (f) The initial par value of the shares of the credit union.
13 (2) Applicants shall submit the articles of incorporation in
14 triplicate to the (~~supervisor~~) director.

15 **Sec. 180.** RCW 31.12.065 and 1984 c 31 s 8 are each amended to read
16 as follows:

17 (1) Persons applying for the organization of a credit union shall
18 adopt bylaws that are consistent with this chapter and that prescribe
19 the manner in which the business of the credit union shall be
20 conducted. The bylaws shall include:

- 21 (a) The name of the credit union;
22 (b) The purposes of the credit union;
23 (c) The qualifications for membership in the credit union,
24 including the minimum number of shares, if any, required for membership
25 status, and the standards and procedures for expelling a member who has
26 failed to maintain the minimum number of shares;
27 (d) The number of directors and supervisory committee members, and
28 the length of terms they serve;
29 (e) The frequency of regular meetings of the board and the
30 supervisory committee, and the manner in which members of the board or
31 supervisory committee are to be notified of meetings;
32 (f) The powers and duties of the officers elected by the board;
33 (g) The timing of the annual meeting and the manner in which
34 members are to be notified of membership meetings, including special
35 membership meetings;
36 (h) The number of members constituting a quorum at a membership
37 meeting; and

1 (i) Other matters considered appropriate by the applicants to be
2 included in the bylaws.

3 (2) Applicants shall submit the bylaws in duplicate to the
4 (~~supervisor~~) director.

5 **Sec. 181.** RCW 31.12.075 and 1984 c 31 s 9 are each amended to read
6 as follows:

7 (1) When articles of incorporation and bylaws complying with the
8 requirements of RCW 31.12.055 and 31.12.065 have been filed with the
9 (~~supervisor~~) director, the (~~supervisor~~) director shall:

10 (a) Determine whether the articles of incorporation and bylaws are
11 consistent with the purposes and requirements of this chapter; and

12 (b) Determine the feasibility of the credit union, taking into
13 account surrounding facts and circumstances pertaining to a successful
14 operation of a credit union.

15 The (~~supervisor~~) director may establish by rule, as a
16 prerequisite to approval of a proposed credit union, specific criteria
17 consistent with the purposes and policies of this chapter.

18 (2) If the (~~supervisor~~) director is satisfied with the
19 determinations made under subsection (1)(a) and (b) of this section,
20 the (~~supervisor~~) director shall endorse each of the articles of
21 incorporation "approved" and indicate the date the approval is granted,
22 and return two sets of articles and one set of bylaws to the
23 applicants.

24 (3) If the (~~supervisor~~) director is not satisfied with the
25 determinations made under subsection (1)(a) and (b) of this section,
26 the (~~supervisor~~) director shall endorse each of the articles of
27 incorporation "refused," indicate the date of and reasons for the
28 refusal, and return two copies of the articles of incorporation with
29 one copy of the bylaws to the person from whom they were received. The
30 (~~supervisor~~) director shall at the time of returning the copies of
31 the articles of incorporation and bylaws also provide notice to the
32 applicant of the applicant's right to appeal the refusal under chapter
33 34.05 RCW. The refusal is conclusive unless the applicant requests a
34 hearing under chapter 34.05 RCW.

35 (4) The (~~supervisor~~) director shall accept or refuse the articles
36 of incorporation within sixty days of receipt.

1 **Sec. 182.** RCW 31.12.085 and 1993 c 269 s 12 are each amended to
2 read as follows:

3 (1) Upon the approval of the ((~~supervisor~~)) director under RCW
4 31.12.075(2), the applicants shall file a copy of the articles of
5 incorporation with the secretary of state. Upon receipt of the
6 approved articles of incorporation and a twenty dollar filing fee to be
7 provided by the applicants, the secretary of state shall file and
8 record the articles of incorporation. The applicants shall in writing
9 promptly notify the ((~~supervisor~~)) director of the exact date of the
10 filing.

11 (2) Upon the filing and recording of the approved articles of
12 incorporation with the secretary of state, the persons named in the
13 articles of incorporation and their successors may operate as a credit
14 union, which shall have the powers and be subject to the duties and
15 obligations of this chapter. A credit union shall not conduct business
16 until the articles have been recorded by the secretary of state.

17 (3) A credit union shall organize and begin business within six
18 months of the date that its articles of incorporation are filed and
19 recorded with the secretary of state or its charter shall become void,
20 unless the ((~~supervisor~~)) director for cause grants an extension of the
21 six-month period. The ((~~supervisor~~)) director shall not grant a single
22 extension exceeding three months, but may grant as many extensions to
23 a credit union as circumstances require.

24 **Sec. 183.** RCW 31.12.095 and 1984 c 31 s 11 are each amended to
25 read as follows:

26 In order to simplify the organization of credit unions the
27 ((~~supervisor~~)) director shall cause to be prepared forms of articles of
28 incorporation and bylaws consistent with this chapter and, upon written
29 application of seven residents of this state, shall supply to the
30 applicants, at no cost, blank forms of the suggested articles of
31 incorporation and bylaws.

32 **Sec. 184.** RCW 31.12.105 and 1984 c 31 s 12 are each amended to
33 read as follows:

34 The articles of incorporation of a credit union may be amended,
35 with the approval of the ((~~supervisor~~)) director, by a resolution of
36 the board. Amendments to the articles of incorporation shall be filed
37 with the ((~~supervisor~~)) director and the secretary of state.

1 **Sec. 185.** RCW 31.12.115 and 1984 c 31 s 13 are each amended to
2 read as follows:

3 (1) Subject to the approval of the (~~supervisor~~) director under
4 subsection (2) of this section, the bylaws of a credit union may be
5 amended by the board of directors at any regular meeting or at a
6 special meeting called for that purpose. An amendment of the bylaws
7 requires the affirmative vote of two-thirds of the total members of the
8 board. At least seven days before a meeting at which an amendment to
9 the bylaws is to be voted upon, a copy of the proposed amendment,
10 together with a written notice of the meeting as provided in the
11 bylaws, shall be served upon each member of the board either personally
12 or by mail to the director's last known post office address.

13 (2) An amendment to the bylaws of a credit union shall not become
14 operative until it has been approved by the (~~supervisor~~) director.
15 The (~~supervisor~~) director shall approve or disapprove an amendment
16 within thirty days of receipt.

17 **Sec. 186.** RCW 31.12.125 and 1990 c 33 s 564 are each amended to
18 read as follows:

19 A credit union may:

20 (1) Issue shares to and receive deposits from its members as
21 provided in this chapter and the bylaws of the credit union;

22 (2) Make loans to its members as provided in this chapter and the
23 bylaws of the credit union;

24 (3) Pay dividends or interest to its members;

25 (4) Impose reasonable charges for the services it provides to its
26 members;

27 (5) Impose financing charges and reasonable late charges in the
28 event of default on loans in accordance with the bylaws of the credit
29 union and recover reasonable costs and expenses, including reasonable
30 attorneys' fees incurred both before and after judgment, incurred in
31 the collection of sums due it if provided for in the note or agreement
32 signed by the borrower;

33 (6) Acquire, lease, hold, assign, pledge, hypothecate, sell, or
34 otherwise dispose of a possessory interest in personal property and,
35 with the prior written permission of the (~~supervisor~~) director, in
36 real property, so long as the property is necessary or incidental to
37 the operation of the credit union. The written permission of the
38 (~~supervisor~~) director is not required for the acquisition and

1 disposition of property through the collection of loans secured by the
2 property;

3 (7) Deposit and invest funds in excess of the amount approved for
4 loans to members as provided in this chapter;

5 (8) Borrow money, up to a maximum of fifty percent of its paid-in
6 and unimpaired capital and surplus;

7 (9) Discount or sell any of its assets, or purchase any or all of
8 the assets of another credit union. A credit union may not discount or
9 sell more than ten percent of its assets without the prior written
10 approval of the ((supervisor)) director;

11 (10) Accept deposits of deferred compensation of its members under
12 the terms and conditions of RCW 28A.400.240 and 41.04.250(2);

13 (11) Act as fiscal agent for and receive payments on shares and
14 deposits from the federal government or this state, and any agency or
15 political subdivision thereof;

16 (12) Engage in activities and programs as requested by the federal
17 government, this state, and any political subdivision thereof, when the
18 activities or programs are not inconsistent with this chapter;

19 (13) Hold membership in other credit unions organized under this
20 chapter or other laws and in associations controlled by or fostering
21 the interests of credit unions, including a central liquidity facility
22 organized under state or federal law; and

23 (14) Exercise such incidental powers as are necessary or requisite
24 to enable it to carry on effectively the business for which it is
25 incorporated.

26 **Sec. 187.** RCW 31.12.136 and 1987 c 338 s 1 are each amended to
27 read as follows:

28 (1) Notwithstanding any other provision of law, a credit union may
29 exercise any of the powers or authority conferred as of July 26, 1987,
30 upon a federal credit union doing business in this state.

31 (2) In addition to the powers conferred under subsection (1) of
32 this section, the ((supervisor)) director may by rule authorize credit
33 unions to exercise any of the powers conferred at the time of the
34 adoption of the rule upon a federal credit union doing business in this
35 state if the ((supervisor)) director finds that the exercise of power
36 serves the convenience and advantage of depositors and borrowers of
37 state-chartered credit unions, and maintains the fairness of

1 competition and parity between state-chartered credit unions and
2 federal-chartered credit unions.

3 (3) Before exercising a power under subsection (1) or (2) of this
4 section, the board of a credit union shall adopt a resolution
5 identifying and formally adopting that power.

6 **Sec. 188.** RCW 31.12.195 and 1987 c 338 s 3 are each amended to
7 read as follows:

8 (1) A special meeting of a credit union may be called by a majority
9 of the board, a majority vote of the supervisory committee, or upon
10 written application of at least ten percent or two thousand, whichever
11 is less, of the voting members of a credit union. A request for a
12 special meeting of a credit union shall be in writing and shall state
13 specifically the purpose or purposes for which the meeting is called.
14 If the special meeting is being called for the removal of a director
15 the notice shall state the name of the director whose removal is
16 sought.

17 (2) Upon receipt of a request for a special meeting, the secretary
18 of the credit union shall designate the time and place at which the
19 special meeting will be held. The designated place of the meeting
20 shall be a reasonable location within the county in which the principal
21 office of the credit union is located. The designated time of the
22 meeting shall be no sooner than twenty nor later than thirty days after
23 the request is received by the secretary. The secretary shall within
24 ten days of receipt of the request give notice of the meeting,
25 including the purpose for which the meeting is called, as provided in
26 the bylaws. A willful violation of this section constitutes a
27 violation of this chapter and constitutes grounds sufficient for the
28 suspension and removal of the secretary under RCW 31.12.575.

29 (3) Except as provided in this subsection, the chairman or
30 president of the board shall preside over special meetings. If the
31 purpose of the special meeting includes the proposed removal of the
32 chairman or president from the board, the next highest ranking officer
33 of the board whose removal is not sought shall preside over the special
34 meeting. If the removal of all of the officers of the board is sought,
35 the chairman of the supervisory committee shall preside over the
36 special meeting. After every special meeting, the chairman of the
37 supervisory committee shall report to the (~~supervisor~~) director the
38 results of the special meeting and whether the special meeting was

1 conducted in a fair manner in accordance with the bylaws of the credit
2 union and with customary rules of parliamentary procedure.

3 (4) Voting by mail ballot on issues to be presented at a special
4 meeting is prohibited except with regard to mergers under RCW
5 31.12.695. Voting by mail ballot on a merger under RCW 31.12.695 may
6 be authorized by the board in accordance with rules established by the
7 ((~~supervisor~~)) director.

8 **Sec. 189.** RCW 31.12.206 and 1984 c 31 s 22 are each amended to
9 read as follows:

10 Members of a credit union who are calling for a special meeting,
11 the purpose of which is to remove a majority of the board, may file a
12 petition with the ((~~supervisor~~)) director setting forth the reasons for
13 which removal is sought and seeking the issuance of a cease and desist
14 order. The ((~~supervisor~~)) director may, after reviewing the merits of
15 the petition, issue a cease and desist order prohibiting the directors
16 and employees of the credit union from conducting any credit union
17 business outside the scope of the usual daily affairs of the credit
18 union. The cease and desist order shall remain in effect until revoked
19 or modified by the ((~~supervisor~~)) director or until the conclusion of
20 the special meeting.

21 **Sec. 190.** RCW 31.12.215 and 1984 c 31 s 23 are each amended to
22 read as follows:

23 A credit union desiring to establish a branch shall submit to the
24 ((~~supervisor~~)) director a notice of intent to establish a branch on a
25 form provided by the ((~~supervisor~~)) director at least thirty days
26 before conducting business at the branch.

27 **Sec. 191.** RCW 31.12.306 and 1984 c 31 s 32 are each amended to
28 read as follows:

29 (1) Each director, committee member, and employee of a credit union
30 shall be bonded in an amount and with surety and conditions established
31 by the ((~~supervisor~~)) director.

32 (2) When the bond coverage under subsection (1) of this section is
33 suspended or terminated, the board of the affected credit union shall
34 notify the ((~~supervisor~~)) director in writing within five days of
35 having received notice of the suspension or termination.

1 **Sec. 192.** RCW 31.12.335 and 1984 c 31 s 35 are each amended to
2 read as follows:

3 The supervisory committee of a credit union shall:

4 (1) Meet as often as necessary and at least quarterly;

5 (2) Keep fully informed as to the financial condition of the credit
6 union;

7 (3) Cause to be made semiannually a complete examination of the
8 cash, the credit union accounts, including income and expense, and the
9 members' share accounts in accordance with rules adopted by the
10 ((supervisor)) director; and

11 (4) Report its findings and recommendations to the board and make
12 an annual report to the members at the annual meeting.

13 **Sec. 193.** RCW 31.12.355 and 1984 c 31 s 37 are each amended to
14 read as follows:

15 Within forty-five days after the end of the fiscal year of a credit
16 union, the supervisory committee of a credit union shall make a report
17 to the ((supervisor)) director on a form provided by the ((supervisor))
18 director. A credit union that fails to submit the report within the
19 time prescribed, or that fails to submit other reports within thirty
20 days of a written request by the ((supervisor)) director, shall pay to
21 the state five dollars for each day until the report is submitted. The
22 penalty for any single delinquency shall not exceed one hundred dollars
23 and may be waived by the ((supervisor)) director.

24 **Sec. 194.** RCW 31.12.385 and 1984 c 31 s 40 are each amended to
25 read as follows:

26 Shares purchased and deposits made in a credit union by an
27 individual are governed by chapter 30.22 RCW. An individual member may
28 purchase shares and make deposits in a credit union in an amount that
29 does not exceed five hundred dollars or twenty percent of the total
30 shares of the credit union, whichever is greater. A fraternal
31 organization, partnership, or corporation that is a member may purchase
32 shares and make deposits in an amount that does not exceed twenty
33 percent of the assets of the credit union, unless the ((supervisor))
34 director authorizes a greater amount. A credit union may require from
35 a member ninety days notice of the intention to withdraw shares or
36 deposits. The notice requirement may be extended with the written
37 consent of the ((supervisor)) director.

1 **Sec. 195.** RCW 31.12.406 and 1987 c 338 s 6 are each amended to
2 read as follows:

3 (1) A credit union may make loans to its members with the approval
4 of a credit committee or loan officer. A credit union shall not make
5 loans to a fraternal organization, partnership, or corporation in
6 excess of the total shares of the organization, partnership, or
7 corporation without the written consent of the ((~~supervisor~~)) director.

8 (2) A credit union may make to individual members:

9 (a) Personal loans secured by the note of the member or other
10 adequate security, including, but not limited to, equity interests in
11 real estate, automobiles, boats, motorhomes, and travel trailers. The
12 aggregate of personal loans to one member shall be limited to five
13 thousand dollars or two and one-half percent of the assets of the
14 credit union, whichever is greater, unless the ((~~supervisor~~)) director
15 approves in writing a greater loan amount;

16 (b) Student loans under student loan programs of this state or the
17 United States;

18 (c) Loans for the acquisition of a modular home or mobile home as
19 defined by RCW 82.50.010, secured by a first security interest in that
20 modular home or mobile home, owned by the member. A loan under this
21 subsection shall not exceed eighty-five percent of the purchase price
22 or of the appraised value of the modular home or mobile home, whichever
23 is less;

24 (d) Residential real estate loans under RCW 31.12.415;

25 (e) Loans to its members under an act of congress known as the "FHA
26 Title I, National Housing Act of 1934," June 27, 1934 (12 U.S.C. Sec.
27 1701 to 1750, inc.); and

28 (f) Loans to credit union members in participation with other
29 credit unions, credit union organizations, or financial organizations.
30 The credit union which originates a loan under this subsection shall
31 retain an interest of at least ten percent of the face amount of the
32 loan unless the loan is a real estate loan in which case there is no
33 retention requirement.

34 (3) Personal loans shall be given preference, and in the event
35 there are not sufficient funds available to satisfy all approved loan
36 applicants, further preference shall be given to small loans.

37 **Sec. 196.** RCW 31.12.415 and 1984 c 31 s 43 are each amended to
38 read as follows:

1 (1) For purposes of this section a residential real estate loan is
2 a loan secured by a first mortgage, deed of trust, real estate
3 contract, or other first lien on the borrower's interest in a one-to-
4 four family dwelling, including an individual cooperative unit, or a
5 loan made for the construction of the dwelling. The dwelling shall be
6 insured by hazard insurance in an amount at least as great as the
7 credit union's interest in the dwelling or the value of the dwelling,
8 whichever is less. A residential real estate loan shall not exceed ten
9 thousand dollars or two and one-half percent of the assets of the
10 credit union, whichever is greater, without the approval of the
11 (~~supervisor~~) director.

12 (2) Except for loans made with the intent of sale on the secondary
13 market, the total amount of loans held by a credit union under this
14 section shall not exceed:

15 (a) Ten percent of its total assets if its total assets are less
16 than one hundred thousand dollars;

17 (b) Twenty percent of its total assets if its total assets are
18 greater than one hundred thousand dollars but less than one million
19 dollars; or

20 (c) Thirty percent of its total assets if its total assets are
21 greater than one million dollars.

22 **Sec. 197.** RCW 31.12.425 and 1987 c 338 s 7 are each amended to
23 read as follows:

24 (1) The capital or surplus funds in excess of the amount for which
25 loans are approved may be deposited or invested in any of the following
26 ways, so long as the investment has not been in default as to principal
27 or interest within five years prior to the date of purchase:

28 (a) Accounts in banks or trust companies, including national banks
29 located in this state, or other states, the accounts of which are
30 insured by the federal deposit insurance corporation. The deposits
31 made by a credit union under this subsection may exceed the insurance
32 limits established by the federal deposit insurance corporation;

33 (b) Bonds, securities, or other investments that are fully
34 guaranteed as to principal and interest by the United States
35 government, and general obligations of this state and its political
36 subdivisions;

37 (c) Obligations issued by corporations designated under Section
38 9101 of Title 31 U.S.C., or obligations, participations or other

1 instruments issued and guaranteed by the federal national mortgage
2 association;

3 (d) Participations or obligations which have been subjected by one
4 or more government agencies to a trust or trusts for which an executive
5 department, agency, or instrumentality of the United States has been
6 named to act as trustee;

7 (e) Shares, share certificates, or share deposits of other credit
8 unions or savings and loan associations organized or authorized to do
9 business under the laws of this state, other states, or the United
10 States, the accounts of which are insured or guaranteed by the federal
11 savings and loan insurance corporation, the national credit union
12 administration, the Washington credit union share guaranty association,
13 or another insurer approved by the (~~supervisor~~) director. The
14 deposits made by a credit union under this subsection may exceed the
15 insurance or guarantee limits established by the organization insuring
16 or guaranteeing the institution into which the deposits are made;

17 (f) Common trust funds whose investment portfolios consist of
18 securities issued or guaranteed by the federal government or an agency
19 of the government;

20 (g) Up to two percent of a corporation owned by the Washington
21 credit union league;

22 (h) Shares, stocks, loans, or other obligations of an organization
23 of which the membership or ownership is confined primarily to credit
24 unions and the purpose of which is to strengthen, advance, or provide
25 services to the credit union industry. An investment under subsection
26 (1)(h) of this section shall be limited to one percent of the total
27 paid-in and unimpaired capital and surplus of the credit union, but a
28 credit union may, in addition to the investment, lend to the
29 organization an amount not exceeding an additional one percent of the
30 total paid-in and unimpaired capital and surplus of the credit union;

31 (i) Loans to other credit unions organized or authorized to do
32 business under the laws of this state, other states, or the United
33 States. The aggregate of loans issued under this subsection shall be
34 limited to twenty-five percent of the paid-in and unimpaired capital of
35 the lending credit union; or

36 (j) Other investments authorized in accordance with rules adopted
37 by the (~~supervisor~~) director consistent with this chapter.

1 (2) The board may appoint an investment committee to make and
2 manage the investments under this section. An investment committee
3 shall remain subject to the supervision of the board.

4 **Sec. 198.** RCW 31.12.435 and 1984 c 31 s 45 are each amended to
5 read as follows:

6 (1) A credit union may invest a reasonable amount of its funds in
7 real property or leasehold interests for its own use in conducting
8 business if:

9 (a) The aggregate of its regular reserve and its undivided earnings
10 equals five percent of the total of its share accounts;

11 (b) The board approves the investment in real property for its own
12 use in conducting business by a two-thirds majority vote of the total
13 number of directors;

14 (c) The total investment in the property does not exceed seven and
15 one-half percent of the aggregate of its share and deposit accounts;
16 and

17 (d) The (~~supervisor~~) director approves of the investment in
18 writing.

19 (2) The (~~supervisor~~) director may waive the restrictions of this
20 section. The restrictions of this section do not affect investments
21 existing as of July 1, 1984.

22 **Sec. 199.** RCW 31.12.445 and 1984 c 31 s 46 are each amended to
23 read as follows:

24 (1) At the end of each accounting period and before the payment of
25 dividends to members, a credit union shall set apart as a regular
26 reserve an amount in accordance with subsection (2) of this section.

27 (2)(a) If a credit union has been in operation for four or more
28 years and has assets of at least five hundred thousand dollars it shall
29 reserve ten percent of gross income until the regular reserve equals
30 four percent of outstanding loans and then shall reserve five percent
31 of gross income until the regular reserve equals six percent of
32 outstanding loans.

33 (b) If a credit union has been in operation for less than four
34 years or has assets of less than five hundred thousand dollars, it
35 shall reserve ten percent of gross income until the regular reserve
36 equals seven and one-half percent of outstanding loans and then shall

1 reserve five percent of gross income until the regular reserve equals
2 ten percent of outstanding loans.

3 (c) The ((~~supervisor~~)) director may authorize a credit union
4 falling under subsection (2)(b) of this section to follow the reserving
5 requirements for credit unions falling under subsection (2)(a) of this
6 section.

7 (d) In computing outstanding loans for purposes of reserving, a
8 credit union may exclude loans secured by shares and loans insured or
9 guaranteed by the federal government or the government of this state to
10 the extent of the security, insurance, or guarantee.

11 (3) When the regular reserve falls below the percentage of
12 outstanding loans required under subsection (2) of this section, a
13 credit union shall replenish the regular reserve by again reserving a
14 portion of gross income as set forth in subsection (2) of this section.

15 (4) The regular reserve and the investments thereof shall be held
16 to meet contingencies or losses in the business of the credit union and
17 shall not be distributed to its members except in the case of
18 dissolution or with the permission of the ((~~supervisor~~)) director.

19 **Sec. 200.** RCW 31.12.455 and 1984 c 31 s 47 are each amended to
20 read as follows:

21 A credit union may with the approval of the ((~~supervisor~~))
22 director, in lieu of complying with the requirements of RCW 31.12.445,
23 comply with the reserve requirements and regulations of the national
24 credit union administration.

25 **Sec. 201.** RCW 31.12.465 and 1984 c 31 s 48 are each amended to
26 read as follows:

27 The ((~~supervisor~~)) director may, if deemed necessary, require a
28 credit union to establish a liquidity reserve of up to five percent of
29 unimpaired capital. The liquidity reserve shall be in cash or
30 investments with maturities of one year or less.

31 **Sec. 202.** RCW 31.12.475 and 1984 c 31 s 49 are each amended to
32 read as follows:

33 The ((~~supervisor~~)) director may require a credit union to charge-
34 off or set-up a special reserve fund for such delinquent loans or other
35 assets as in the ((~~supervisor's~~)) director's opinion require such
36 action.

1 **Sec. 203.** RCW 31.12.506 and 1984 c 31 s 52 are each amended to
2 read as follows:

3 (1) Except as provided in subsections (2) and (3) of this section,
4 a credit union shall not pay or become liable to pay as salaries, fees,
5 wages, or other compensation to officers, directors, agents, attorneys,
6 and employees and for rent, advertising, and all other operating
7 expenses, sums of money in excess of ten percent of the average amount
8 of assets of the credit union during the prior twelve months.

9 (2) Subsection (1) of this section notwithstanding, a credit union
10 shall not be limited in its expenditures to a sum less than six hundred
11 dollars in a calendar year.

12 (3) The ((~~supervisor~~)) director may waive the restrictions of
13 subsection (1) of this section if, in the ((~~supervisor's~~)) director's
14 opinion: (a) Circumstances warrant a waiver, and (b) waiver will not
15 jeopardize the financial condition of the credit union.

16 **Sec. 204.** RCW 31.12.516 and 1984 c 31 s 53 are each amended to
17 read as follows:

18 The powers of supervision and examination of credit unions are
19 vested in the ((~~supervisor~~)) director. The ((~~supervisor~~)) director
20 shall require each credit union to conduct business in compliance with
21 this chapter and other laws that apply to credit unions, and has the
22 power to commence and prosecute actions and proceedings, to enjoin
23 violations, and to collect sums due the state of Washington from a
24 credit union authorized to conduct business under this chapter.

25 **Sec. 205.** RCW 31.12.526 and 1984 c 31 s 54 are each amended to
26 read as follows:

27 (1) A credit union organized and qualified as a credit union in
28 another state which has not had its authority to operate in another
29 state suspended or revoked may operate as a credit union under this
30 chapter if:

31 (a) The ((~~supervisor~~)) director has approved an application to do
32 business in this state;

33 (b) A credit union organized under the laws of this state is
34 permitted to do business in the state in which the credit union is
35 organized;

36 (c) The interest rate charged by the credit union on loans made to
37 members residing in this state does not exceed the maximum interest

1 rate permitted in the state in which the credit union is organized, or
2 exceed the maximum interest rate which a credit union organized in this
3 state is permitted to charge on similar loans, whichever is lower;

4 (d) The credit union has secured surety bond and fidelity bond
5 coverages satisfactory to the ((~~supervisor~~)) director;

6 (e) The credit union has secured for the share accounts of its
7 members insurance or other surety satisfactory to the ((~~supervisor~~))
8 director;

9 (f) The credit union submits to the ((~~supervisor~~)) director an
10 annual audit or examination report of its most recently completed
11 fiscal year; and

12 (g) The credit union complies with all other provisions of this
13 chapter and rules adopted by the ((~~supervisor~~)) director.

14 (2) The ((~~supervisor~~)) director shall disapprove an application
15 filed under this section or, upon reasonable notice and an opportunity
16 for hearing, suspend or revoke the approval of an application, if the
17 ((~~supervisor~~)) director finds that the standards of organization,
18 operation, and regulation of the credit union do not reasonably conform
19 with the standards under this chapter or that at least fifty percent of
20 the members of the credit union are, or are reasonably expected to be,
21 residents of this state. In considering the standards of organization,
22 operation, and regulation of the credit union, the ((~~supervisor~~))
23 director may consider the laws and regulations of the state in which
24 the credit union is organized. A decision under this subsection may be
25 appealed under chapter 34.05 RCW.

26 (3) In implementing this section, the ((~~supervisor~~)) director may
27 cooperate with the administrators of the credit union laws in other
28 states and may share with the administrators the information received
29 in the administration of this chapter.

30 (4) The ((~~supervisor~~)) director shall adopt rules for the periodic
31 examination and investigation of the affairs of an out-of-state credit
32 union operating in this state. The costs of examination and
33 supervision shall be fully borne by the out-of-state credit union.

34 **Sec. 206.** RCW 31.12.535 and 1984 c 31 s 55 are each amended to
35 read as follows:

36 The ((~~supervisor~~)) director may adopt such rules as are reasonable
37 or necessary to carry out the purposes of this chapter. Chapter 34.05

1 RCW shall wherever applicable govern the rights, remedies, and
2 procedures respecting the administration of this chapter.

3 **Sec. 207.** RCW 31.12.545 and 1984 c 31 s 56 are each amended to
4 read as follows:

5 (1) The ((~~supervisor~~)) director shall make an examination and full
6 investigation into the affairs of each credit union at least once every
7 eighteen months, unless the ((~~supervisor~~)) director determines with
8 respect to a credit union that a less frequent examination schedule
9 will satisfactorily protect the financial stability of the credit union
10 and will satisfactorily assure compliance with the provisions of this
11 chapter. The actual cost of examination and supervision shall be paid
12 by the credit union examined. The ((~~supervisor~~)) director may waive
13 all or a portion of the examination costs payable by the credit union,
14 in light of the time and expense of the examination and the ability of
15 the credit union to pay the costs. The examination costs with respect
16 to the first examination of a credit union with assets under two
17 hundred thousand dollars shall not be payable by that credit union.

18 (2) The ((~~supervisor~~)) director may accept in lieu of an
19 examination under subsection (1) of this section the report of an
20 examiner authorized to examine a credit union under the laws of the
21 United States or another state or the report of an accountant,
22 satisfactory to the ((~~supervisor~~)) director, who has made and submitted
23 a report of the condition of the affairs of a credit union and, if
24 approved, the report shall have the same force and effect as an
25 examination under subsection (1) of this section.

26 (3) Communications from the ((~~supervisor~~)) director to the board of
27 a credit union regarding an examination or report shall be read before
28 the board at its first meeting following the receipt of the
29 communication and the fact that the communication was read before the
30 board shall be noted in the minutes of the meeting. The board shall
31 promptly respond to the ((~~supervisor~~)) director either by stating that
32 steps have been taken to comply with the communication or by stating
33 that the board objects to the communication and stating the reasons for
34 the objection.

35 **Sec. 208.** RCW 31.12.555 and 1984 c 31 s 57 are each amended to
36 read as follows:

1 The ((~~supervisor~~)) director may investigate the affairs of a credit
2 union service organization in which a credit union has an interest. A
3 person or an entity that is not a credit union that has an interest in
4 a credit union service organization in which a credit union has an
5 interest is deemed to have consented to the investigation. For the
6 purposes of this section and RCW 31.12.565, a sole proprietorship,
7 partnership, or corporation that is primarily in the business of
8 managing one or more credit unions shall be considered to be a credit
9 union service organization.

10 **Sec. 209.** RCW 31.12.565 and 1984 c 31 s 58 are each amended to
11 read as follows:

12 (1) Examination reports and information obtained by the
13 ((~~supervisor's~~)) director's staff in conducting examinations of credit
14 unions and credit union service organizations are confidential and
15 privileged information and not subject to public disclosure under
16 chapter 42.17 RCW.

17 (2) Notwithstanding subsection (1) of this section, the
18 ((~~supervisor~~)) director may furnish examination reports prepared by the
19 ((~~supervisor's~~)) director's office to:

20 (a) Federal agencies empowered to examine state-chartered credit
21 unions;

22 (b) Officials empowered to investigate criminal charges. The
23 ((~~supervisor~~)) director may furnish only that part of the report which
24 is necessary and pertinent to the investigation, and only after
25 notifying the affected credit union and members of the credit union who
26 are named in that part of the examination report that the report is
27 being furnished to the officials, unless the officials requesting the
28 report obtain a waiver of the notice requirement for good cause from a
29 court of competent jurisdiction;

30 (c) The examined credit union, solely for its confidential use;

31 (d) The attorney general in his or her role as legal advisor to the
32 ((~~supervisor~~)) director;

33 (e) Prospective merger partners or liquidating agents of a
34 distressed credit union;

35 (f) Credit union administrators in other states regarding an out-
36 of-state chartered credit union doing business in this state under this
37 chapter, or regarding a credit union chartered under this chapter doing
38 business in another state;

1 (g) Accounting firms under contract with the credit union;

2 (h) Companies that have bonded the credit union to the extent that
3 information is relevant to the renewal of the bond coverage or to a
4 claim under the bond coverage; or

5 (i) Companies, associations, or agencies insuring or guaranteeing
6 the shares of or deposits in the credit union.

7 (3) Examination reports furnished under subsection (2) of this
8 section remain the property of the ((~~supervisor's~~)) director's office
9 and no person, agency, or authority to whom reports are furnished or
10 any officer, director, or employee thereof may disclose or make public
11 the reports or information contained in the reports except in published
12 statistical information that does not disclose the affairs of an
13 individual or corporation, except that nothing prevents the use in a
14 criminal prosecution of reports furnished under subsection (2)(b) of
15 this section.

16 (4) In a civil action in which the reports are sought to be
17 discovered or used as evidence, a party upon notice to the
18 ((~~supervisor~~)) director, may petition the court for an in-camera review
19 of the reports. The court may permit discovery and introduction of
20 only those portions of the report which are relevant and otherwise
21 unobtainable by the requesting party. This subsection does not apply
22 to an action brought or defended by the ((~~supervisor~~)) director.

23 (5) This section does not apply to investigation reports prepared
24 by the ((~~supervisor~~)) director and the ((~~supervisor's~~)) director's
25 staff concerning an application for a new credit union or a notice of
26 intent to establish a branch of a credit union, except that the
27 ((~~supervisor~~)) director may adopt rules making confidential portions of
28 the reports if in the ((~~supervisor's~~)) director's opinion the public
29 disclosure of that portion of the report would impair the ability to
30 obtain information the ((~~supervisor~~)) director considers necessary to
31 fully evaluate the application.

32 (6) Any person who knowingly violates a provision of this section
33 is guilty of a gross misdemeanor.

34 **Sec. 210.** RCW 31.12.575 and 1984 c 31 s 59 are each amended to
35 read as follows:

36 (1) The ((~~supervisor~~)) director may suspend a director or the
37 principal operating officer of a credit union if, in the opinion of the
38 ((~~supervisor~~)) director, the director or principal operating officer is

1 dishonest, inefficient, incompetent, is willfully disobeying orders of
2 the ((supervisor)) director, or is in any way violating this chapter or
3 the bylaws of the credit union. The ((supervisor)) director shall give
4 prompt notice of and the reasons for the suspension to the board of the
5 affected credit union.

6 (2) Unless the ((supervisor)) director specifically provides
7 otherwise in the order of suspension, an order of suspension shall take
8 effect immediately. The suspended person shall be prohibited from all
9 aspects of the operation of the credit union. The suspended person
10 shall be barred from the credit union premises and shall surrender the
11 possession of all property and records of the credit union. A person
12 who knowingly violates an order of suspension or who knowingly aids in
13 the violation of an order of suspension shall be guilty of a gross
14 misdemeanor.

15 (3) Upon receipt of the notice of suspension, the board shall
16 within twenty days call a meeting of its members to consider the causes
17 of the suspension. The board shall give at least seven days' notice of
18 the time and place of the meeting to the ((supervisor)) director unless
19 the ((supervisor)) director agrees to accept shorter notice. If the
20 board finds the ((supervisor's)) director's objection to be well-
21 founded, the board shall remove the suspended person immediately.

22 (4) If the board fails to remove the suspended person as provided
23 in subsection (3) of this section, the ((supervisor)) director may
24 remove that person after reasonable notice and an opportunity to be
25 heard under chapter 34.05 RCW. The suspension shall remain in effect
26 for twenty days after the board meeting at which the board considers
27 the suspension, during which time the ((supervisor)) director may call
28 a hearing under this subsection. If the ((supervisor)) director calls
29 a hearing, the suspension shall remain in effect until the time of the
30 hearing.

31 **Sec. 211.** RCW 31.12.585 and 1984 c 31 s 60 are each amended to
32 read as follows:

33 (1) The ((supervisor)) director may issue and serve upon a credit
34 union a notice of charges if in the opinion of the ((supervisor))
35 director the credit union:

36 (a) Is engaging or has engaged in an unsafe or unsound practice in
37 conducting the business of the credit union;

1 (b) Is violating or has violated a material provision of any law,
2 rule, or any condition imposed in writing by the ((~~supervisor~~))
3 director in connection with the granting of any application or other
4 request by the credit union or any written agreement made with the
5 ((~~supervisor~~)) director; or

6 (c) Is about to do the acts prohibited in (a) or (b) of this
7 subsection if the opinion that the threat exists is based upon
8 reasonable cause.

9 (2) The notice shall contain a statement of the facts constituting
10 the alleged violation or the practice and shall fix a time and place at
11 which a hearing will be held to determine whether an order to cease and
12 desist should issue against the credit union. The hearing shall be set
13 not earlier than ten days nor later than thirty days after service of
14 the notice unless a later date is set by the ((~~supervisor~~)) director at
15 the request of the credit union.

16 Unless the credit union appears at the hearing by a duly authorized
17 representative, it shall be deemed to have consented to the issuance of
18 the cease and desist order. In the event of this consent or if upon
19 the record made at the hearing the ((~~supervisor~~)) director finds that
20 any violation or practice specified in the notice of charges has been
21 established, the ((~~supervisor~~)) director may issue and serve upon the
22 credit union an order to cease and desist from the violation or
23 practice. The order may require the credit union and its directors,
24 officers, employees, and agents to cease and desist from the violation
25 or practice and may require the credit union to take affirmative action
26 to correct the conditions resulting from the violation or practice.

27 (3) A cease and desist order shall become effective at the
28 expiration of ten days after the service of the order upon the credit
29 union concerned except that a cease and desist order issued upon
30 consent shall become effective at the time specified in the order and
31 shall remain effective as provided therein unless it is stayed,
32 modified, terminated, or set aside by action of the ((~~supervisor~~))
33 director or a reviewing court.

34 **Sec. 212.** RCW 31.12.595 and 1984 c 31 s 61 are each amended to
35 read as follows:

36 If the ((~~supervisor~~)) director determines that the act specified in
37 RCW 31.12.585 is likely to cause insolvency or substantial dissipation
38 of assets or earnings of the credit union or to otherwise seriously

1 prejudice the interests of its depositors, members, or shareholders,
2 the ((~~supervisor~~)) director may issue a temporary order requiring the
3 credit union to cease and desist from the violation or practice. The
4 order shall become effective upon service on the credit union and shall
5 remain effective unless set aside, limited, or suspended by a court in
6 proceedings under RCW 31.12.605 pending the completion of the
7 administrative proceedings under the notice and until the
8 ((~~supervisor~~)) director dismisses the charges specified in the notice
9 or until the effective date of a cease and desist order issued against
10 the credit union under RCW 31.12.585.

11 **Sec. 213.** RCW 31.12.615 and 1984 c 31 s 63 are each amended to
12 read as follows:

13 In the case of a violation or threatened violation of a temporary
14 cease and desist order issued under RCW 31.12.595, the ((~~supervisor~~))
15 director may apply to the superior court of the county of the principal
16 place of business of the credit union for an injunction to enforce the
17 order, and the court shall issue an injunction if it determines that
18 there has been a violation or threatened violation.

19 **Sec. 214.** RCW 31.12.625 and 1984 c 31 s 64 are each amended to
20 read as follows:

21 (1) An administrative hearing provided in RCW 31.12.585 shall be
22 conducted in accordance with chapter 34.05 RCW. The hearing shall be
23 private unless the ((~~supervisor~~)) director determines that a public
24 hearing is necessary to protect the public interest after fully
25 considering the views of the party afforded the hearing.

26 (2) Within sixty days after the hearing, the ((~~supervisor~~))
27 director shall render a decision which shall include findings of fact
28 upon which the decision is based and the ((~~supervisor~~)) director shall
29 issue and serve upon each party to the proceeding an order or orders
30 consistent with RCW 31.12.585.

31 **Sec. 215.** RCW 31.12.635 and 1984 c 31 s 65 are each amended to
32 read as follows:

33 (1) It is unlawful for a person to perform any of the following
34 acts:

35 (a) To knowingly subscribe to, make, or cause to be made a false
36 statement or entry in the books of a credit union;

1 (b) To knowingly make a false statement or entry in a report
2 required to be made to the ((~~supervisor~~)) director; or

3 (c) To knowingly exhibit a false or fictitious paper, instrument,
4 or security to a person authorized to examine a credit union.

5 (2) A violation of this section is a class C felony under chapter
6 9A.20 RCW.

7 **Sec. 216.** RCW 31.12.655 and 1984 c 31 s 67 are each amended to
8 read as follows:

9 The ((~~supervisor~~)) director may request a special meeting of the
10 board of a credit union if the ((~~supervisor~~)) director believes that a
11 special meeting is necessary for the welfare of the credit union or the
12 purposes of this chapter. The ((~~supervisor's~~)) director's request for
13 a special meeting shall be made in writing to the secretary of the
14 board and the request shall be handled in the same manner as a call for
15 a special meeting under RCW 31.12.195. The ((~~supervisor~~)) director may
16 require the attendance of all of the directors of the board at the
17 special meeting, and an absence of a director unexcused by the
18 ((~~supervisor~~)) director constitutes a violation of this chapter.

19 **Sec. 217.** RCW 31.12.665 and 1984 c 31 s 68 are each amended to
20 read as follows:

21 (1) The ((~~supervisor~~)) director may attend a regular or special
22 meeting of the board of a credit union if the ((~~supervisor~~)) director
23 believes that attendance at the meeting is necessary for the welfare of
24 the credit union or the purposes of this chapter or if the board has
25 requested the ((~~supervisor's~~)) director's attendance. The
26 ((~~supervisor~~)) director shall provide reasonable notice to the board
27 before attending a meeting.

28 (2) A communication from the ((~~supervisor~~)) director to the board
29 shall upon the request of the ((~~supervisor~~)) director be read to the
30 board at its next meeting and the fact that the communication was read
31 shall be noted in the minutes.

32 **Sec. 218.** RCW 31.12.675 and 1984 c 31 s 69 are each amended to
33 read as follows:

34 (1) The articles of incorporation of a credit union may be
35 suspended or revoked, the credit union placed in involuntary

1 liquidation, and a liquidating agent appointed upon a finding by the
2 ((~~supervisor~~)) director that the credit union is insolvent.

3 (2) Except as otherwise provided in this chapter, the
4 ((~~supervisor~~)) director, before suspending or revoking the articles of
5 incorporation of a credit union and placing the credit union in
6 liquidation, shall issue and serve notice on the credit union concerned
7 of the intention to suspend or revoke the articles and an order
8 directing the credit union to show cause why its articles of
9 incorporation should not be suspended or revoked, in accordance with
10 chapter 34.05 RCW.

11 (3) If the ((~~supervisor~~)) director finds that the credit union is
12 insolvent and the credit union fails to adequately show cause, the
13 articles of incorporation shall be suspended or revoked and the credit
14 union placed in involuntary liquidation. The ((~~supervisor~~)) director
15 shall serve on the credit union an order directing the suspension or
16 revocation and an order directing the involuntary liquidation and
17 appointment of a liquidating agent under RCW 31.12.685, and a statement
18 of the findings on which the order is based.

19 (4) The suspension or revocation shall be immediate and complete.
20 Once the articles of incorporation are suspended or revoked, the credit
21 union shall cease conducting business. The credit union may not accept
22 any payment on shares or deposits, may not grant or pay out any new or
23 previously approved loans, may not invest any of its assets, and may
24 not declare or pay out any previously declared dividends. The
25 liquidating agent of a credit union whose articles have been suspended
26 or revoked may accept payments on loans previously paid out and may
27 accept income from investments already made.

28 **Sec. 219.** RCW 31.12.685 and 1984 c 31 s 70 are each amended to
29 read as follows:

30 (1) The ((~~supervisor~~)) director shall designate the liquidating
31 agent in the order directing the involuntary liquidation of the credit
32 union under RCW 31.12.675. On receipt of the order placing the credit
33 union in involuntary liquidation, the officers and directors of the
34 credit union concerned shall deliver to the liquidating agent
35 possession and control of all books, records, assets, and property of
36 the credit union.

37 (2) The liquidating agent shall proceed to convert the assets to
38 cash, collect all debts due to the credit union and wind up its affairs

1 in accordance with the instructions and procedures issued by the
2 ((~~supervisor~~)) director. If a liquidating agent agrees to absorb and
3 serve the membership of a distressed credit union the ((~~supervisor~~))
4 director may approve a pooling of assets and liabilities rather than a
5 distribution of assets.

6 (3) The liquidating agent shall cause to be published notice of
7 liquidation once a week for three consecutive weeks in a newspaper of
8 general circulation in the county in which the principal place of
9 business of the liquidating credit union is located. The notice of
10 liquidation shall inform creditors of the liquidating credit union how
11 to make a claim upon the liquidating agent and that if a claim is not
12 made upon the liquidating agent within thirty days of the last date of
13 publication the creditor's claim shall be barred. The liquidating
14 agent shall provide personal notice of liquidation to the creditors of
15 record informing them that if they fail to make a claim upon the
16 liquidating agent within thirty days of the service of the notice, the
17 creditor's claim shall be barred. If a creditor fails to make a claim
18 upon the liquidating agent within the times required to be specified in
19 the notices of liquidation the creditor's claim shall be barred. All
20 contingent liabilities of the liquidated credit union shall be
21 discharged upon the ((~~supervisor's~~)) director's order to liquidate the
22 credit union. The liquidating agent shall, upon completion, certify to
23 the ((~~supervisor~~)) director that the distribution or pooling of assets
24 of the credit union is complete.

25 **Sec. 220.** RCW 31.12.695 and 1987 c 338 s 8 are each amended to
26 read as follows:

27 (1) For purposes of this section the merging credit union is the
28 credit union whose charter ceases to exist upon merging with the
29 continuing credit union. The continuing credit union is the credit
30 union whose charter continues upon merging with the merging credit
31 union.

32 (2) A credit union may be merged with another credit union with the
33 approval of the ((~~supervisor~~)) director and in accordance with
34 requirements the ((~~supervisor~~)) director may prescribe. The merger
35 shall be approved by two-thirds majority vote of the board of each
36 credit union and two-thirds majority vote of those members of the
37 merging credit union voting on the merger at a special membership
38 meeting called by the merging credit union board or by mail ballot as

1 provided in RCW 31.12.195(4). The requirement of approval by the
2 members of the merging credit union may be waived if in the
3 ((~~supervisor's~~)) director's opinion the merging credit union is in
4 imminent danger of insolvency.

5 (3) The property, rights, and interests of the merging credit union
6 transfer to and vest in the continuing credit union without deed,
7 endorsement, or instrument of transfer, although instruments of
8 transfer may be used if their use is deemed appropriate. The debts and
9 obligations of the merging credit union that are known or reasonably
10 should be known are assumed by the continuing credit union. The
11 continuing credit union shall cause to be published notice of merger
12 once a week for three consecutive weeks in a newspaper of general
13 circulation in the county in which the principal place of business of
14 the merging credit union is located. The notice of merger shall inform
15 creditors of the merging credit union how to make a claim on the
16 continuing credit union and that if a claim is not made upon the
17 continuing credit union within thirty days of the last date of
18 publication creditors' claims that are not known by the continuing
19 credit union may be barred. Unless a claim is filed as requested by
20 the notice, or unless the debt or obligation is known or reasonably
21 should be known by the continuing credit union, the debts and
22 obligations of the merging credit union are discharged. Upon merger
23 the charter of the merging credit union ceases to exist.

24 **Sec. 221.** RCW 31.12.705 and 1984 c 31 s 72 are each amended to
25 read as follows:

26 (1) A credit union chartered under the laws of this state may
27 convert itself into a federal credit union chartered under the laws of
28 the United States as authorized by the federal credit union act. The
29 conversion shall be approved by two-thirds majority vote of the members
30 present at any regular or special membership meeting called for that
31 purpose by the board. The meeting shall be held within thirty days of
32 being called and the secretary shall notify the members and the
33 ((~~supervisor~~)) director of the meeting and its purpose as provided by
34 the bylaws at least twenty days prior to the meeting.

35 (2) If the conversion is approved by the members a copy of the
36 resolution certified by the board shall be filed with the
37 ((~~supervisor~~)) director within ten days of approval. The board may
38 effect the conversion from a state-chartered credit union to a

1 federal-chartered credit union upon terms agreed by the board and the
2 proper federal authorities as provided by federal laws, rules, and
3 regulations.

4 (3) A certified copy of the federal credit union charter or
5 authorization issued to the credit union by the proper federal
6 authority shall be filed in the ((~~supervisor's~~)) director's office and
7 thereupon the state-chartered credit union ceases to exist except for
8 the purpose of winding up its affairs and prosecuting or defending any
9 litigation by or against the state-chartered credit union. For all
10 other purposes the credit union is converted into a federal-chartered
11 credit union and the state-chartered credit union may execute,
12 acknowledge, and deliver to the successor federal credit union the
13 instruments of transfer, conveyance, and assignment that are necessary
14 or desirable to complete the conversion, and the property, tangible or
15 intangible, and all rights, titles, and interests that are agreed to by
16 the board and the proper federal authorities.

17 (4) Procedures, similar to those contained in subsections (1)
18 through (3) of this section, prescribed by the ((~~supervisor~~)) director
19 shall be followed when a credit union chartered under the laws of this
20 state merges with or converts to a credit union chartered under the
21 laws of another state.

22 **Sec. 222.** RCW 31.12.715 and 1984 c 31 s 73 are each amended to
23 read as follows:

24 (1) A federal credit union located and conducting business in this
25 state which becomes inoperative because of a change in the laws under
26 which it is chartered or which is authorized to dissolve or convert to
27 a state-chartered credit union in accordance with federal law may
28 convert into a state-chartered credit union.

29 (2) The board of the federal credit union shall file with the
30 ((~~supervisor~~)) director proposed articles of incorporation and proposed
31 bylaws, as provided by this chapter for organizing a new
32 state-chartered credit union. If approved by the ((~~supervisor~~))
33 director the federal-chartered credit union shall become a state-
34 chartered credit union under the laws of this state and the assets and
35 liabilities of the credit union vest in and become the property of the
36 successor state-chartered credit union subject to all existing
37 liabilities against the federal-chartered credit union. Shareholders

1 and members of the federal credit union may become shareholders and
2 members of the successor state-chartered credit union.

3 (3) Procedures, similar to those contained in subsections (1) and
4 (2) of this section, prescribed by the ((~~supervisor~~)) director shall be
5 followed when a credit union chartered under the laws of another state
6 wishes to merge with or convert to a credit union chartered under the
7 laws of this state.

8 **Sec. 223.** RCW 31.12.725 and 1984 c 31 s 74 are each amended to
9 read as follows:

10 (1) At a meeting specially called for the purpose of liquidation,
11 upon the recommendation of at least two-thirds of the total members of
12 the board of a credit union, the members of a credit union may by a
13 two-thirds vote of the members present elect to liquidate the credit
14 union.

15 (2) Upon a vote to liquidate under subsection (1) of this section,
16 a committee of three shall be elected to liquidate the assets of the
17 credit union. The committee shall act under the direction of the
18 ((~~supervisor~~)) director and may be reasonably compensated by the board
19 of the credit union. Each share of the credit union shall be entitled
20 to its proportionate part of the assets in liquidation after all
21 deposits and debts have been paid. The assets of the liquidating
22 credit union shall not be subject to contingent liabilities. Upon
23 distribution of the assets, the credit union shall cease to exist
24 except for the purpose of discharging existing liabilities and
25 obligations.

26 (3) Funds representing unclaimed dividends in liquidation and
27 remaining in the hands of the liquidating committee for six months
28 after the date of the final dividend shall be deposited, together with
29 all the books and papers of the credit union, with the ((~~supervisor~~))
30 director. The ((~~supervisor~~)) director may one year after receipt
31 destroy such records, books, and papers as, in the ((~~supervisor's~~))
32 director's judgment, are obsolete or unnecessary for future reference.
33 The funds may be deposited in one or more trust companies, mutual
34 savings banks, savings and loan associations, or national or state
35 banks to the credit of the ((~~supervisor~~)) director in trust for the
36 members of the liquidating credit union entitled to the funds. The
37 ((~~supervisor~~)) director may pay to a person entitled to it that
38 person's portion of the funds upon the receipt of satisfactory evidence

1 that the person is entitled to a portion of the funds. In case of
2 doubt or of conflicting claims, the ((~~supervisor~~)) director may require
3 an order of the superior court of the county in which the credit union
4 was located authorizing and directing the payment of the funds. The
5 ((~~supervisor~~)) director may apply the interest earned by the funds
6 toward defraying the expenses incurred in the holding and paying of the
7 funds. Five years after the receipt of the funds, the funds still
8 remaining with the ((~~supervisor~~)) director shall be escheated to the
9 state.

10 **Sec. 224.** RCW 31.12.905 and 1984 c 31 s 81 are each amended to
11 read as follows:

12 This act shall take effect on July 1, 1984. The ((~~supervisor of~~
13 ~~savings and loans~~)) director may immediately take such steps as are
14 necessary to ensure that this act is implemented on its effective date.

15 **Sec. 225.** RCW 31.12A.010 and 1985 c 7 s 98 are each amended to
16 read as follows:

17 As used in this chapter, unless the context otherwise requires, the
18 terms defined in this section shall have the meanings indicated.

19 (1) "Assessment" means the amount levied by the association against
20 its members in order to carry out its stated purposes.

21 (2) "Association" means the credit union share guaranty association
22 created in RCW 31.12A.020.

23 (3) "Board" means board of directors of the guaranty association.

24 (4) "Contracted guarantees" means those liabilities specifically
25 agreed to by the association for providing assistance to member credit
26 unions or for indemnifying any other entity against loss because of its
27 participation in the absorption or liquidation of a distressed member
28 credit union.

29 (5) "Credit union" means a credit union organized and authorized
30 under laws contained in chapter 31.12 RCW, as now or hereafter amended.

31 (6) "Director" means the director of financial institutions.

32 (7) "Initial member" means a member qualified by the ((~~supervisor~~))
33 director within sixty days after September 1, 1975, but not yet
34 ratified by the board.

35 ((~~+7~~)) (8) "Member" means a member of the guaranty association,
36 ratified by the board.

1 (~~(8)~~) (9) "Share account" of a credit union shareholder includes
2 the share and/or deposit accounts and the share and/or deposit
3 certificates of which the shareholder is owner of record with the
4 credit union.

5 (~~(9)~~) (10) "Shareholder" includes both members and nonmembers of
6 a credit union, who have either shares and/or deposits in the credit
7 union, including deposits of deferred compensation as referred to in
8 RCW 31.12.125(10).

9 (~~(10) "Supervisor" means the state supervisor of the division of~~
10 ~~savings and loan associations, or his successor in the event of a~~
11 ~~departmental restructuring.))~~

12 (11) "Transfer" means entering on the credit union's books of
13 account a decrease to one account and a corresponding increase to
14 another account.

15 **Sec. 226.** RCW 31.12A.040 and 1982 c 67 s 4 are each amended to
16 read as follows:

17 (1) Every credit union meeting the following qualifications is
18 eligible for membership in the association:

19 (a) Must be in business as a duly authorized credit union.

20 (b) Must be operating in compliance with applicable laws and the
21 rules (~~(and regulations)~~) of the (~~(supervisor)~~) director.

22 (c) Must not be in the process of liquidation, either voluntary or
23 involuntary.

24 (2) Prior to the operative date stated in subsection (3) of this
25 section, application for membership shall be made by the credit union
26 in writing to the association on forms designed and furnished by the
27 association, and filed with the secretary. An application fee, as
28 fixed in the bylaws, payable to the order of the association, shall
29 accompany each such application. If the application is found to be:

30 (a) Complete, and the applicant qualified for membership: The
31 association shall issue and deliver to the applicant a certificate of
32 membership in appropriate form.

33 (b) Incomplete: The association shall require the applicant to
34 refile said application in its entirety within thirty days.

35 (c) Not qualified: The association shall notify said applicant
36 within thirty days of filing: PROVIDED, That said applicant will be
37 allowed to meet qualification standards under conditions as provided in
38 the bylaws of the association.

1 (3) The initial membership of the association shall be comprised of
2 all those credit unions qualified under subsection (1) of this section
3 by the ((~~supervisor~~)) director within sixty days after September 1,
4 1975, with final ratification by the initial board of directors subject
5 to full compliance of all qualifications for membership within one
6 hundred twenty days after September 1, 1975.

7 (4) Membership in either this association or the federal share
8 insurance program under the national credit union administration shall
9 be mandatory.

10 **Sec. 227.** RCW 31.12A.050 and 1983 c 48 s 2 are each amended to
11 read as follows:

12 (1) Funding of the association shall be by transfers to a share
13 guaranty association contingency reserve as follows:

14 (a) Credit unions approved by the ((~~supervisor~~)) director and
15 ratified by the board for membership subsequent to those initial
16 members shall establish a share guaranty association contingency
17 reserve by transferring from their guaranty fund an amount equal to
18 one-half of one percent of the total guaranteeable outstanding share
19 and deposit balances as of the date of membership. When one member
20 credit union is merged into another member credit union, the continuing
21 credit union shall include in its share guaranty contingency reserve
22 the share guaranty contingency reserve of the merged credit union. A
23 nonmember credit union merging with a member credit union must transfer
24 into the share guaranty contingency reserve of the continuing credit
25 union an amount equal to one-half of one percent of the total
26 ((~~guaranteeable~~)) guaranteeable outstanding share and deposit balances
27 of the nonmember credit union as of the effective date of the merger,
28 as determined by the ((~~supervisor~~)) director.

29 (b) On the first business day of each year, member credit unions
30 shall make a transfer of an amount sufficient to adjust the contingency
31 reserve to a level of one-half of one percent of the guaranteeable
32 outstanding share and deposit balances as of December 31st of the
33 previous year. If the member's guaranteeable outstanding share and
34 deposit balances decrease from the previous year, any excess which may
35 then appear in the contingency reserve may be transferred to the
36 guaranty fund.

37 (c) The board may require one additional transfer during the
38 calendar year of an amount not to exceed one-half of one percent of the

1 guaranteeable outstanding share and deposit balances as of December
2 31st of the previous year. Credit unions which have merged during the
3 year and credit unions which have joined during the year will be
4 subject to the one additional transfer, even if that required transfer
5 occurred before ratification of the joining member or the merger of the
6 two credit unions. The transfer will be based on the guaranteeable
7 share and deposit balances of those credit unions as of the following
8 dates:

9 (i) For new members, the balances as of the date of membership;

10 (ii) For members that merge, the sum of the balances as of December
11 31st of the previous year;

12 (iii) For a nonmember merging with a member, the sum of the
13 member's balances as of December 31st of the previous year, and of the
14 nonmember's balances as of the effective date of the merger.

15 (2) Sums specified in subsection (1) of this section may be offset
16 from the statutory transfer requirement to the guaranty fund and shall
17 be retained in the credit union share guaranty contingency reserve as
18 an integral part of its guaranty fund until such time and if necessary
19 to be drawn for the purposes set forth in this chapter.

20 (3) Members' share guaranty association contingency reserve funds
21 shall be invested in investments as permitted in the bylaws of the
22 association.

23 (4) The board, in concurrence with the (~~supervisor~~) director, may
24 also suspend or diminish the transfer in any given period after
25 reaching a normal operating sufficiency as provided in the bylaws.

26 (5) Membership in this association may be terminated upon approval
27 by a majority of the credit union members responding to such a proposal
28 and subject further to acceptance by the national credit union
29 administration of continued share insurance coverage under the national
30 credit union administration share insurance program. Notice of such
31 intentions shall be in writing to the association's board of directors
32 at least twelve months prior to such contemplated action: PROVIDED,
33 That in the event that the credit union board has voted to recommend to
34 the membership liquidation, conversion from state to federal credit
35 union charter, or merger with or conversion to a credit union organized
36 under the laws of another state, the liquidating, converting, or
37 merging member will notify the association in writing within seven days
38 after the credit union board has taken such action. Share guarantee
39 coverage through the association will terminate with the effective date

1 of the new charter or completion of the liquidation or merger as
2 determined by the ((~~supervisor~~)) director.

3 (6) Except for a credit union merging with a member credit union,
4 any credit union terminating membership in the association shall be
5 assessed its pro rata share of the difference, if any, between the
6 association's current liability for contracted guarantees and the
7 amount from previous assessments currently held for contracted
8 guarantees by the association. Such difference shall be determined by
9 the ((~~supervisor~~)) director at the time the membership is terminated.
10 If the amount of the assessment exceeds the amount of the actual
11 obligation when finalized, the excess shall be refunded in the same
12 proportion as paid.

13 **Sec. 228.** RCW 31.12A.070 and 1975 1st ex.s. c 80 s 9 are each
14 amended to read as follows:

15 (1) Within thirty days after the operative date of this chapter,
16 the ((~~supervisor~~)) director shall call a first meeting of the initial
17 members of the association for the purpose of electing directors and
18 shall give written notice of the time and place of such meeting. The
19 meeting shall be held within sixty days after such operative date, at
20 a place in this state selected by the ((~~supervisor~~)) director and of
21 convenience to members. The ((~~supervisor~~)) director shall preside at
22 the meeting.

23 (2) The initial board of directors shall meet within thirty days
24 after the first meeting of members, to elect officers, consider bylaws,
25 and transact such other business relating to the association as may
26 properly come before it.

27 **Sec. 229.** RCW 31.12A.080 and 1975 1st ex.s. c 80 s 10 are each
28 amended to read as follows:

29 (1) The first bylaws of the association shall be as adopted by its
30 initial board, and the board shall so adopt bylaws within three months
31 after the association has become operative. All bylaws, and amendments
32 thereof, shall be promptly filed with, and are subject to the approval
33 of, the ((~~supervisor~~)) director, and shall be approved if found by the
34 ((~~supervisor~~)) director to be reasonable, and fair and equitable to the
35 association and its members. Among the customary, useful, and
36 desirable provisions the bylaws shall provide:

1 (a) For the date and place of holding the annual meeting of
2 members.

3 (b) Procedure for holding of special meetings.

4 (c) For voting privilege.

5 (d) For quorum requirements.

6 (e) For qualifications of directors, for procedures for nomination,
7 election and removal of directors; and number, term and compensation of
8 directors.

9 (f) For the bonding of any individual who may be expected to handle
10 funds for the association.

11 (g) Qualifications for membership.

12 (h) Duties of officers.

13 (i) Application fees and assessment fees.

14 (j) Fines, if any.

15 (k) Coverage loss limits.

16 (l) Powers and duties of the board.

17 (m) Types of investments, liquidity, and normal operating
18 sufficiency.

19 (n) Such other regulations as may be deemed necessary.

20 (2) After adoption of initial bylaws by the board, the bylaws shall
21 be subject to amendments only by vote of the members. The secretary-
22 treasurer of the association shall promptly file all bylaws and
23 amendments with the ((supervisor)) director. No bylaws or amendments
24 thereto, except the adoption of initial bylaws, shall be effective
25 until approved by the ((supervisor)) director as hereinabove in this
26 section provided.

27 **Sec. 230.** RCW 31.12A.090 and 1982 c 67 s 7 are each amended to
28 read as follows:

29 (1) In the event a member of the association is placed in
30 liquidation, either voluntary or involuntary, the ((supervisor))
31 director or his or her representative shall determine as soon as is
32 reasonably possible the probable assessment, if any, resulting
33 therefrom to its shareholders. If an assessment seems to be indicated,
34 the ((supervisor)) director or his or her representative shall promptly
35 inform the association in writing of the probable amount of such
36 assessment. In determining the probable assessment for the liquidating
37 member, charges, if any, for services of the ((supervisor)) director or
38 his or her representative, or his or her staff, as well as accrued but

1 unpaid interest or dividends on share accounts, shall not be deemed
2 liabilities of the liquidating credit union; and, with the consent of
3 the association, all illiquid holdings (furniture, fixtures and other
4 personal property) of the liquidating member, at the fair recoverable
5 value thereof, as determined by the (~~supervisor~~) director or his or
6 her representative, may be excluded as assets. In determining the
7 assessment as to a particular share account, the (~~supervisor~~)
8 director or his or her representative shall first deduct the amount of
9 any accrued and currently payable obligation of the shareholder to the
10 liquidating credit union.

11 (2) Within thirty days after receipt by the association of the
12 foregoing information, the board shall notify the remaining members of
13 the association of the aggregate amount required to make good the
14 probable net loss to share accounts, subject to the following
15 conditions:

16 (a) The amount of loss to be made good to any shareholder shall not
17 be less than provided by the national credit union administration share
18 insurance program, with authority vested in the association to increase
19 the coverage.

20 (b) To the amount of the assessment as otherwise determined
21 pursuant to this section, the board may add such amount as it may deem
22 to be reasonably necessary to cover its clerical, mailing and other
23 expense connected with the assessment and distribution of the proceeds
24 thereof to shareholders of the liquidating credit union, not to exceed
25 actual costs of such mailing and clerical services.

26 (c) The amount of the assessment shall be prorated among the
27 assessed members against their share guaranty contingency reserve:
28 PROVIDED, That members shall not be liable for any amount of assessment
29 exceeding their share guaranty contingency reserve or for any
30 assessments exceeding those permitted in RCW 31.12A.050 as now or
31 hereafter amended.

32 (d) That a plan for an orderly and expeditious liquidation be
33 presented to the board of directors for their consideration and
34 approval. In cases where a central or other eligible credit union is
35 authorized to act as liquidator or liquidating agent, the association
36 would provide an indemnity against loss to such authorized credit
37 union.

38 (3) In case of liquidation the board shall cause written notice to
39 each member only if a potential assessment is indicated and the

1 probable amount of such contingency as it relates to a percentage of
2 their total share guaranty contingency reserve. The actual assessment
3 shall be paid by members upon completion of liquidation or sooner, as
4 determined by the board of directors. In all cases the total reserve
5 structure of a liquidating credit union, including its share guaranty
6 contingency reserve, shall be utilized in concluding the liquidation.

7 **Sec. 231.** RCW 31.12A.100 and 1975 1st ex.s. c 80 s 12 are each
8 amended to read as follows:

9 (1) Upon collection in full of the amount assessed against members
10 as provided for in RCW 31.12A.090, or other provision satisfactory to
11 the board, the association shall conclude the liquidation subject to
12 acceptance by the (~~supervisor~~) director.

13 (2) If illiquid holdings of the liquidating member have not been
14 included as assets in determining net loss to share accounts, as
15 provided for in RCW 31.12A.090(1), the association shall be subrogated
16 to all rights of shareholders with respect to such holdings and to the
17 extent of the value thereof so excluded and reflected in the assessment
18 of association members; and the officers of the liquidating member or
19 other persons having authority with respect thereto shall execute such
20 conveyances, assignments, or other documents as may be requested by the
21 association to facilitate recovery by the association in due course of
22 the amount of its interest in such assets or so much thereof as may in
23 fact be recoverable. The association shall have the right to bring and
24 maintain suit or other action in its own name for the enforcement of
25 any right of the insolvent member or its shareholders with respect to
26 any such asset.

27 **Sec. 232.** RCW 31.12A.120 and 1975 1st ex.s. c 80 s 14 are each
28 amended to read as follows:

29 (1) Within sixty days after expiration of each calendar year, the
30 association shall render a report in writing of its financial affairs
31 and transactions for the year, and of its financial condition at year-
32 end. The association shall furnish a copy of the report to each member
33 and to the (~~supervisor~~) director.

34 (2) The financial affairs of the association shall be subject to
35 examination by the (~~supervisor~~) director at such intervals as he or
36 she may deem advisable in relation to the extent of the association's
37 activities. The cost of examination shall be borne by the association.

1 In lieu of his or her own examination, the (~~supervisor~~) director may
2 accept the report of any competent accountant, satisfactory to the
3 (~~supervisor~~) director.

4 **Sec. 233.** RCW 31.12A.140 and 1975 1st ex.s. c 80 s 16 are each
5 amended to read as follows:

6 There shall be no separate and individual liability on the part of
7 and no cause of action of any nature shall arise against any member
8 insurer, agents or employees of the association, the board of
9 directors, or the (~~supervisor~~) director or his or her
10 representatives, for any action taken by them in the performance of
11 their powers and duties under this chapter.

12 **Sec. 234.** RCW 31.13.030 and 1977 ex.s. c 207 s 2 are each amended
13 to read as follows:

14 Notwithstanding any other provision of law, the central credit
15 union may adopt bylaws enabling it to exercise any of the powers, as
16 now existing or hereafter conferred upon, a federally chartered central
17 credit union doing business in this state which is subject to the
18 regulations of the administrator of the national credit union
19 administration, or the successor or successors of him or her, if the
20 (~~supervisor~~) director finds that the exercise of such power:

- 21 (1) Serves the public convenience and advantage; and
22 (2) Equalizes and maintains the quality of competition between the
23 state chartered central credit union and any federally chartered
24 central credit union.

25 **Sec. 235.** RCW 31.24.080 and 1963 c 162 s 8 are each amended to
26 read as follows:

27 The articles of incorporation may be amended by the votes of the
28 stockholders and the members of the corporation, voting separately by
29 classes, and such amendments shall require approval by the affirmative
30 vote of two-thirds of the votes to which the stockholders shall be
31 entitled and two-thirds of the votes to which the members shall be
32 entitled: PROVIDED, That no amendment of the articles of incorporation
33 which is inconsistent with the general purposes expressed herein or
34 which authorizes any additional class of capital stock to be issued, or
35 which eliminates or curtails the right of the (~~state supervisor of~~
36 ~~banking~~) director to examine the corporation or the obligation of the

1 corporation to make reports as provided in RCW 31.24.120, shall be
2 made: PROVIDED, FURTHER, That no amendment of the articles of
3 incorporation which increases the obligation of a member to make loans
4 to the corporation, or makes any charge in the principal amount,
5 interest rate, maturity date, or in the security or credit position of
6 an outstanding loan of a member to the corporation, or affects a
7 member's right to withdraw from membership as provided herein, or
8 affects a member's voting rights as provided herein, shall be made
9 without the consent of each membership affected by such amendment.

10 Within thirty days after any meeting at which an amendment of the
11 articles of incorporation has been adopted, articles of amendment
12 signed and sworn to by the president, treasurer, and a majority of the
13 directors, setting forth such amendment and due adoption thereof, shall
14 be submitted to the secretary of state, who shall examine them and if
15 he finds that they conform to the requirements of this chapter, shall
16 so certify and endorse his or her approval thereon. Thereupon, the
17 articles of amendment shall be filed in the office of the secretary of
18 state and no such amendment shall take effect until such articles of
19 amendment shall have been filed as aforesaid.

20 **Sec. 236.** RCW 31.24.120 and 1963 c 162 s 12 are each amended to
21 read as follows:

22 The corporation shall be examined at least once annually by the
23 ~~((state supervisor of banking))~~ director and shall make reports of its
24 condition not less than annually to ~~((said state supervisor of~~
25 ~~banking))~~ the director and more frequently upon call of the ~~((state~~
26 ~~supervisor of banking))~~ director, who in turn shall make copies of such
27 reports available to the state insurance commissioner and the governor;
28 and the corporation shall also furnish such other information as may
29 from time to time be required by the ~~((state supervisor of banking))~~
30 director and secretary of state. The corporation shall pay the actual
31 cost of ~~((said))~~ the examinations. The ~~((state supervisor of banking))~~
32 director shall exercise the same power and authority over corporations
33 organized under this chapter as is now exercised over banks and trust
34 companies by the provisions of the Title 30 RCW, where the provisions
35 of Title 30 RCW are not in conflict with this chapter.

36 **Sec. 237.** RCW 31.30.010 and 1986 c 284 s 1 are each amended to
37 read as follows:

1 The director of (~~general administration~~) financial institutions,
2 by rule, shall provide for the establishment, incorporation, operation,
3 and regulation of a borrower-owned corporate entity to be known as the
4 Washington land bank. The Washington land bank shall be patterned
5 after the federal land banks organized under the Farm Credit Act of
6 1971, as amended, within state constitutional limits. The Washington
7 land bank shall be organized by eligible borrowers and shall be
8 designed to accomplish the objective of furnishing sound, adequate, and
9 constructive long-term credit to farmer and rancher borrowers in the
10 state of Washington. For purposes of this chapter, "farmer and
11 rancher" includes producers of privately cultured aquatic products.

12 **Sec. 238.** RCW 31.30.020 and 1986 c 284 s 2 are each amended to
13 read as follows:

14 The Washington land bank shall be a body corporate and, subject to
15 regulation as provided by rules promulgated by the director of
16 (~~general administration~~) financial institutions, shall have the power
17 to:

18 (1) Adopt and use a corporate seal.

19 (2) Have succession until dissolved under this chapter or rules
20 promulgated pursuant to RCW 31.30.010.

21 (3) Make contracts.

22 (4) Sue and be sued.

23 (5) Acquire, hold, dispose, and otherwise exercise all the usual
24 incidents of ownership of real and personal property necessary or
25 convenient to its business.

26 (6) Make and participate in loans, make commitments for credit,
27 accept advance payments, and provide services and other assistance as
28 authorized in this chapter, and charge fees therefor.

29 (7) Operate under the direction of its board of directors.

30 (8) Elect by its board of directors a president, any
31 vice-president, a secretary, and a treasurer, and provide for such
32 other officers, employees, and agents as may be necessary, define their
33 duties, and require surety bonds or make other provision against losses
34 occasioned by employees.

35 (9) Prescribe by its board of directors its bylaws not inconsistent
36 with law providing for the classes of its stock and the manner in which
37 its stock shall be issued, transferred, and retired; its officers,
38 employees, and agents are elected or provided for; its property

1 acquired, held, and transferred; its loans and appraisals made; its
2 general business conducted; and the privileges granted it by law
3 exercised and enjoyed.

4 (10) Borrow money and issue notes, bonds, debentures, or other
5 obligations of such character, terms, conditions, and rates of interest
6 as may be determined.

7 (11) Participate with one or more other lenders, including federal
8 land banks existing under the Farm Credit Act of 1971, as amended, in
9 loans that the corporation is authorized to make under this chapter.

10 (12) Deposit its securities and its current funds with any member
11 bank of the federal reserve system or any insured state nonmember bank
12 as defined in section 2 of the Federal Deposit Insurance Act and pay
13 fees therefor and receive interest thereon as may be agreed.

14 (13) Buy and sell obligations of or insured by the United States or
15 of any agency thereof, and, as may be authorized by its board of
16 directors and by rule promulgated pursuant to RCW 31.30.010, (a) sell
17 to other lenders interests in loans, (b) buy from other lenders
18 interests in loans which the corporation could make directly under this
19 chapter, and (c) make other investments.

20 (14) Conduct studies and make and adopt standards for lending.

21 (15) Amend and modify loan contracts, documents, and payment
22 schedules, and release, subordinate, or substitute security for any of
23 them.

24 (16) Exercise by its board of directors or authorized officers,
25 employees, or agents all such incidental powers as may be necessary or
26 expedient to carry on the business of the corporation.

27 **Sec. 239.** RCW 31.30.150 and 1987 c 420 s 5 are each amended to
28 read as follows:

29 (1) The Washington land bank shall be examined by the ((department
30 of general administration, division of banking)) director of financial
31 institutions, at such times as the ((supervisor)) director may
32 determine, but in no event less than once each year. Such examinations
33 shall include, but are not limited to, an analysis of credit and
34 collateral quality and capitalization of the institution, and an
35 appraisal of the effectiveness of the institution's management and
36 application of policies for the carrying out (({of})) of the
37 requirements of chapter 31.30 RCW, and servicing all eligible
38 borrowers. At the direction of the ((supervisor)) director, the

1 (~~division of banking~~) department of financial institutions shall
2 examine the condition of any organization with which the Washington
3 land bank contemplates making a loan or discounting paper. For the
4 purposes of this chapter, bank analysts shall be subject to the same
5 requirements, responsibilities, and penalties as are applicable to
6 examiners under Title 30 RCW, the Federal Reserve Act, and Federal
7 Deposit Insurance Act, and other provisions of law and shall have the
8 same powers and privileges as are vested in such examiners by law.

9 (2) The Washington land bank shall make and publish an annual
10 report of condition. Each such report shall contain financial
11 statements prepared in accordance with generally accepted accounting
12 principles and contain such additional information as may be required
13 by the board of directors. Such financial statements shall be audited
14 by an independent certified public accountant.

15 **Sec. 240.** RCW 31.30.160 and 1987 c 420 s 6 are each amended to
16 read as follows:

17 The Washington land bank shall make at least three regular reports
18 each year to the (~~supervisor~~) director, as of the dates designated,
19 according to form prescribed, verified by the president, vice-
20 president, or secretary and attested by at least two directors, which
21 shall exhibit under appropriate heads the resources and liabilities of
22 the bank. Each such report in condensed form, to be prescribed by the
23 (~~supervisor~~) director, shall be published once in a newspaper of
24 general circulation, published in a place where the corporation is
25 located, or if there be no newspaper published in such place, then in
26 some newspaper published in the same county. The Washington land bank
27 shall also make such special reports as the (~~supervisor~~) director
28 shall call for.

29 **Sec. 241.** RCW 31.30.170 and 1987 c 420 s 7 are each amended to
30 read as follows:

31 Every regular report shall be filed with the (~~supervisor~~)
32 director within thirty days from the date of issuance of the notice
33 therefor and proof of publication of such report shall be filed with
34 the (~~supervisor~~) director within forty days from such date. Every
35 special report shall be filed with the (~~supervisor~~) director within
36 such time as shall be specified in the notice therefor.

1 Failure of the Washington land bank to file any report, required to
2 be filed as aforesaid within the time herein specified, shall be
3 subject to a penalty of fifty dollars per day for each day's delay. A
4 civil action for the recovery of any such penalty may be brought by the
5 attorney general in the name of the state.

6 **Sec. 242.** RCW 31.30.180 and 1987 c 420 s 8 are each amended to
7 read as follows:

8 The (~~supervisor~~) director of financial institutions shall collect
9 from the Washington land bank for application and investigations and
10 for each examination of its condition a fee as set by (~~applicable~~
11 ~~regulation of the division of banking~~) rule.

12 **Sec. 243.** RCW 31.30.190 and 1987 c 420 s 9 are each amended to
13 read as follows:

14 (1) All examination reports and all information obtained by the
15 (~~supervisor~~) director of financial institutions and the
16 (~~supervisor's~~) director's staff in conducting examinations of the
17 Washington land bank is confidential and privileged information and
18 shall not be made public or otherwise disclosed to any person, firm,
19 corporation, agency, association, governmental body, or other entity.

20 (2) Subsection (1) of this section notwithstanding, the
21 (~~supervisor~~) director may furnish all or any part of examination
22 reports prepared by the (~~supervisor's~~) director's office to:

23 (a) Officials empowered to investigate criminal charges subject to
24 legal process, valid search warrant, or subpoena. If the
25 (~~supervisor~~) director furnishes any examination report to officials
26 empowered to investigate criminal charges, the (~~supervisor~~) director
27 may only furnish that part of the report which is necessary and
28 pertinent to the investigation, and the (~~supervisor~~) director may do
29 this only after notifying the Washington land bank and any customer of
30 the Washington land bank who is named in that part of the examination
31 or report ordered to be furnished unless the officials requesting the
32 report first obtain a waiver of the notice requirement from a court of
33 competent jurisdiction for good cause;

34 (b) The Washington land bank;

35 (c) The attorney general in his or her role as legal advisor to the
36 (~~supervisor~~) director;

1 (d) A person or organization officially connected with the
2 Washington land bank as officer, director, attorney, auditor, or
3 independent attorney or independent auditor.

4 (3) All examination reports furnished under subsections (2) and (4)
5 of this section shall remain the property of the (~~division of~~
6 ~~banking~~) department of financial institutions, and be confidential and
7 no person, agency, or authority to whom reports are furnished or any
8 officer, director, or employee thereof shall disclose or make public
9 any of the reports or any information contained therein except in
10 published statistical material that does not disclose the affairs of
11 any individual or corporation: PROVIDED, That nothing herein shall
12 prevent the use in a criminal prosecution of reports furnished under
13 subsection (2) of this section.

14 (4) The examination report made by the (~~division of banking~~)
15 department of financial institutions is designed for use in the
16 supervision of the Washington land bank. The report shall remain the
17 property of the (~~supervisor~~) director and will be furnished to the
18 Washington land bank for its confidential use. Under no circumstances
19 shall the Washington land bank, or any of its directors, officers, or
20 employees disclose or make public in any manner the report or any
21 portion thereof, to any person or organization not connected with the
22 Washington land bank as officer, director, employee, attorney, auditor,
23 or candidate for executive office with the bank.

24 (5) Examination reports and information obtained by the
25 (~~supervisor~~) director and the (~~supervisor's~~) director's staff in
26 conducting examinations shall not be subject to public disclosure under
27 chapter 42.17 RCW.

28 (6) In any civil action in which the reports are sought to be
29 discovered or used as evidence, any party may, upon notice to the
30 (~~supervisor~~) director, petition the court for an in camera review of
31 the report. The court may permit discovery and introduction of only
32 those portions of the report which are relevant and otherwise
33 unobtainable by the requesting party. This subsection shall not apply
34 to an action brought or defended by the (~~supervisor~~) director.

35 (7) This section shall not apply to investigation reports prepared
36 by the (~~supervisor~~) director and the (~~supervisor's~~) director's
37 staff concerning an application for establishment of the Washington
38 land bank: PROVIDED, That the (~~supervisor~~) director may adopt rules
39 making confidential portions of the reports if in the (~~supervisor's~~)

1 director's opinion the public disclosure of the portions of the report
2 would impair the ability to obtain the information which the
3 (~~supervisor~~) director considers necessary to fully evaluate the
4 application.

5 (8) Every person who violates any provision of this section shall
6 be guilty of a gross misdemeanor.

7 **Sec. 244.** RCW 31.30.200 and 1987 c 420 s 10 are each amended to
8 read as follows:

9 (1) The (~~supervisor~~) director may issue and serve upon the
10 Washington land bank a notice of charges if in the opinion of the
11 (~~supervisor~~) director, the Washington land bank:

12 (a) Is engaging or has engaged in an unsafe or unsound practice in
13 conducting its business;

14 (b) Is violating or has violated the law, rule, or any condition
15 imposed in writing by the (~~supervisor~~) director in connection with
16 the granting of any application or other request by the bank or any
17 written agreement made with the (~~supervisor~~) director; or

18 (c) Is about to do the acts prohibited in (a) or (b) of this
19 subsection when the opinion that the threat exists is based upon
20 reasonable cause.

21 (2) The notice shall contain a statement of the facts constituting
22 the alleged violation or violations or the practice or practices and
23 shall fix a time and place at which a hearing will be held to determine
24 whether an order to cease and desist should issue against the bank.
25 The hearing shall be set not earlier than ten days nor later than
26 thirty days after service of the notice unless a later date is set by
27 the (~~supervisor~~) director at the request of the bank.

28 Unless the bank shall appear at the hearing by a duly authorized
29 representative it shall be deemed to have consented to the issuance of
30 the cease and desist order. In the event of this consent or if upon
31 the record made at the hearing the (~~supervisor~~) director finds that
32 any violation or practice specified in the notice of charges has been
33 established, the (~~supervisor~~) director may issue and serve upon the
34 bank an order to cease and desist from the violation or practice. The
35 order may require the bank and its directors, officers, employees, and
36 agents to cease and desist from the violation or practice and may
37 require the bank to take affirmative action to correct the conditions
38 resulting from the violation or practice.

1 (3) A cease and desist order shall become effective at the
2 expiration of ten days after the service of the order upon the bank
3 except that a cease and desist order issued upon consent shall become
4 effective at the time specified in the order and shall remain effective
5 as provided therein unless it is stayed, modified, terminated, or set
6 aside by action of the ((~~supervisor~~)) director or a reviewing court.

7 **Sec. 245.** RCW 31.30.210 and 1987 c 420 s 11 are each amended to
8 read as follows:

9 Whenever the ((~~supervisor~~)) director determines that the acts
10 specified in RCW 31.30.200 or their continuation is likely to cause
11 insolvency or substantial dissipation of assets or earnings of the
12 bank, the ((~~supervisor~~)) director may also issue a temporary order
13 requiring the bank to cease and desist from the violation or practice.
14 The order shall become effective upon service on the bank and shall
15 remain effective unless set aside, limited, or suspended by a court in
16 proceedings under RCW 31.30.180 pending the completion of the
17 administrative proceedings under the notice and until such time as the
18 ((~~supervisor~~)) director shall dismiss the charges specified in the
19 notice or until the effective date of a cease and desist order issued
20 against the bank pursuant to RCW 31.30.180.

21 **Sec. 246.** RCW 31.30.230 and 1987 c 420 s 13 are each amended to
22 read as follows:

23 In the case of a violation or threatened violation of a temporary
24 cease and desist order issued, the ((~~supervisor~~)) director may apply to
25 the superior court of the county of the principal place of business of
26 the bank for an injunction to enforce the order, and the court shall
27 issue an injunction if it determines that there has been a violation or
28 threatened violation.

29 **Sec. 247.** RCW 31.30.240 and 1987 c 420 s 14 are each amended to
30 read as follows:

31 (1) Any administrative hearing may be held at such place as is
32 designated by the ((~~supervisor~~)) director and shall be conducted in
33 accordance with chapter 34.05 RCW. The hearing shall be private unless
34 the ((~~supervisor~~)) director determines that a public hearing is
35 necessary to protect the public interest after fully considering the
36 views of the party afforded the hearing.

1 Within sixty days after the hearing the ((~~supervisor~~)) director
2 shall render a decision which shall include findings of fact upon which
3 the decision is based and shall issue and serve upon each party to the
4 proceedings an order or orders.

5 Unless a petition for review is timely filed in the superior court
6 of the county of the principal place of business of the bank and until
7 the record in the proceeding has been filed as therein provided, the
8 ((~~supervisor~~)) director may at any time modify, terminate, or set aside
9 any order upon such notice and in such manner as deemed proper. Upon
10 filing the record, the ((~~supervisor~~)) director may modify, terminate,
11 or set aside any order only with permission of the court.

12 The judicial review provided in this section for an order shall be
13 exclusive.

14 (2) Any party to the proceeding or any person required by an order
15 to refrain from any of the violations or practices stated therein may
16 obtain a review of any order served under subsection (1) of this
17 section other than one issued upon consent by filing in the superior
18 court of the county of the principal place of business of the bank
19 within ten days after the date of service of the order a written
20 petition praying that the order of the ((~~supervisor~~)) director be
21 modified, terminated, or set aside. A copy of the petition shall be
22 immediately served upon the ((~~supervisor~~)) director and the
23 ((~~supervisor~~)) director shall then file in the court the record of the
24 proceeding. The court shall have jurisdiction upon the filing of the
25 petition, which jurisdiction shall become exclusive upon the filing of
26 the record to affirm, modify, terminate, or set aside in whole or in
27 part the order of the ((~~supervisor~~)) director except that the
28 ((~~supervisor~~)) director may modify, terminate, or set aside an order
29 with the permission of the court. The judgment and decree of the court
30 shall be final, except that it shall be subject to appellate review
31 under the rules of court.

32 (3) The commencement of proceedings for judicial review under
33 subsection (2) of this section shall not operate as a stay of any order
34 issued by the ((~~supervisor~~)) director unless specifically ordered by
35 the court.

36 **Sec. 248.** RCW 31.30.250 and 1987 c 420 s 15 are each amended to
37 read as follows:

1 The ((supervisor)) director may serve upon a director, officer, or
2 employee of the Washington land bank a written notice of the
3 ((supervisor's)) director's intention to remove the person from office
4 or to prohibit the person from participation in the conduct of the
5 affairs of the bank whenever:

6 (1) In the opinion of the ((supervisor)) director any director,
7 officer, or employee of the bank has committed or engaged in:

8 (a) Any violation of law or rule or of a cease and desist order
9 which has become final;

10 (b) Any unsafe or unsound practice in connection with the bank; or

11 (c) Any act, omission, or practice which constitutes a breach of
12 his or her fiduciary duty as director, officer, or employee; and

13 (2) The ((supervisor)) director determines that:

14 (a) The bank has suffered or may suffer substantial financial loss
15 or other damage; or

16 (b) The interests of its investors could be seriously prejudiced by
17 reason of the violation or practice or breach of fiduciary duty; and

18 (c) The violation or practice or breach of fiduciary duty is one
19 involving personal dishonesty, recklessness, or incompetence on the
20 part of the director, officer, or employee.

21 **Sec. 249.** RCW 31.30.260 and 1987 c 420 s 16 are each amended to
22 read as follows:

23 A notice of an intention to remove a director, officer, or employee
24 from office or to prohibit participation in the conduct of the affairs
25 of the bank shall contain a statement of the facts which constitute
26 grounds therefor and shall fix a time and place at which a hearing will
27 be held. The hearing shall be set not earlier than ten days nor later
28 ((then-[than])) than thirty days after the date of service of the
29 notice unless an earlier or later date is set by the ((supervisor))
30 director at the request of the director, officer, or employee for good
31 cause shown or of the attorney general of the state.

32 Unless the director, officer, or employee appears at the hearing
33 personally or by a duly authorized representative, the person shall be
34 deemed to have consented to the issuance of an order of removal or
35 prohibition or both. In the event of such consent or if upon the
36 record made at the hearing the ((supervisor)) director finds that any
37 of the grounds specified in the notice have been established, the
38 ((supervisor)) director may issue such orders of removal from office or

1 prohibition from participation in the conduct of the affairs of the
2 bank as the ((supervisor)) director may consider appropriate.

3 Any order shall become effective at the expiration of ten days
4 after service upon the bank and the director, officer, or employee
5 concerned except that an order issued upon consent shall become
6 effective at the time specified in the order.

7 An order shall remain effective except to the extent it is stayed,
8 modified, terminated, or set aside by the ((supervisor)) director or a
9 reviewing court.

10 **Sec. 250.** RCW 31.30.270 and 1987 c 420 s 17 are each amended to
11 read as follows:

12 If at any time because of the removal of one or more directors
13 under this chapter there shall be on the board of directors of the bank
14 less than a quorum of directors, all powers and functions vested in or
15 exercisable by the board shall vest in and be exercisable by the
16 director or directors remaining until such time as there is a quorum on
17 the board of directors. If all of the directors of the bank are
18 removed under this chapter, the ((supervisor)) director shall appoint
19 persons to serve temporarily as directors until such time as their
20 respective successors take office.

21 **Sec. 251.** RCW 31.35.010 and 1990 c 134 s 1 are each amended to
22 read as follows:

23 The legislature finds and declares that nondepository agricultural
24 lenders can enhance their access to working capital for the purpose of
25 financing agricultural borrowers by using the United States farmers
26 home administration loan guaranty program. The farmers home
27 administration loan guaranty program provides financing to agricultural
28 borrowers needing working capital and longer term financing for the
29 purchase of real estate, agricultural production expenses, debt
30 refinancing, equipment, and the purchase of other fixed assets. Loans
31 can be made to agricultural borrowers by nondepository lenders and
32 guaranteed by the farmers home administration only if the state
33 provides an ongoing opportunity for examination of such entities to
34 confirm good lending practices and solvency.

35 It is the intent of the legislature to empower the ((~~supervisor of~~
36 ~~banking~~)) director of financial institutions to examine nondepository
37 agricultural lenders for the purpose of allowing such lenders to

1 qualify for participation in the farmers home administration loan
2 guaranty program.

3 **Sec. 252.** RCW 31.35.020 and 1990 c 134 s 2 are each amended to
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

7 (1) "Agricultural lender" means a Washington corporation
8 incorporated under Title 23B or 24 RCW and qualified as such under this
9 chapter and the jurisdiction of the federal government agency
10 sponsoring the loan guaranty program.

11 (2) (~~("Supervisor" means the state supervisor of banking)~~)
12 "Director" means the director of financial institutions.

13 (3) "Loan guaranty program" means the farmers home administration
14 loan guaranty program, or any other government program for which the
15 agricultural lender is eligible and which has as its function the
16 provision, facilitation, or financing of agricultural business
17 operations.

18 **Sec. 253.** RCW 31.35.030 and 1990 c 134 s 3 are each amended to
19 read as follows:

20 (1) The (~~(supervisor)~~) director shall administer this chapter. The
21 (~~(supervisor)~~) director may issue orders and adopt rules that, in the
22 opinion of the (~~(supervisor)~~) director, are necessary to execute,
23 enforce, and effectuate the purposes of this chapter. Rules to enforce
24 the provisions of this chapter shall be adopted under the
25 administrative procedure act, chapter 34.05 RCW.

26 (2) An application filed with the (~~(supervisor)~~) director under
27 this chapter shall be in such form and contain such information as
28 required by the (~~(supervisor)~~) director by rule and be consistent with
29 the requirements of the loan guaranty program.

30 (3) After the (~~(supervisor)~~) director is satisfied that the
31 applicant has satisfied all the conditions necessary for approval, the
32 (~~(supervisor)~~) director shall issue a license to the applicant
33 authorizing it to be an agricultural lender under this chapter.

34 (4) Any change of control of an agricultural lender shall be
35 subject to the approval of the (~~(supervisor)~~) director. Such approval
36 shall be subject to the same criteria as the criteria for approval of
37 the original license. For purposes of this subsection, "change of

1 control" means directly or indirectly, alone or in concert with others,
2 to own, control, or hold the power to vote ten percent or more of the
3 outstanding voting stock of an agricultural lender or the power to
4 elect or control the election of a majority of the board of directors
5 of an agricultural lender.

6 (5) The ((~~supervisor~~)) director may deny, suspend, or revoke a
7 license if the agricultural lender violates any provision of this
8 chapter or any rules promulgated pursuant to this chapter.

9 **Sec. 254.** RCW 31.35.050 and 1990 c 134 s 5 are each amended to
10 read as follows:

11 (1) The ((~~supervisor~~)) director is authorized to charge a fee for
12 the estimated direct and indirect costs for examination and supervision
13 by the ((~~supervisor~~)) director of an agricultural lender or a
14 subsidiary of an agricultural lender. Excess examiner time shall be
15 billed at a reasonable rate established by rule.

16 (2) All such fees shall be deposited in the banking examination
17 fund and administered consistent with the provisions of RCW
18 ((~~43.19.095~~)) 43.320.110.

19 **Sec. 255.** RCW 31.35.060 and 1990 c 134 s 6 are each amended to
20 read as follows:

21 (1) An agricultural lender shall keep books, accounts, and other
22 records in such form and manner as required by the ((~~supervisor~~))
23 director. These records shall be kept at such place and shall be
24 preserved for such length of time as specified by the ((~~supervisor~~))
25 director by rule.

26 (2) Not more than ninety days after the close of each calendar
27 year, or within a period specified by the ((~~supervisor~~)) director, an
28 agricultural lender shall file with the ((~~supervisor~~)) director a
29 report containing the following:

30 (a) Financial statements, including the balance sheet, the
31 statement of income or loss, the statement of changes in capital
32 accounts, and the statement of changes in financial position; and

33 (b) Other information that the ((~~supervisor~~)) director may require.

34 (3) Each agricultural lender shall provide for a loan loss reserve
35 sufficient to cover projected loan losses that are not guaranteed by
36 the United States government or any agency thereof.

1 **Sec. 256.** RCW 31.35.070 and 1990 c 134 s 7 are each amended to
2 read as follows:

3 (1) The ((~~supervisor, the deputy supervisor, or a bank examiner~~))
4 director shall visit each agricultural lender at least every twenty-
5 four months for the purpose of assuring that the agricultural lender
6 remains in compliance with and qualified for the loan guaranty program.

7 (a) The ((~~supervisor~~)) director may accept timely audited financial
8 statements and other timely reports the ((~~supervisor~~)) director
9 determines to be relevant and accurate as part of a full and complete
10 examination of the agricultural lender. The ((~~supervisor~~)) director
11 shall make an independent review of loans guaranteed by the loan
12 guaranty program.

13 (b) The agricultural lender shall be exempt from examination under
14 this subsection if it terminates its activities under the loan guaranty
15 program and no loans guaranteed by the loan guaranty program remain on
16 the books. This exemption becomes effective upon notification to the
17 ((~~supervisor~~)) director. The ((~~supervisor~~)) director shall confirm
18 termination of activities under the loan guaranty program with the
19 appropriate federal agency.

20 (c) All examination reports and all information obtained by the
21 ((~~supervisor~~)) director and the ((~~supervisor's~~)) director's staff in
22 conducting examinations of an agricultural lender are confidential to
23 the same extent bank examinations are confidential under RCW 30.04.075.

24 (d) All examination reports may be shared with other state or
25 federal agencies consistent with chapter 30.04 RCW.

26 (2) A director, officer, or employee of an agricultural lender or
27 of a subsidiary of an agricultural lender being examined by the
28 ((~~supervisor~~)) director or a person having custody of any of the books,
29 accounts, or records of the agricultural lender or of the subsidiary
30 shall facilitate the examination so far as it is in his or her power to
31 do so.

32 (3) If in the ((~~supervisor's~~)) opinion of the director it is
33 necessary in the examination of an agricultural lender or of a
34 subsidiary of an agricultural lender, the ((~~supervisor~~)) director may
35 retain any certified public accountant, attorney, appraiser, or other
36 person to assist the ((~~supervisor~~)) director. The agricultural lender
37 being examined shall pay the fees of a person retained by the
38 ((~~supervisor~~)) director under this subsection.

1 **Sec. 257.** RCW 31.35.080 and 1990 c 134 s 8 are each amended to
2 read as follows:

3 (1) The ((~~supervisor~~)) director shall adopt rules to enforce the
4 intent and purposes of this chapter. Such rules shall include, but not
5 be limited to, the following:

6 (a) Disclosure of conflicts of interest;

7 (b) Prohibition of false statements made to the ((~~supervisor~~))
8 director on any form required by the ((~~supervisor~~)) director or during
9 any examination; or

10 (c) Prevention of fraud and undue influence within an agricultural
11 lender.

12 (2) A violation of any provision of this chapter or any rule of the
13 ((~~supervisor~~)) director adopted under this chapter by an agent,
14 employee, officer, or director of the agricultural lender shall be
15 punishable by a fine, established by the ((~~supervisor~~)) director, not
16 to exceed one hundred dollars for each offense. Each day's continuance
17 of the violation shall be a separate and distinct offense. All fines
18 shall be credited to the banking examination fund.

19 (3) The ((~~supervisor~~)) director may issue and serve upon an
20 agricultural lender a notice of charges if, in the opinion of the
21 ((~~supervisor~~)) director, the agricultural lender is violating or has
22 violated the law, rule, or any condition imposed in writing by the
23 ((~~supervisor~~)) director or any written agreement made by the
24 ((~~supervisor~~)) director.

25 (a) The notice shall contain a statement of the facts constituting
26 the alleged violation or practice and shall fix a time and place at
27 which a hearing will be held to determine whether an order to cease and
28 desist should issue against the agricultural lender. The hearing shall
29 be set not earlier than ten days nor later than thirty days after
30 service of the notice unless a later date is set by the ((~~supervisor~~))
31 director at the request of the agricultural lender.

32 Unless the agricultural lender appears at the hearing by a duly
33 authorized representative, it shall be deemed to have consented to the
34 issuance of the cease and desist order. In the event of consent or if,
35 upon the record made at the hearing, ((~~{the supervisor}~~)) the director
36 finds that any violation or practice specified in the notice of charges
37 has been established, the ((~~supervisor~~)) director may issue and serve
38 upon the agricultural lender an order to cease and desist from the
39 violation or practice. The order may require the agricultural lender

1 and its directors, officers, employees, and agents to cease and desist
2 from the violation or practice and may require the agricultural lender
3 to take affirmative action to correct the conditions resulting from the
4 violation or practice.

5 (b) A cease and desist order shall become effective at the
6 expiration of ten days after the service of the order upon the
7 agricultural lender concerned, except that a cease and desist order
8 issued upon consent shall become effective at the time specified in the
9 order and shall remain effective as provided in the order unless it is
10 stayed, modified, terminated, or set aside by action of the
11 (~~supervisor~~) director or a reviewing court.

12 **Sec. 258.** RCW 31.35.090 and 1990 c 134 s 9 are each amended to
13 read as follows:

14 If, in the opinion of the (~~supervisor~~) director, an agricultural
15 lender violates or there is reasonable cause to believe that an
16 agricultural lender is about to violate any provision of this chapter
17 or any rule adopted under this chapter, the (~~supervisor~~) director may
18 bring an action in the appropriate court to enjoin the violation or to
19 enforce compliance. Upon a proper showing, a restraining order,
20 (~~for~~) or preliminary or permanent injunction, shall be granted, and
21 a receiver or a conservator may be appointed for the agricultural
22 lender or the agricultural lender's assets.

23 **Sec. 259.** RCW 31.35.100 and 1990 c 134 s 10 are each amended to
24 read as follows:

25 All agricultural lenders shall notify their members at the time of
26 membership and annually thereafter that their investment in the
27 agricultural lender, although regulated by the (~~supervisor~~) director,
28 is not insured, guaranteed, or protected by any federal or state
29 agency.

30 **Sec. 260.** RCW 31.35.900 and 1990 c 134 s 11 are each amended to
31 read as follows:

32 If any provision of this act or its application to any person or
33 circumstance is held invalid or, if in the written opinion of the
34 farmers home administration, is contrary to the intent and purposes of
35 the loan guaranty program, the (~~supervisor~~) director shall not
36 enforce such provision, but the remainder of the act or the application

1 of the provision to other persons or circumstances shall not be
2 affected.

3 **Sec. 261.** RCW 31.40.010 and 1989 c 212 s 1 are each amended to
4 read as follows:

5 The legislature finds and declares that small and moderate-size
6 companies can enhance their access to working capital and to capital
7 for acquiring and equipping commercial and industrial facilities by
8 using the United States small business administration national small
9 business loan program known as the 7(a) loan guaranty program. The
10 7(a) loan guaranty program provides financing to small firms needing
11 working capital and longer term financing for equipment and other fixed
12 assets. Such loans can be made to small businesses by nondepository
13 lenders and guaranteed by the small business administration only if the
14 state provides for the on-going regulation and examination of such
15 entities.

16 It is the intent of the legislature that the (~~supervisor of~~
17 ~~banking license~~) director of financial institutions, regulate, and
18 subject to on-going examination, nondepository lenders for the purpose
19 of allowing such lenders to participate in the small business
20 administration's 7(a) loan guaranty program.

21 **Sec. 262.** RCW 31.40.020 and 1989 c 212 s 2 are each amended to
22 read as follows:

23 Unless the context clearly requires otherwise, the definitions in
24 this section apply throughout this chapter.

25 (1) "Licensee" means a Washington corporation licensed under the
26 terms of this chapter.

27 (2) (~~"Supervisor" means the state supervisor of banking~~)
28 "Director" means the director of financial institutions.

29 **Sec. 263.** RCW 31.40.030 and 1989 c 212 s 3 are each amended to
30 read as follows:

31 (1) The (~~supervisor~~) director shall administer this chapter. The
32 (~~supervisor~~) director may issue orders and adopt rules that, in the
33 opinion of the (~~supervisor~~) director, are necessary to execute,
34 enforce, and effectuate the purposes of this chapter. Rules to enforce
35 the provisions of this chapter shall be adopted under the
36 administrative procedure act, chapter 34.05 RCW.

1 (2) Whenever the ((~~supervisor~~)) director issues an order or a
2 license under this chapter, the ((~~supervisor~~)) director may impose
3 conditions that are necessary, in the opinion of the ((~~supervisor~~))
4 director, to carry out the purposes of this chapter.

5 (3) An application filed with the ((~~supervisor~~)) director under
6 this chapter shall be in such a form and contain such information as
7 the ((~~supervisor~~)) director may require.

8 (4) Any change of control of a licensee shall be subject to the
9 approval of the ((~~supervisor~~)) director. Such approval shall be
10 subject to the same criteria as the criteria for approval of the
11 original license. For purposes of this subsection, "change of control"
12 means directly or indirectly, alone or in concert with others, to own,
13 control, or hold the power to vote ten percent or more of the
14 outstanding voting stock of a licensee or the power to elect or control
15 the election of a majority of the board of directors of the licensee.

16 **Sec. 264.** RCW 31.40.050 and 1989 c 212 s 5 are each amended to
17 read as follows:

18 After a review of information regarding the directors, officers,
19 and controlling persons of the applicant for a license, a review of the
20 applicant's business plan, including at least three years of detailed
21 financial projections and other relevant information, and a review of
22 such additional information as is considered relevant by the
23 ((~~supervisor~~)) director, the ((~~supervisor~~)) director shall approve an
24 application for a license if, and only if, the ((~~supervisor~~)) director
25 determines that:

26 (1) The applicant is capitalized in an amount that is not less than
27 five hundred thousand dollars and that such sum is adequate for the
28 applicant to transact business as a nondepository 7(a) lender and that
29 in evaluating the capital position of the applicant the ((~~supervisor~~))
30 director may consider and include the net worth of any corporate
31 shareholder of the applicant corporation if the shareholder guarantees
32 the liabilities of the applicant: PROVIDED, That such corporate
33 shareholder be subject to the reporting requirements of RCW 31.40.080;

34 (2) Each director, officer, and controlling person of the applicant
35 is of good character and sound financial standing; that the directors
36 and officers of the applicant are competent to perform their functions
37 with respect to the applicant; and that the directors and officers of

1 the applicant are collectively adequate to manage the business of the
2 applicant as a nondepository 7(a) lender;

3 (3) The business plan of the applicant will be honestly and
4 efficiently conducted in accordance with the intent and purposes of
5 this chapter; and

6 (4) The proposed activity possesses a reasonable prospect for
7 success.

8 **Sec. 265.** RCW 31.40.060 and 1989 c 212 s 6 are each amended to
9 read as follows:

10 (1) Either by itself or in concert with a director, officer,
11 principal shareholder, or affiliate, or with another licensee, a
12 licensee shall not hold control of a business firm to which it has made
13 a loan under section 7(a) of the federal small business investment act
14 of 1958, 15 U.S.C. Sec. 636(a), except that, to the extent necessary to
15 protect the licensee's interest as creditor of the business firm, a
16 licensee that provides financing assistance to a business firm may
17 acquire and hold control of that business firm. Unless the
18 (~~supervisor~~) director approves a longer period, a licensee holding
19 control of a business firm under this section shall divest itself of
20 the interest which constitutes holding control as soon as practicable
21 or within five years after acquiring that interest, whichever is
22 sooner.

23 (2) For the purposes of subsection (1) of this section, "hold
24 control" means alone or in concert with others:

25 (a) Ownership, directly or indirectly, of record or beneficially,
26 of voting securities greater than:

27 (i) For a business firm with outstanding voting securities held by
28 fewer than fifty shareholders, forty percent of the outstanding voting
29 securities;

30 (ii) For a business firm with outstanding voting securities held by
31 fifty or more shareholders, twenty-five percent of the outstanding
32 voting securities;

33 (b) Being able to elect or control the election of a majority of
34 the board of directors.

35 **Sec. 266.** RCW 31.40.070 and 1989 c 212 s 7 are each amended to
36 read as follows:

1 (1) The ((~~supervisor~~)) director is authorized to charge a fee for
2 the estimated direct and indirect costs of the following:

3 (a) An application for a license and the investigation thereof;

4 (b) An application for approval to acquire control of a licensee
5 and the investigation thereof;

6 (c) An application for approval for a licensee to merge with
7 another corporation, an application for approval for a licensee to
8 purchase all or substantially all of the business of another person, or
9 an application for approval for a licensee to sell all or substantially
10 all of its business or of the business of any of its offices to another
11 licensee and the investigation thereof;

12 (d) An annual license;

13 (e) An examination by the ((~~supervisor~~)) director of a licensee or
14 a subsidiary of a licensee. Excess examiner time shall be billed at a
15 reasonable rate established by rule.

16 (2) A fee for filing an application with the ((~~supervisor~~))
17 director shall be paid at the time the application is filed with the
18 ((~~supervisor~~)) director.

19 (3) All such fees shall be deposited in the banking examination
20 fund and administered consistent with the provisions of RCW
21 ((~~43.19.095~~)) 43.320.110.

22 **Sec. 267.** RCW 31.40.080 and 1989 c 212 s 8 are each amended to
23 read as follows:

24 (1) A licensee shall keep books, accounts, and other records in
25 such a form and manner as the ((~~supervisor~~)) director may require.
26 These records shall be kept at such a place and shall be preserved for
27 such a length of time as the ((~~supervisor~~)) director may specify.

28 (2) Not more than ninety days after the close of each calendar year
29 or within a period specified by the ((~~supervisor~~)) director, a licensee
30 shall file with the ((~~supervisor~~)) director a report containing the
31 following:

32 (a) Financial statements, including the balance sheet, the
33 statement of income or loss, the statement of changes in capital
34 accounts and the statement of changes in financial position; and

35 (b) Other information that the ((~~supervisor~~)) director may require.

36 (3) Each licensee shall provide for a loan loss reserve sufficient
37 to cover projected loan losses which are not guaranteed by the United
38 States government or any agency thereof.

1 **Sec. 268.** RCW 31.40.090 and 1989 c 212 s 9 are each amended to
2 read as follows:

3 (1) The ((~~supervisor~~)) director shall examine each licensee not
4 less than once each year.

5 (2) The ((~~supervisor~~)) director may with or without notice and at
6 any time during regular business hours examine a licensee or a
7 subsidiary of a licensee.

8 (3) A director, officer, or employee of a licensee or of a
9 subsidiary of a licensee being examined by the ((~~supervisor~~)) director
10 or a person having custody of any of the books, accounts, or records of
11 the licensee or of the subsidiary shall otherwise facilitate the
12 examination so far as it is in his or her power to do so.

13 (4) If in the ((~~supervisor's~~)) director's opinion it is necessary
14 in the examination of a licensee, or of a subsidiary of a licensee, the
15 ((~~supervisor~~)) director may retain any certified public accountant,
16 attorney, appraiser, or other person to assist the ((~~supervisor~~))
17 director. The licensee being examined shall pay the fees of a person
18 retained by the ((~~supervisor~~)) director under this subsection.

19 **Sec. 269.** RCW 31.40.100 and 1989 c 212 s 10 are each amended to
20 read as follows:

21 If the ((~~supervisor~~)) director denies an application, the
22 ((~~supervisor~~)) director shall provide the applicant with a written
23 statement explaining the basis for the denial.

24 **Sec. 270.** RCW 31.40.110 and 1989 c 212 s 11 are each amended to
25 read as follows:

26 (1) The ((~~supervisor~~)) director shall adopt rules to enforce the
27 intent and purposes of this chapter. Such rules shall include, but
28 need not be limited to, the following:

29 (a) Disclosure of conflicts of interest;

30 (b) Prohibition of false statements made to the ((~~supervisor~~))
31 director on any form required by the ((~~supervisor~~)) director or during
32 any examination requested by the ((~~supervisor~~)) director; or

33 (c) Prevention of fraud and undue influence by a licensee.

34 (2) A violation of any provision of this chapter or any rule of the
35 ((~~supervisor~~)) director adopted under this chapter by an agent,
36 employee, officer, or director of the licensee shall be punishable by
37 a fine, established by the ((~~supervisor~~)) director, not to exceed one

1 hundred dollars for each offense. Each day's continuance of the
2 violation shall be a separate and distinct offense. Each such fine
3 shall be credited to the ((bank)) banking examination fund.

4 **Sec. 271.** RCW 31.40.120 and 1989 c 212 s 12 are each amended to
5 read as follows:

6 If, in the opinion of the ((supervisor)) director, a person
7 violates or there is reasonable cause to believe that a person is about
8 to violate any provision of this chapter or any rule adopted under this
9 chapter, the ((supervisor)) director may bring an action in the
10 appropriate court to enjoin the violation or to enforce compliance.
11 Upon a proper showing, a restraining order, preliminary or permanent
12 injunction, shall be granted, and a receiver or a conservator may be
13 appointed for the defendant or the defendant's assets.

14 **Sec. 272.** RCW 31.40.130 and 1989 c 212 s 13 are each amended to
15 read as follows:

16 The ((supervisor)) director may deny, suspend, or revoke a license
17 if the applicant or holder violates any provision of this chapter or
18 any rules promulgated pursuant to this chapter.

19 **Sec. 273.** RCW 31.40.900 and 1989 c 212 s 16 are each amended to
20 read as follows:

21 If any provision of this act or its application to any person or
22 circumstance is held invalid or, if in the written opinion of the small
23 business administration, is contrary to the intent and purposes of the
24 7(a) loan guaranty program, the ((supervisor)) director shall not
25 enforce such provision but the remainder of the act or the application
26 of the provision to other persons or circumstances shall not be
27 affected.

28 **Sec. 274.** RCW 31.45.010 and 1993 c 143 s 1 are each amended to
29 read as follows:

30 Unless the context clearly requires otherwise, the definitions in
31 this section apply throughout this chapter.

32 (1) "Check casher" means an individual, partnership, unincorporated
33 association, or corporation that, for compensation, engages, in whole
34 or in part, in the business of cashing checks, drafts, money orders, or
35 other commercial paper serving the same purpose.

1 (2) "Check seller" means an individual, partnership, unincorporated
2 association, or corporation that, for compensation, engages, in whole
3 or in part, in the business of or selling checks, drafts, money orders,
4 or other commercial paper serving the same purpose.

5 (3) "Licensee" means a check casher or seller licensed by the
6 (~~supervisor~~) director to engage in business in accordance with this
7 chapter. For purposes of the enforcement powers of this chapter,
8 including the power to issue cease and desist orders under RCW
9 31.45.110, "licensee" also means a check casher or seller who fails to
10 obtain the license required by this chapter.

11 (4) (~~"Supervisor" means the supervisor of banking~~) "Director"
12 means the director of financial institutions.

13 **Sec. 275.** RCW 31.45.020 and 1991 c 355 s 2 are each amended to
14 read as follows:

15 (1) This chapter does not apply to:

16 (a) Any bank, trust company, savings bank, savings and loan
17 association, or credit union;

18 (b) The cashing of checks, drafts, or money orders by any
19 corporation, partnership, association, or person who cashes checks,
20 drafts, or money orders as a convenience, as a minor part of its
21 customary business, and not for profit;

22 (c) The issuance or sale of checks, drafts, or money orders by any
23 corporation, partnership, or association that has a net worth of not
24 less than three million dollars as shown by audited financial
25 statements; and

26 (d) The issuance or sale of checks, drafts, money orders, or other
27 commercial paper serving the same purpose by any agent of a
28 corporation, partnership, or association described in (c) of this
29 subsection.

30 (2) Upon application to the (~~supervisor~~) director, the
31 (~~supervisor~~) director may exempt a corporation, partnership,
32 association, or other person from any or all provisions of this chapter
33 upon a finding by the (~~supervisor~~) director that although not
34 otherwise exempt under this section, the applicant is not primarily
35 engaged in the business of cashing or selling checks and a total or
36 partial exemption would not be detrimental to the public.

1 **Sec. 276.** RCW 31.45.030 and 1993 c 176 s 1 are each amended to
2 read as follows:

3 (1) Except as provided in RCW 31.45.020, no check casher or seller
4 may engage in business without first obtaining a license from the
5 ((~~supervisor~~)) director in accordance with this chapter.

6 (2) Each application for a license shall be in writing in a form
7 prescribed by the ((~~supervisor~~)) director and shall contain the
8 following information:

9 (a) The legal name, residence, and business address of the
10 applicant and, if the applicant is a partnership, association, or
11 corporation, of every member, officer, and director thereof;

12 (b) The location where the initial registered office of the
13 applicant will be located in this state;

14 (c) The complete address of any other locations at which the
15 applicant proposes to engage in business as a check casher or seller;

16 (d) Such other data, financial statements, and pertinent
17 information as the ((~~supervisor~~)) director may require with respect to
18 the applicant, its directors, trustees, officers, members, or agents.

19 (3) Any information in the application regarding the personal
20 residential address or telephone number of the applicant is exempt from
21 the public records disclosure requirements of chapter 42.17 RCW.

22 (4) The application shall be filed together with an investigation
23 and supervision fee established by rule by the ((~~supervisor~~)) director.
24 Such fees collected shall be deposited to the credit of the banking
25 examination fund in accordance with RCW ((~~43.19.095~~)) 43.320.110.

26 (5)(a) Before granting a license to sell checks, drafts, or money
27 orders under this chapter, the ((~~supervisor~~)) director shall require
28 that the licensee file with the ((~~supervisor~~)) director a surety bond
29 running to the state of Washington, which bond shall be issued by a
30 surety insurer which meets the requirements of chapter 48.28 RCW, and
31 be in a format acceptable to the ((~~supervisor~~)) director. The
32 ((~~supervisor~~)) director shall adopt rules to determine the penal sum of
33 the bond that shall be filed by each licensee. The bond shall be
34 conditioned upon the licensee paying all persons who purchase checks,
35 drafts, or money orders from the licensee the face value of any check,
36 draft, or money order which is dishonored by the drawee bank, savings
37 bank, or savings and loan association due to insufficient funds or by
38 reason of the account having been closed. The bond shall only be
39 liable for the face value of the dishonored check, draft, or money

1 order, and shall not be liable for any interest or consequential
2 damages.

3 The bond shall be continuous and may be canceled by the surety upon
4 the surety giving written notice to the (~~supervisor~~) director and
5 licensee of its intent to cancel the bond. The cancellation is
6 effective thirty days after the notice is received by the
7 (~~supervisor~~) director. Whether or not the bond is renewed,
8 continued, reinstated, reissued, or otherwise extended, replaced, or
9 modified, including increases or decreases in the penal sum, it shall
10 be considered one continuous obligation, and the surety upon the bond
11 shall not be liable in an aggregate or cumulative amount exceeding the
12 penal sum set forth on the face of the bond. In no event shall the
13 penal sum, or any portion thereof, at two or more points in time be
14 added together in determining the surety's liability. The bond shall
15 not be liable for any liability of the licensee for tortious acts,
16 whether or not such liability is imposed by statute or common law, or
17 is imposed by contract. The bond shall not be a substitute or
18 supplement to any liability or other insurance required by law or by
19 the contract. If the surety desires to make payment without awaiting
20 court action against it, the penal sum of the bond shall be reduced to
21 the extent of any payment made by the surety in good faith under the
22 bond.

23 Any person who is a purchaser of a check, draft, or money order
24 from the licensee having a claim against the licensee for the dishonor
25 of any check, draft, or money order by the drawee bank, savings bank,
26 or savings and loan association due to insufficient funds or by reason
27 of the account having been closed, may bring suit upon such bond or
28 deposit in the superior court of the county in which the check, draft,
29 or money order was purchased, or in the superior court of a county in
30 which the licensee maintains a place of business. Jurisdiction shall
31 be exclusively in the superior court. Any such action must be brought
32 not later than one year after the dishonor of the check, draft, or
33 money order on which the claim is based. In the event valid claims
34 against a bond or deposit exceed the amount of the bond or deposit,
35 each claimant shall only be entitled to a pro rata amount, based on the
36 amount of the claim as it is valid against the bond, or deposit,
37 without regard to the date of filing of any claim or action.

38 (b) In lieu of the surety bond required by this section, the
39 applicant may file with the (~~supervisor~~) director a deposit

1 consisting of cash or other security acceptable to the ((supervisor))
2 director in an amount equal to the penal sum of the required bond. The
3 ((supervisor)) director may adopt rules necessary for the proper
4 administration of the security. A deposit given instead of the bond
5 required by this section shall not be deemed an asset of the licensee
6 for the purpose of complying with the liquid asset provisions of this
7 chapter.

8 (c) Such security may be sold by the ((supervisor)) director at
9 public auction if it becomes necessary to satisfy the requirements of
10 this chapter. Notice of the sale shall be served upon the licensee who
11 placed the security personally or by mail. If notice is served by
12 mail, service shall be addressed to the licensee at its address as it
13 appears in the records of the ((supervisor)) director. Bearer bonds of
14 the United States or the state of Washington without a prevailing
15 market price must be sold at public auction. Such bonds having a
16 prevailing market price may be sold at private sale not lower than the
17 prevailing market price. Upon any sale, any surplus above amounts due
18 shall be returned to the licensee, and the licensee shall deposit with
19 the ((supervisor)) director additional security sufficient to meet the
20 amount required by the ((supervisor)) director. A deposit given
21 instead of the bond required by this section shall not be deemed an
22 asset of the licensee for the purpose of complying with the liquid
23 asset provisions of this chapter.

24 **Sec. 277.** RCW 31.45.040 and 1991 c 355 s 4 are each amended to
25 read as follows:

26 (1) The ((supervisor)) director shall conduct an investigation of
27 every applicant to determine the financial responsibility, experience,
28 character, and general fitness of the applicant. The ((supervisor))
29 director shall issue the applicant a license to engage in the business
30 of cashing or selling checks, or both, if the ((supervisor)) director
31 determines to his or her satisfaction that:

32 (a) The applicant is financially responsible and appears to be able
33 to conduct the business of cashing or selling checks in an honest,
34 fair, and efficient manner with the confidence and trust of the
35 community; and

36 (b) The applicant has the required bonds.

37 (2) The ((supervisor)) director may refuse to issue a license if he
38 or she finds that the applicant, or any person who is a director,

1 officer, partner, agent, or substantial stockholder of the applicant,
2 has been convicted of a felony in any jurisdiction or is associating or
3 consorting with any person who has been convicted of a felony in any
4 jurisdiction. The term "substantial stockholder" as used in this
5 subsection, means a person owning or controlling ten percent or more of
6 the total outstanding shares of the applicant corporation.

7 (3) No license may be issued to an applicant whose license to
8 conduct business under this chapter had been revoked by the
9 (~~supervisor~~) director within the twelve-month period preceding the
10 application.

11 (4) A license issued under this chapter shall be conspicuously
12 posted in the place of business of the licensee. The license is not
13 transferable or assignable.

14 (5) A license issued in accordance with this chapter remains in
15 force and effect through the remainder of the calendar year following
16 its date of issuance unless earlier surrendered, suspended, or revoked.

17 (6) The (~~supervisor's~~) director's investigation and fees required
18 under this chapter shall differentiate between check cashing and check
19 selling activities and take into consideration the level of risk and
20 potential harm to the public related to each such activity.

21 **Sec. 278.** RCW 31.45.050 and 1991 c 355 s 5 are each amended to
22 read as follows:

23 (1) A license may be renewed upon the filing of an application
24 containing such information as the (~~supervisor~~) director may require
25 and by the payment of a fee in an amount determined by the
26 (~~supervisor~~) director as necessary to cover the costs of supervision.
27 Such fees collected shall be deposited to the credit of the (~~bank~~
28 ~~{banking}~~) banking examination fund in accordance with RCW
29 (~~43.19.095~~) 43.320.110. The (~~supervisor~~) director shall renew the
30 license in accordance with the standards for issuance of a new license.

31 (2) If a licensee intends to do business at a new location, to
32 close an existing place of business, or to relocate an existing place
33 of business, the licensee shall provide written notification of that
34 intention to the (~~supervisor~~) director no less than thirty days
35 before the proposed establishing, closing, or moving of a place of
36 business.

1 **Sec. 279.** RCW 31.45.060 and 1991 c 355 s 6 are each amended to
2 read as follows:

3 (1) A schedule of the fees and the charges for the cashing and
4 selling of checks, drafts, money orders, or other commercial paper
5 serving the same purpose shall be conspicuously and continuously posted
6 in every location licensed under this chapter. The licensee shall
7 provide to its customer a receipt for each transaction. The receipt
8 must include the name of the licensee, the type and amount of the
9 transaction, and the fee or fees charged for the transaction.

10 (2) Each licensee shall keep and maintain such business books,
11 accounts, and records as the ((~~supervisor~~)) director may require to
12 fulfill the purposes of this chapter. Every licensee shall preserve
13 such books, accounts, and records for at least two years.

14 (3) A check, draft, or money order sold by a licensee shall be
15 drawn on an account of a licensee maintained at a bank, savings bank,
16 or savings and loan association authorized to do business in the state
17 of Washington.

18 **Sec. 280.** RCW 31.45.070 and 1991 c 355 s 7 are each amended to
19 read as follows:

20 (1) Except for the activities of a pawnbroker as defined in RCW
21 19.60.010, no licensee may engage in a loan business or the negotiation
22 of loans or the discounting of notes, bills of exchange, checks, or
23 other evidences of debt on the same premises where a check cashing or
24 selling business is conducted, unless such loan business is a properly
25 licensed consumer finance company or industrial loan company office or
26 other lending activity permitted in the state of Washington and is
27 physically separated from the check cashing or selling business in a
28 manner approved by the ((~~supervisor~~)) director.

29 (2) No licensee may at any time cash or advance any moneys on a
30 postdated check or draft. However, a licensee may cash a check payable
31 on the first banking day following the date of cashing if:

32 (a) The check is drawn by the United States, the state of
33 Washington, or any political subdivision of the state, or by any
34 department or agency of the state or its subdivisions; or

35 (b) The check is a payroll check drawn by an employer to the order
36 of its employee in payment for services performed by the employee.

1 (3) No licensee may agree to hold a check or draft for later
2 deposit. A licensee shall deposit all checks and drafts cashed by the
3 licensee as soon as practicable.

4 (4) No licensee may issue or cause to be issued any check, draft,
5 or money order, or other commercial paper serving the same purpose,
6 that is drawn upon the trust account of a licensee without concurrently
7 receiving the full principal amount, in cash, or by check, draft, or
8 money order from a third party believed to be valid.

9 (5) No licensee may advertise, print, display, publish, distribute,
10 or broadcast or cause or permit to be advertised, printed, displayed,
11 published, distributed, or broadcast, any statement or representation
12 that is false, misleading, or deceptive, or that omits material
13 information, or that refers to the supervision of the licensee by the
14 state of Washington or any department or official of the state.

15 (6) Each licensee shall comply with all applicable federal statutes
16 governing currency transaction reporting.

17 **Sec. 281.** RCW 31.45.080 and 1991 c 355 s 8 are each amended to
18 read as follows:

19 (1) All funds received by a licensee or its agents from the sale of
20 checks, drafts, money orders, or other commercial paper serving the
21 same purpose constitute trust funds owned by and belonging to the
22 person from whom they were received or to the person who has paid the
23 checks, drafts, money orders, or other commercial paper serving the
24 same purpose.

25 (2) All such trust funds shall be deposited in a bank, savings
26 bank, or savings and loan association located in Washington state in an
27 account or accounts in the name of the licensee designated "trust
28 account," or by some other appropriate name indicating that the funds
29 are not the funds of the licensee or of its officers, employees, or
30 agents. Such funds are not subject to attachment, levy of execution,
31 or sequestration by order of a court except by a payee, assignee, or
32 holder in due course of a check, draft, or money order sold by a
33 licensee or its agent. Funds in the trust account, together with funds
34 and checks on hand and in the hands of agents held for the account of
35 the licensee at all times shall be at least equal to the aggregate
36 liability of the licensee on account of checks, drafts, money orders,
37 or other commercial paper serving the same purpose that are sold.

1 (3) The ((~~supervisor~~)) director shall adopt rules requiring the
2 licensee to periodically withdraw from the trust account the portion of
3 trust funds earned by the licensee from the sale of checks, drafts,
4 money orders, or other commercial paper serving the same purpose. If
5 a licensee has accepted, in payment for a check, draft, money order, or
6 commercial paper serving the same purpose issued by the licensee, a
7 check or draft that is subsequently dishonored, the ((~~supervisor~~))
8 director shall prohibit the withdrawal of earned funds in an amount
9 necessary to cover the dishonored check or draft.

10 (4) If a licensee or its agent commingles trust funds with its own
11 funds, all assets belonging to the licensee or its agent are impressed
12 with a trust in favor of the persons specified in subsection (1) of
13 this section in an amount equal to the aggregate funds that should have
14 been segregated. Such trust continues until an amount equal to the
15 necessary aggregate funds have been deposited in accordance with
16 subsection (2) of this section.

17 (5) Upon request of the ((~~supervisor~~)) director, a licensee shall
18 furnish to the ((~~supervisor~~)) director an authorization for examination
19 of financial records of any trust fund account established for
20 compliance with this section.

21 (6) The ((~~supervisor~~)) director may adopt any rules necessary for
22 the maintenance of trust accounts, including rules establishing
23 procedures for distribution of trust account funds if a license is
24 suspended, terminated, or not renewed.

25 **Sec. 282.** RCW 31.45.090 and 1991 c 355 s 9 are each amended to
26 read as follows:

27 (1) Each licensee shall submit to the ((~~supervisor~~)) director, in
28 a form approved by the ((~~supervisor~~)) director, a report containing
29 financial statements covering the calendar year or, if the licensee has
30 an ((~~a~~—[an])) established fiscal year, then for such fiscal year,
31 within one hundred five days after the close of each calendar or fiscal
32 year. The licensee shall also file such additional relevant
33 information as the ((~~supervisor~~)) director may require.

34 (2) A licensee whose license has been suspended or revoked shall
35 submit to the ((~~supervisor~~)) director, at the licensee's expense,
36 within one hundred five days after the effective date of such surrender
37 or revocation, a closing audit report containing audited financial

1 statements as of such effective date for the twelve months ending with
2 such effective date.

3 (3) The ((~~supervisor~~)) director shall adopt rules specifying the
4 form and content of such audit reports and may require additional
5 reporting as is necessary for the ((~~supervisor~~)) director to ensure
6 compliance with this chapter.

7 **Sec. 283.** RCW 31.45.100 and 1991 c 355 s 10 are each amended to
8 read as follows:

9 The ((~~supervisor~~)) director may at any time investigate the
10 business and examine the books, accounts, records, and files of any
11 licensee or person who the ((~~supervisor~~)) director has reason to
12 believe is engaging in the business governed by this chapter. The
13 ((~~supervisor~~)) director shall collect from the licensee, the actual
14 cost of the examination.

15 **Sec. 284.** RCW 31.45.110 and 1991 c 355 s 11 are each amended to
16 read as follows:

17 (1) The ((~~supervisor~~)) director may issue and serve upon a licensee
18 a notice of charges if, in the opinion of the ((~~supervisor~~)) director,
19 any licensee:

20 (a) Is engaging or has engaged in an unsafe or unsound practice in
21 conducting the business governed by this chapter;

22 (b) Is violating or has violated the law, rule, or any condition
23 imposed in writing by the ((~~supervisor~~)) director in connection with
24 the granting of any application or other request by the licensee or any
25 written agreement made with the ((~~supervisor~~)) director; or

26 (c) Is about to do the acts prohibited in (a) or (b) of this
27 subsection when the opinion that the threat exists is based upon
28 reasonable cause.

29 (2) The notice shall contain a statement of the facts constituting
30 the alleged violation or violations or the practice or practices and
31 shall fix a time and place at which a hearing will be held to determine
32 whether an order to cease and desist should be issued against the
33 licensee. The hearing shall be set not earlier than ten days nor later
34 than thirty days after service of the notice unless a later date is set
35 by the ((~~supervisor~~)) director at the request of the licensee.

36 Unless the licensee personally appears at the hearing or by a duly
37 authorized representative, the licensee is deemed to have consented to

1 the issuance of the cease and desist order. In the event of this
2 consent or if upon the record made at the hearing the ((~~supervisor~~))
3 director finds that any violation or practice specified in the notice
4 of charges has been established, the ((~~supervisor~~)) director may issue
5 and serve upon the licensee an order to cease and desist from the
6 violation or practice. The order may require the licensee and its
7 directors, officers, employees, and agents to cease and desist from the
8 violation or practice and may require the licensee to take affirmative
9 action to correct the conditions resulting from the violation or
10 practice.

11 (3) A cease and desist order becomes effective upon the expiration
12 of ten days after the service of the order upon the licensee concerned,
13 except that a cease and desist order issued upon consent becomes
14 effective at the time specified in the order and remains effective as
15 provided in the order unless it is stayed, modified, terminated, or set
16 aside by action of the ((~~supervisor~~)) director or a reviewing court.

17 **Sec. 285.** RCW 31.45.120 and 1991 c 355 s 12 are each amended to
18 read as follows:

19 Whenever the ((~~supervisor~~)) director determines that the acts
20 specified in RCW 31.45.110 or their continuation is likely to cause
21 insolvency or substantial injury to the public, the ((~~supervisor~~))
22 director may also issue a temporary order requiring the licensee to
23 cease and desist from the violation or practice. The order becomes
24 effective upon service upon the licensee and remains effective unless
25 set aside, limited, or suspended by a court under RCW 31.45.130 pending
26 the completion of the administrative proceedings under the notice and
27 until such time as the ((~~supervisor~~)) director dismisses the charges
28 specified in the notice or until the effective date of the cease and
29 desist order issued against the licensee under RCW 31.45.110.

30 **Sec. 286.** RCW 31.45.140 and 1991 c 355 s 14 are each amended to
31 read as follows:

32 In the case of a violation or threatened violation of a temporary
33 cease and desist order issued under RCW 31.45.120, the ((~~supervisor~~))
34 director may apply to the superior court of the county of the principal
35 place of business of the licensee for an injunction.

1 **Sec. 287.** RCW 31.45.150 and 1991 c 355 s 15 are each amended to
2 read as follows:

3 Whenever as a result of an examination or report it appears to the
4 ((~~supervisor~~)) director that:

5 (1) The capital of any licensee is impaired;

6 (2) Any licensee is conducting its business in such an unsafe or
7 unsound manner as to render its further operations hazardous to the
8 public;

9 (3) Any licensee has suspended payment of its trust obligations;

10 (4) Any licensee has refused to submit its books, papers, and
11 affairs to the inspection of the ((~~supervisor~~)) director or the
12 ((~~supervisor's~~)) director's examiner;

13 (5) Any officer of any licensee refuses to be examined under oath
14 regarding the business of the licensee;

15 (6) Any licensee neglects or refuses to comply with any order of
16 the ((~~supervisor~~)) director made pursuant to this chapter unless the
17 enforcement of such order is restrained in a proceeding brought by such
18 licensee;

19 the ((~~supervisor~~)) director may immediately take possession of the
20 property and business of the licensee and retain possession until the
21 licensee resumes business or its affairs are finally liquidated as
22 provided in RCW 31.45.160. The licensee may resume business upon such
23 terms as the ((~~supervisor~~)) director may prescribe.

24 **Sec. 288.** RCW 31.45.160 and 1991 c 355 s 16 are each amended to
25 read as follows:

26 Whenever the ((~~supervisor~~)) director has taken possession of the
27 property and business of a licensee, the ((~~supervisor~~)) director may
28 petition the superior court for the appointment of a receiver to
29 liquidate the affairs of the licensee. During the time that the
30 ((~~supervisor~~)) director retains possession of the property and business
31 of a licensee, the ((~~supervisor~~)) director has the same powers and
32 authority with reference to the licensee as is vested in the
33 ((~~supervisor~~)) director with respect to industrial loan companies, and
34 the licensee has the same rights to hearings and judicial review as are
35 granted to industrial loan companies.

36 **Sec. 289.** RCW 31.45.170 and 1991 c 355 s 17 are each amended to
37 read as follows:

1 Every licensee violating or failing to comply with any provision of
2 this chapter or any lawful direction or requirement of the
3 ((supervisor)) director is subject, in addition to any penalty
4 otherwise provided, to a penalty of not more than one hundred dollars
5 for each offense, to be recovered by the attorney general in a civil
6 action in the name of the state. Each day's continuance of the
7 violation is a separate and distinct offense.

8 **Sec. 290.** RCW 31.45.180 and 1991 c 355 s 18 are each amended to
9 read as follows:

10 Any person who violates or participates in the violation of any
11 provision of the rules or orders of the ((supervisor)) director or of
12 this chapter is guilty of a misdemeanor.

13 **Sec. 291.** RCW 31.45.200 and 1991 c 355 s 20 are each amended to
14 read as follows:

15 The ((supervisor)) director has the power, and broad administrative
16 discretion, to administer and interpret the provisions of this chapter
17 to ensure the protection of the public.

18 **Sec. 292.** RCW 31.45.900 and 1991 c 355 s 24 are each amended to
19 read as follows:

20 This act shall take effect January 1, 1992. The ((supervisor))
21 director shall take such steps as are necessary to ensure that this act
22 is implemented on its effective date.

23 **Sec. 293.** RCW 32.04.020 and 1985 c 56 s 1 are each amended to read
24 as follows:

25 The use of the term "savings bank" in this title refers to mutual
26 savings banks and converted mutual savings banks only.

27 The use of the words "mutual savings" as part of a name under which
28 business of any kind is or may be transacted by any person, firm, or
29 corporation, except such as were organized and in actual operation on
30 June 9, 1915, or as may be thereafter organized and operated under the
31 requirements of this title is hereby prohibited.

32 The use of the term (("supervisor")) "director" in this title
33 refers to the ((supervisor of banking)) director of financial
34 institutions.

1 The use of the word "branch" in this title refers to an established
2 manned place of business or manned mobile facility or other manned
3 facility of a savings bank, other than the principal office, at which
4 deposits may be taken.

5 **Sec. 294.** RCW 32.04.030 and 1985 c 56 s 2 are each amended to read
6 as follows:

7 A savings bank, with the written approval of the ((~~supervisor~~))
8 director, may establish and operate branches in any place within the
9 state.

10 A savings bank desiring to establish a branch shall file a written
11 application therefor with the ((~~supervisor~~)) director, who shall
12 approve or disapprove the application.

13 The ((~~supervisor's~~)) director's approval shall be conditioned on a
14 finding that the resources in the market area of the proposed location
15 offer a reasonable promise of adequate support for the proposed branch
16 and that the proposed branch is not being formed for other than the
17 legitimate purposes under this title. A branch shall not be
18 established or permitted if the capital of the savings bank, including
19 paid-in surplus, guaranty fund, and undivided profits, is less than the
20 aggregate paid-in capital which would be required by law as a
21 prerequisite to the establishment and operation of an equal number of
22 branches in like locations by a commercial bank. If the application
23 for a branch is not approved, the savings bank shall have the right to
24 appeal in the same manner and within the same time as provided by RCW
25 32.08.050 and 32.08.060. The savings bank when delivering the
26 application to the ((~~supervisor~~)) director shall transmit to the
27 ((~~supervisor~~)) director a check in an amount established by rule to
28 cover the expense of the investigation. A savings bank shall not move
29 any branch more than two miles from its existing location without prior
30 approval of the ((~~supervisor~~)) director. Not less than twenty days
31 prior to the date on which it opens any office at which it will
32 transact business, a mutual savings bank shall give written notice to
33 the ((~~supervisor~~)) director of the location and business hours of this
34 office. No such notice shall become effective until it has been
35 delivered to the office of the ((~~supervisor~~)) director.

36 The board of trustees of a savings bank, after notice to the
37 ((~~supervisor~~)) director, may discontinue the operation of a branch.
38 The savings bank shall keep the ((~~supervisor~~)) director informed in the

1 matter and shall notify the ((~~supervisor~~)) director of the date
2 operation of the branch is discontinued.

3 **Sec. 295.** RCW 32.04.040 and 1985 c 469 s 16 are each amended to
4 read as follows:

5 Any savings bank may make a written application to the
6 ((~~supervisor~~)) director for leave to change its place of business to
7 another place in the same county. The application shall state the
8 reasons for the proposed change, and shall be signed and acknowledged
9 by a majority of its board of trustees. If the proposed place of
10 business is within the limits of the city or town in which the present
11 place of business of the savings bank is located, the change may be
12 made upon the written approval of the ((~~supervisor~~)) director; if
13 beyond the limits, notice of intention to make the application, signed
14 by two principal officers of the savings bank, shall be published once
15 a week for two successive weeks immediately preceding the application
16 in a newspaper of general circulation in the city of Olympia and shall
17 be published in like manner in a newspaper to be designated by the
18 ((~~supervisor~~)) director, of general circulation in the county in which
19 the present place of business of the bank is located. If the
20 ((~~supervisor~~)) director grants his or her certificate authorizing the
21 change of location, which in his or her discretion he or she may do,
22 the savings bank shall cause the certificate to be published once in
23 each week for two successive weeks in the newspapers in which the
24 notice of application was published. When the requirements of this
25 section have been fully complied with, the savings bank may, upon or
26 after the day specified in the certificate, remove its property and
27 effects to the location designated therein, and thereafter its
28 principal place of business shall be the location so specified; and it
29 shall have all the rights and powers in the new location which it
30 possessed at its former location.

31 **Sec. 296.** RCW 32.04.050 and 1977 ex.s. c 241 s 1 are each amended
32 to read as follows:

33 A savings bank shall render to the ((~~supervisor~~)) director, in such
34 form as he or she shall prescribe, at least three regular reports each
35 year exhibiting its resources and liabilities as of such dates as the
36 ((~~supervisor~~)) director shall designate, which shall be the dates
37 designated by the comptroller of the currency of the United States for

1 reports of national banking associations. Every such report, in a
2 condensed form to be prescribed by the (~~supervisor~~) director, shall
3 be published once in a newspaper of general circulation, published in
4 the place where the bank is located. A savings bank shall also make
5 such special reports as the (~~supervisor~~) director shall call for. A
6 regular report shall be filed with the (~~supervisor~~) director within
7 thirty days and proof of the publication thereof within forty days from
8 the date of the issuance of the call for the report. A special report
9 shall be filed within such time as the (~~supervisor~~) director shall
10 indicate in the call therefor. A savings bank that fails to file
11 within the prescribed time any report required by this section or proof
12 of the publication of any report required to be published shall be
13 subject to a penalty to the state of fifty dollars for each day's
14 delay, recoverable by a civil action brought by the attorney general in
15 the name of the state.

16 **Sec. 297.** RCW 32.04.080 and 1955 c 80 s 2 are each amended to read
17 as follows:

18 A mutual savings bank may provide for pensions for its disabled or
19 superannuated employees and may pay a part or all of the cost of
20 providing such pensions in accordance with a plan adopted by its board
21 of trustees and approved in writing by the (~~supervisor of banking~~)
22 director. Whenever the trustees of the bank shall have formulated and
23 adopted a plan providing for such pensions it shall, within ten days
24 thereafter, transmit the same to the (~~supervisor of banking~~)
25 director. The (~~supervisor of banking~~) director shall thereupon
26 examine such plan and investigate the feasibility and practicability
27 thereof and within thirty days of the receipt thereof by him or her
28 notify the bank in writing of his or her approval or rejection of the
29 same. After the approval of the (~~supervisor~~) director the mutual
30 savings bank shall be authorized and empowered to put such plan into
31 effect. The board of trustees of a savings bank may set aside from
32 current earnings reserves in such amounts as the board shall deem wise
33 to provide for the payment of future pensions.

34 **Sec. 298.** RCW 32.04.085 and 1971 ex.s. c 222 s 1 are each amended
35 to read as follows:

36 Any pension payment or retirement benefits payable by a mutual
37 savings bank to a former officer or employee, or to a person or persons

1 entitled thereto by virtue of service performed by such officer or
2 employee, in the discretion of a majority of all the trustees of such
3 bank, may be supplemented from time to time. Whenever the trustees of
4 the bank shall have formulated and adopted a plan providing for such
5 supplemental payments, within ten days thereafter (~~(said)~~) the trustees
6 shall transmit the same to the (~~(supervisor of banking)~~) director. The
7 (~~(supervisor of banking)~~) director shall thereupon examine such plan
8 and investigate the feasibility and practicability thereof and, within
9 thirty days of the receipt thereof by him or her, notify the bank in
10 writing of his or her approval or rejection of the same. After the
11 approval of the (~~(supervisor)~~) director the mutual savings bank shall
12 be authorized and empowered to put such plan into effect. The board of
13 trustees of a savings bank may set aside from current earnings,
14 reserves in such amounts as the board shall deem appropriate to provide
15 for the payments of future supplemental payments.

16 **Sec. 299.** RCW 32.04.110 and 1955 c 13 s 32.04.110 are each amended
17 to read as follows:

18 Every trustee, officer, employee, or agent of any savings bank who
19 for the purpose of concealing any fact suppresses any evidence against
20 himself or herself, or against any other person, or who abstracts,
21 removes, mutilates, destroys, or secretes any paper, book, or record of
22 any savings bank, or of the (~~(supervisor of banking)~~) director, or
23 anyone connected with his or her office shall be guilty of a felony.

24 **Sec. 300.** RCW 32.04.211 and 1989 c 180 s 4 are each amended to
25 read as follows:

26 (1) The (~~(supervisor, the deputy supervisor, or a bank examiner)~~)
27 director, assistant director, or an examiner shall visit each savings
28 bank at least once every eighteen months, and oftener if necessary, for
29 the purpose of making a full investigation into the condition of such
30 corporation, and for that purpose they are hereby empowered to
31 administer oaths and to examine under oath any director, officer,
32 employee, or agent of such corporation. The (~~(supervisor)~~) director
33 may make such other full or partial examinations as deemed necessary
34 and may examine any holding company that owns any portion of a savings
35 bank chartered by the state of Washington and obtain reports of
36 condition for any holding company that owns any portion of a savings
37 bank chartered by the state of Washington. The (~~(supervisor)~~) director

1 may visit and examine into the affairs of any nonpublicly held
2 corporation in which the savings bank or holding company has an
3 investment or any publicly held corporation the capital stock of which
4 is controlled by the savings bank or holding company; may appraise and
5 revalue such corporations' investments and securities; and shall have
6 full access to all the books, records, papers, securities,
7 correspondence, bank accounts, and other papers of such corporations
8 for such purposes. The ((supervisor)) director may, in his or her
9 discretion, accept in lieu of the examinations required in this section
10 the examinations conducted at the direction of the federal reserve
11 board or the Federal Deposit Insurance Corporation. Any willful false
12 swearing in any examination is perjury in the second degree.

13 (2) The ((supervisor)) director may enter into cooperative and
14 reciprocal agreements with the bank regulatory authorities of the
15 United States, any state, the District of Columbia, or any trust
16 territory of the United States for the periodic examination of domestic
17 savings banks or holding companies owning banking institutions in other
18 states, the District of Columbia, or trust territories, and
19 subsidiaries of such domestic savings banks and holding companies, or
20 of out-of-state holding companies owning a savings bank the principal
21 operations of which are conducted in this state. The ((supervisor))
22 director may accept reports of examination and other records from such
23 authorities in lieu of conducting his or her own examinations. The
24 ((supervisor)) director may enter into joint actions with other
25 regulatory bodies having concurrent jurisdiction or may enter into such
26 actions independently to carry out his or her responsibilities under
27 this title and assure compliance with the laws of this state.

28 **Sec. 301.** RCW 32.04.220 and 1989 c 180 s 5 are each amended to
29 read as follows:

30 (1) All examination reports and all information obtained by the
31 ((supervisor)) director and the ((supervisor's)) director's staff in
32 conducting examinations of mutual savings banks, and information
33 obtained by the ((supervisor)) director and the ((supervisor's))
34 director's staff from other state or federal bank regulatory
35 authorities with whom the ((supervisor)) director has entered into
36 agreements pursuant to RCW 32.04.211, and information obtained by the
37 ((supervisor)) director and the ((supervisor's)) director's staff
38 relating to examination and supervision of holding companies owning a

1 savings bank in this state or subsidiaries of such holding companies,
2 is confidential and privileged information and shall not be made public
3 or otherwise disclosed to any person, firm, corporation, agency,
4 association, governmental body, or other entity.

5 (2) Subsection (1) of this section notwithstanding, the
6 ((supervisor)) director may furnish all or any part of examination
7 reports prepared by the ((supervisor's)) director's office to:

8 (a) Federal agencies empowered to examine mutual savings banks;

9 (b) Bank regulatory authorities with whom the ((supervisor))
10 director has entered into agreements pursuant to RCW 32.04.211, and
11 other bank regulatory authorities who are the primary regulatory
12 authority or insurer of accounts for a holding company owning a savings
13 bank the principal operations of which are conducted in this state or
14 a subsidiary of such holding company; provided that the ((supervisor))
15 director shall first find that the reports of examination to be
16 furnished shall receive protection from disclosure comparable to that
17 accorded by this section;

18 (c) Officials empowered to investigate criminal charges subject to
19 legal process, valid search warrant, or subpoena. If the
20 ((supervisor)) director furnishes any examination report to officials
21 empowered to investigate criminal charges, the ((supervisor)) director
22 may only furnish that part of the report which is necessary and
23 pertinent to the investigation, and the ((supervisor)) director may do
24 this only after notifying the affected mutual savings bank and any
25 customer of the mutual savings bank who is named in that part of the
26 report of the order to furnish the part of the examination report
27 unless the officials requesting the report first obtain a waiver of the
28 notice requirement from a court of competent jurisdiction for good
29 cause;

30 (d) The examined savings bank or holding company thereof;

31 (e) The attorney general in his or her role as legal advisor to the
32 ((supervisor)) director;

33 (f) Liquidating agents of a distressed savings bank;

34 (g) A person or organization officially connected with the savings
35 bank as officer, director, attorney, auditor, or independent attorney
36 or independent auditor;

37 (h) The Washington public deposit protection commission as provided
38 by RCW 39.58.105.

1 (3) All examination reports furnished under subsections (2) and (4)
2 of this section shall remain the property of the (~~division of~~
3 ~~banking~~) department of financial institutions, and be confidential,
4 and no person, agency, or authority to whom reports are furnished or
5 any officer, director, or employee thereof shall disclose or make
6 public any of the reports or any information contained therein except
7 in published statistical material that does not disclose the affairs of
8 any individual or corporation: PROVIDED, That nothing herein shall
9 prevent the use in a criminal prosecution of reports furnished under
10 subsection (2) of this section.

11 (4) The examination report made by the (~~division of banking~~)
12 department of financial institutions is designed for use in the
13 supervision of the mutual savings bank, and the (~~supervisor~~) director
14 may furnish a copy of the report to the mutual savings bank examined.
15 The report shall remain the property of the (~~supervisor~~) director and
16 will be furnished to the mutual savings bank solely for its
17 confidential use. Under no circumstances shall the mutual savings bank
18 or any of its trustees, officers, or employees disclose or make public
19 in any manner the report or any portion thereof, to any person or
20 organization not connected with the savings bank as officer, director,
21 employee, attorney, auditor, or candidate for executive office with the
22 bank. The savings bank may also, after execution of an agreement not
23 to disclose information in the report, disclose the report or relevant
24 portions thereof to a party proposing to acquire or merge with the
25 savings bank.

26 (5) Examination reports and information obtained by the
27 (~~supervisor~~) director and the (~~supervisor's~~) director's staff in
28 conducting examinations, or from other state and federal bank
29 regulatory authorities with whom the (~~supervisor~~) director has
30 entered into agreements pursuant to RCW 32.04.211, or relating to
31 examination and supervision of holding companies owning a savings bank
32 the principal operations of which are conducted in this state or a
33 subsidiary of such holding company, shall not be subject to public
34 disclosure under chapter 42.17 RCW.

35 (6) In any civil action in which the reports are sought to be
36 discovered or used as evidence, any party may, upon notice to the
37 (~~supervisor~~) director, petition the court for an in camera review of
38 the report. The court may permit discovery and introduction of only
39 those portions of the report which are relevant and otherwise

1 unobtainable by the requesting party. This subsection shall not apply
2 to an action brought or defended by the ((~~supervisor~~)) director.

3 (7) This section shall not apply to investigation reports prepared
4 by the ((~~supervisor~~)) director and the ((~~supervisor's~~)) director's
5 staff concerning an application for a new mutual savings bank or an
6 application for a branch of a mutual savings bank: PROVIDED, That the
7 ((~~supervisor~~)) director may adopt rules making confidential portions of
8 the reports if in the ((~~supervisor's~~)) director's opinion the public
9 disclosure of the portions of the report would impair the ability to
10 obtain the information which the ((~~supervisor~~)) director considers
11 necessary to fully evaluate the application.

12 (8) Every person who violates any provision of this section shall
13 forfeit the person's office or employment and be guilty of a gross
14 misdemeanor.

15 **Sec. 302.** RCW 32.04.250 and 1979 c 46 s 1 are each amended to read
16 as follows:

17 (1) The ((~~supervisor~~)) director may issue and serve upon a mutual
18 savings bank a notice of charges if in the opinion of the
19 ((~~supervisor~~)) director any mutual savings bank:

20 (a) Is engaging or has engaged in an unsafe or unsound practice in
21 conducting the business of the mutual savings bank;

22 (b) Is violating or has violated the law, rule, or any condition
23 imposed in writing by the ((~~supervisor~~)) director in connection with
24 the granting of any application or other request by the mutual savings
25 bank or any written agreement made with the ((~~supervisor~~)) director; or

26 (c) Is about to do the acts prohibited in (a) or (b) of this
27 subsection when the opinion that the threat exists is based upon
28 reasonable cause.

29 (2) The notice shall contain a statement of the facts constituting
30 the alleged violation or violations or the practice or practices and
31 shall fix a time and place at which a hearing will be held to determine
32 whether an order to cease and desist should issue against the mutual
33 savings bank. The hearing shall be set not earlier than ten days nor
34 later than thirty days after service of the notice, unless a later date
35 is set by the ((~~supervisor~~)) director at the request of the mutual
36 savings bank.

37 Unless the mutual savings bank shall appear at the hearing by a
38 duly authorized representative, it shall be deemed to have consented to

1 the issuance of the cease and desist order. In the event of this
2 consent or if upon the record made at the hearing the ((supervisor))
3 director finds that any violation or practice specified in the notice
4 of charges has been established, the ((supervisor)) director may issue
5 and serve upon the mutual savings bank an order to cease and desist
6 from the violation or practice. The order may require the mutual
7 savings bank and its trustees, officers, employees, and agents to cease
8 and desist from the violation or practice and may require the mutual
9 savings bank to take affirmative action to correct the conditions
10 resulting from the violation or practice.

11 (3) A cease and desist order shall become effective at the
12 expiration of ten days after the service of the order upon the mutual
13 savings bank concerned, except that a cease and desist order issued
14 upon consent shall become effective at the time specified in the order
15 and shall remain effective as provided therein, unless it is stayed,
16 modified, terminated, or set aside by action of the ((supervisor))
17 director or a reviewing court.

18 **Sec. 303.** RCW 32.04.260 and 1979 c 46 s 2 are each amended to read
19 as follows:

20 Whenever the ((supervisor)) director determines that the acts
21 specified in RCW 32.04.250 or their continuation is likely to cause
22 insolvency or substantial dissipation of assets or earnings of the
23 mutual savings bank or to otherwise seriously prejudice the interest of
24 its depositors, the ((supervisor)) director may also issue a temporary
25 order requiring the mutual savings bank to cease and desist from the
26 violation or practice. The order shall become effective upon service
27 on the mutual savings bank and, unless set aside, limited, or suspended
28 by a court in proceedings under RCW 32.04.270, shall remain effective
29 pending the completion of the administrative proceedings under the
30 notice and until such time as the ((supervisor)) director shall dismiss
31 the charges specified in the notice or until the effective date of a
32 cease and desist order issued against the mutual savings bank under RCW
33 32.04.250.

34 **Sec. 304.** RCW 32.04.280 and 1979 c 46 s 4 are each amended to read
35 as follows:

36 In the case of a violation or threatened violation of a temporary
37 cease and desist order issued under RCW 32.04.260, the ((supervisor))

1 director may apply to the superior court of the county of the principal
2 place of business of the mutual savings bank for an injunction to
3 enforce the order. The court shall issue an injunction if it
4 determines there has been a violation or threatened violation.

5 **Sec. 305.** RCW 32.04.290 and 1979 c 46 s 5 are each amended to read
6 as follows:

7 (1) Any administrative hearing provided in RCW 32.04.250 or
8 32.16.093 may be held at such place as is designated by the
9 (~~supervisor~~) director and shall be conducted in accordance with
10 chapter 34.05 RCW. The hearing shall be private unless the
11 (~~supervisor~~) director determines that a public hearing is necessary
12 to protect the public interest after fully considering the views of the
13 party afforded the hearing.

14 Within sixty days after the hearing, the (~~supervisor~~) director
15 shall render a decision which shall include findings of fact upon which
16 the decision is based and shall issue and serve upon each party to the
17 proceeding an order or orders consistent with RCW 32.04.250 or
18 32.16.093, as the case may be.

19 Unless a petition for review is timely filed in the superior court
20 of the county of the principal place of business of the affected mutual
21 savings bank under subsection (2) of this section, and until the record
22 in the proceeding has been filed as provided therein, the
23 (~~supervisor~~) director may at any time modify, terminate, or set aside
24 any order upon such notice and in such manner as he or she shall deem
25 proper. Upon filing the record, the (~~supervisor~~) director may
26 modify, terminate, or set aside any order only with permission of the
27 court.

28 The judicial review provided in this section shall be exclusive for
29 orders issued under RCW 32.04.250 and 32.16.093.

30 (2) Any party to the proceeding or any person required by an order,
31 temporary order, or injunction issued under RCW 32.04.250, 32.04.260,
32 32.04.280, or 32.16.093 to refrain from any of the violations or
33 practices stated therein may obtain a review of any order served under
34 subsection (1) of this section other than one issued upon consent by
35 filing in the superior court of the county of the principal place of
36 business of the affected mutual savings bank within ten days after the
37 date of service of the order a written petition praying that the order
38 of the (~~supervisor~~) director be modified, terminated, or set aside.

1 A copy of the petition shall be immediately served upon the
2 ((supervisor)) director and the ((supervisor)) director shall then file
3 in the court the record of the proceeding. The court shall have
4 jurisdiction upon the filing of the petition, which jurisdiction shall
5 become exclusive upon the filing of the record, to affirm, modify,
6 terminate, or set aside in whole or in part the order of the
7 ((supervisor)) director except that the ((supervisor)) director may
8 modify, terminate, or set aside an order with the permission of the
9 court. The judgment and decree of the court shall be final, except
10 that it shall be subject to appellate review under the rules of court.

11 (3) The commencement of proceedings for judicial review under
12 subsection (2) of this section shall not operate as a stay of any order
13 issued by the ((supervisor)) director unless specifically ordered by
14 the court.

15 (4) Service of any notice or order required to be served under RCW
16 32.04.250, 32.04.260, or 32.16.093, or under RCW 32.16.090, as now or
17 hereafter amended, shall be accomplished in the same manner as required
18 for the service of process in civil actions in superior courts of this
19 state.

20 **Sec. 306.** RCW 32.04.300 and 1979 c 46 s 6 are each amended to read
21 as follows:

22 The ((supervisor)) director may apply to the superior court of the
23 county of the principal place of business of the mutual savings bank
24 affected for the enforcement of any effective and outstanding order
25 issued under RCW 32.04.250 or 32.16.093, and the court shall have
26 jurisdiction to order compliance therewith.

27 No court shall have jurisdiction to affect by injunction or
28 otherwise the issuance or enforcement of any such order, or to review,
29 modify, suspend, terminate, or set aside any such order, except as
30 provided in RCW 32.04.270, 32.04.280, and 32.04.290.

31 **Sec. 307.** RCW 32.08.010 and 1955 c 13 s 32.08.010 are each amended
32 to read as follows:

33 When authorized by the ((supervisor)) director, as hereinafter
34 provided, not less than nine nor more than thirty persons may form a
35 corporation to be known as a "mutual savings bank." Such persons must
36 be citizens of the United States; at least four-fifths of them must be
37 residents of this state, and at least two-thirds of them must be

1 residents of the county where the bank is to be located and its
2 business transacted. They shall subscribe and acknowledge an
3 incorporation certificate in triplicate which shall specifically state:

4 (1) The name by which the savings bank is to be known, which name
5 shall include the words "mutual savings bank";

6 (2) The place where the bank is to be located, and its business
7 transacted, naming the city or town and county;

8 (3) The name, occupation, residence, and post office address of
9 each incorporator;

10 (4) The sums which each incorporator will contribute in cash to the
11 initial guaranty fund, and to the expense fund respectively, as
12 provided in RCW 32.08.090 and 32.08.100;

13 (5) A declaration that each incorporator will accept the
14 responsibilities and faithfully discharge the duties of a trustee of
15 the savings bank, and is free from all the disqualifications specified
16 in RCW 32.16.010.

17 **Sec. 308.** RCW 32.08.020 and 1955 c 13 s 32.08.020 are each amended
18 to read as follows:

19 At the time of executing the incorporation certificate, the
20 proposed incorporators shall sign a notice of intention to organize the
21 mutual savings bank, which shall specify their names, the name of the
22 proposed corporation, and its location as set forth in the
23 incorporation certificate. The original of such notice shall be filed
24 in the office of the ((~~supervisor~~)) director within sixty days after
25 the date of its execution, and a copy thereof shall be published at
26 least once a week for four successive weeks in a newspaper designated
27 by the ((~~supervisor~~)) director, the publication to be commenced within
28 thirty days after such designation. At least fifteen days before the
29 incorporation certificate is submitted to the ((~~supervisor~~)) director
30 for examination, as provided in RCW 32.08.030, a copy of such notice
31 shall be served upon each savings bank doing business in the city or
32 town named in the incorporation certificate, by mailing such copy
33 (postage prepaid) to such bank.

34 **Sec. 309.** RCW 32.08.030 and 1955 c 13 s 32.08.030 are each amended
35 to read as follows:

36 After the lapse of at least twenty-eight days from the date of the
37 first due publication of the notice of intention to incorporate, and

1 within ten days after the date of the last publication thereof, the
2 incorporation certificate executed in triplicate shall be submitted for
3 examination to the ((~~supervisor~~)) director at his or her office in
4 Olympia, with affidavits showing due publication and service of the
5 notice of intention to organize prescribed in RCW 32.08.020.

6 **Sec. 310.** RCW 32.08.040 and 1955 c 13 s 32.08.040 are each amended
7 to read as follows:

8 When any such certificate has been filed for examination the
9 ((~~supervisor~~)) director shall thereupon ascertain from the best source
10 of information at his or her command, and by such investigation as he
11 or she may deem necessary, whether the character, responsibility, and
12 general fitness of the person or persons named in such certificate are
13 such as to command confidence and warrant belief that the business of
14 the proposed bank will be honestly and efficiently conducted in
15 accordance with the intent and purpose of this title, and whether the
16 public convenience and advantage will be promoted by allowing such
17 proposed bank to be incorporated and engage in business, and whether
18 greater convenience and access to a savings bank would be afforded to
19 any considerable number of depositors by opening a mutual savings bank
20 in the place designated, whether the population in the neighborhood of
21 such place, and in the surrounding country, affords a reasonable
22 promise of adequate support for the proposed bank, and whether the
23 contributions to the initial guaranty fund and expense fund have been
24 paid in cash. After the ((~~supervisor~~)) director has satisfied himself
25 or herself by such investigation whether it is expedient and desirable
26 to permit such proposed bank to be incorporated and engage in business,
27 he or she shall within sixty days after the date of the filing of the
28 certificate for examination indorse upon each of the triplicates
29 thereof over his or her official signature the word "approved" or the
30 word "refused," with the date of such indorsement. In case of refusal
31 he or she shall forthwith return one of the triplicates so indorsed to
32 the proposed incorporators from whom the certificate was received.

33 **Sec. 311.** RCW 32.08.050 and 1979 ex.s. c 57 s 6 are each amended
34 to read as follows:

35 From the ((~~supervisor's~~)) director's refusal to issue a certificate
36 of authorization, the applicants or a majority of them, may within
37 thirty days from the date of the filing of the certificate of refusal

1 with the secretary of state, appeal to a board of appeal composed of
2 the governor or the governor's designee, the attorney general and the
3 (~~supervisor of banking~~) director by filing in the office of the
4 (~~supervisor~~) director a notice that they appeal to such board from
5 his or her refusal. The procedure upon the appeal shall be such as the
6 board may prescribe, and its determination shall be certified, filed,
7 and recorded in the same manner as the (~~supervisor's~~) director's, and
8 shall be final.

9 **Sec. 312.** RCW 32.08.060 and 1981 c 302 s 26 are each amended to
10 read as follows:

11 In case of approval, the (~~supervisor~~) director shall forthwith
12 give notice thereof to the proposed incorporators, and file one of the
13 duplicate certificates in his or her own office, and shall transmit the
14 other to the secretary of state. Upon receipt from the proposed
15 incorporators of the same fees as are required for filing and recording
16 other incorporation certificates, the secretary of state shall file the
17 certificate and record the same. Upon the filing of said incorporation
18 certificate in duplicate approved as aforesaid in the offices of the
19 (~~supervisor~~) director and the secretary of state, the persons named
20 therein and their successors shall thereupon become and be a
21 corporation, which corporation shall have the powers and be subject to
22 the duties and obligations prescribed in this title and its corporate
23 existence shall be perpetual, unless sooner terminated pursuant to law,
24 but such corporation shall not receive deposits or engage in business
25 until authorized so to do by the (~~supervisor~~) director as provided in
26 RCW 32.08.070.

27 **Sec. 313.** RCW 32.08.061 and 1981 c 302 s 27 are each amended to
28 read as follows:

29 A mutual savings bank may amend its incorporation certificate to
30 extend the period of its corporate existence for a further definite
31 time or perpetually by a resolution adopted by a majority vote of its
32 board of trustees. Duplicate copies of the resolution, subscribed and
33 acknowledged by the president and secretary of such bank, shall be
34 filed in the office of the (~~supervisor~~) director within thirty days
35 after its adoption. If the (~~supervisor~~) director finds that the
36 resolution conforms to law he or she shall, within sixty days after the
37 date of the filing thereof, endorse upon each of the duplicates

1 thereof, over his or her official signature, his or her approval and
2 forthwith give notice thereof to the bank and shall file one of the
3 certificates in his or her own office and shall transmit the other to
4 the secretary of state. Upon receipt from the mutual savings bank of
5 the same fees as are required of general corporations for filing
6 corresponding instruments, the secretary of state shall file the
7 resolution and record the same. Upon the filing of said resolution in
8 duplicate, approved as aforesaid in the offices of the ((~~supervisor~~))
9 director and the secretary of state, the corporate existence of said
10 bank shall continue for the period set forth in said resolution unless
11 sooner terminated pursuant to law.

12 **Sec. 314.** RCW 32.08.070 and 1981 c 302 s 28 are each amended to
13 read as follows:

14 Before a mutual savings bank shall be authorized to do any business
15 the ((~~supervisor~~)) director shall be satisfied that the corporation has
16 in good faith complied with all the requirements of law and fulfilled
17 all the conditions precedent to commencing business imposed by this
18 title. If satisfied that the corporation has in good faith complied
19 with all the requirements of law, and fulfilled all the conditions
20 precedent to commencing business imposed by this title, the
21 ((~~supervisor~~)) director shall within six months after the date upon
22 which the proposed organization certificate was filed with him or her
23 for examination, but in no case after the expiration of that period,
24 issue under his or her hand and official seal in triplicate an
25 authorization certificate to such corporation. Such authorization
26 certificate shall state that the corporation therein named has complied
27 with all the requirements of law, that it is authorized to transact at
28 the place designated in its certificate of incorporation, the business
29 of a mutual savings bank. One of the triplicate authorization
30 certificates shall be transmitted by the ((~~supervisor~~)) director to the
31 corporation therein named, and the other two authorization certificates
32 shall be filed by the ((~~supervisor~~)) director in the same public
33 offices where the certificate of incorporation is filed, and shall be
34 attached to said incorporation certificate.

35 **Sec. 315.** RCW 32.08.080 and 1955 c 13 s 32.08.080 are each amended
36 to read as follows:

1 Before such corporation shall be authorized to receive deposits or
2 transact business other than the completion of its organization, the
3 (~~supervisor~~) director shall be satisfied that:

4 (1) The incorporators have made the deposit of the initial guaranty
5 fund required by this title;

6 (2) (~~That~~) The incorporators have made the deposit of the expense
7 fund required by RCW 32.08.090 and if the (~~supervisor~~) director shall
8 so require, have entered into the agreement or undertaking with him or
9 her and have filed the same and the security therefor as prescribed in
10 said section;

11 (3) (~~That~~) The corporation has transmitted to the (~~supervisor~~)
12 director the name, residence, and post office address of each officer
13 of the corporation;

14 (4) (~~That~~) Its certificate of incorporation in triplicate has
15 been filed in the respective public offices designated in this title.

16 **Sec. 316.** RCW 32.08.090 and 1955 c 13 s 32.08.090 are each amended
17 to read as follows:

18 Before any mutual savings bank shall be authorized to do business,
19 its incorporators shall create an expense fund from which the expense
20 of organizing such bank and its operating expenses may be paid, until
21 such time as its earnings are sufficient to pay its operating expenses
22 in addition to such dividends as may be declared and credited to its
23 depositors from its earnings. The incorporators shall deposit to the
24 credit of such savings bank in cash as an expense fund the sum of five
25 thousand dollars. They shall also enter into such an agreement or
26 undertaking with the (~~supervisor~~) director as trustee for the
27 depositors with the savings bank as he or she may require to make such
28 further contributions in cash to the expense fund as may be necessary
29 to pay its operating expenses until such time as it can pay them from
30 its earnings, in addition to such dividends as may be declared and
31 credited to its depositors. Such agreement or undertaking shall fix
32 the maximum liability assumed thereby which shall be a reasonable
33 amount approved by the (~~supervisor~~) director and the same shall be
34 secured to his or her satisfaction, which security in his or her
35 discretion may be by a surety bond executed by a domestic or foreign
36 corporation authorized to transact within this state the business of
37 surety. The agreement or undertaking and security shall be filed in
38 the office of the (~~supervisor~~) director. Such agreement or

1 undertaking and such security need not be made or furnished unless the
2 ((supervisor)) director shall require the same. The amounts
3 contributed to the expense fund of said savings bank by the
4 incorporators or trustees shall not constitute a liability of the
5 savings bank except as hereinafter provided.

6 **Sec. 317.** RCW 32.08.116 and 1982 c 5 s 2 are each amended to read
7 as follows:

8 A savings bank not having net earnings or undivided profits or
9 other surplus may pay interest and dividends from its guaranty fund
10 upon prior written approval of the ((supervisor)) director, which
11 approval shall not be withheld unless the ((supervisor)) director has
12 determined that such payments would place the savings bank in an unsafe
13 and unsound condition.

14 **Sec. 318.** RCW 32.08.130 and 1955 c 13 s 32.08.130 are each amended
15 to read as follows:

16 When the portion of the guaranty fund created from earnings amounts
17 to not less than five thousand dollars (including in the case of a
18 savings bank converted from a building and loan or savings and loan
19 association or society the amount of the initial guaranty fund), the
20 board of trustees, with the written consent of the ((supervisor))
21 director, may establish a reimbursement fund from which to repay
22 contributors to the expense fund and the initial guaranty fund
23 (excepting the initial guaranty fund in the case of a bank converted
24 from a building and loan or savings and loan association or society),
25 and may transfer to the reimbursement fund any unexpended balance of
26 contributions to the expense fund. At the close of each dividend
27 period the trustees may place to the credit of the reimbursement fund
28 not more than one percent of the net earnings of the bank during that
29 period. Payments from the reimbursement fund may be made from time to
30 time in such amounts as the board of trustees shall determine, and
31 shall be made first to the contributors to the expense fund in
32 proportion to their contributions thereto until they shall have been
33 repaid in full, and then shall be made to the contributors to the
34 guaranty fund in proportion to their contributions thereto until they
35 shall have been repaid in full. In case of the liquidation of the
36 savings bank before the contributions to the expense fund and the
37 initial guaranty fund have been fully repaid as above contemplated, any

1 portion of the contributions not needed for the payment of the expenses
2 of liquidation and the payment of depositors in full shall be paid to
3 the contributors to the expense fund in proportion to their
4 contributions thereto until they have been repaid in full, and then
5 shall be paid to the contributors to the guaranty fund in proportion to
6 their contributions thereto until they have been repaid in full.

7 **Sec. 319.** RCW 32.08.140 and 1981 c 86 s 2 are each amended to read
8 as follows:

9 Every mutual savings bank incorporated under this title shall have,
10 subject to the restrictions and limitations contained in this title,
11 the following powers:

12 (1) To receive deposits of money, to invest the same in the
13 property and securities prescribed in this title, to declare dividends
14 in the manner prescribed in this title, and to exercise by its board of
15 trustees or duly authorized officers or agents, subject to law, all
16 such incidental powers as shall be necessary to carry on the business
17 of a savings bank.

18 (2) To issue transferable certificates showing the amounts
19 contributed by any incorporator or trustee to the guaranty fund of such
20 bank, or for the purpose of paying its expenses. Every such
21 certificate shall show that it does not constitute a liability of the
22 savings bank, except as otherwise provided in this title.

23 (3) To purchase, hold and convey real property as prescribed in RCW
24 32.20.280.

25 (4) To pay depositors as hereinafter provided, and when requested,
26 pay them by drafts upon deposits to the credit of the savings bank in
27 any city in the United States, and to charge current rates of exchange
28 for such drafts.

29 (5) To borrow money in pursuance of a resolution adopted by a vote
30 of a majority of its board of trustees duly entered upon its minutes
31 whereon shall be recorded by ayes and noes the vote of each trustee,
32 for the purpose of repaying depositors, and to pledge or hypothecate
33 securities as collateral for loans so obtained. Immediate written
34 notice shall be given to the (~~supervisor~~) director of all amounts so
35 borrowed, and of all assets so pledged or hypothecated.

36 (6) Subject to such regulations and restrictions as the
37 (~~supervisor~~) director finds to be necessary and proper, to borrow
38 money in pursuance of a resolution adopted by a vote of a majority of

1 its board of trustees duly entered upon its minutes whereon shall be
2 recorded by ayes and noes the vote of each trustee, for purposes other
3 than that of repaying depositors and to pledge or hypothecate its
4 assets as collateral for any such loans, provided that no amount shall
5 at any time be borrowed by a savings bank pursuant to this subsection
6 (6), if such amount, together with the amount then remaining unpaid
7 upon prior borrowings by such savings bank pursuant to this subsection
8 (6), exceeds thirty percent of the assets of the savings bank.

9 The sale of securities or loans by a bank subject to an agreement
10 to repurchase the securities or loans shall not be considered a
11 borrowing. Borrowings from federal, state, or municipal governments or
12 agencies or instrumentalities thereof shall not be subject to the
13 limits of this subsection.

14 (7) To collect or protest promissory notes or bills of exchange
15 owned by such bank or held by it as collateral, and remit the proceeds
16 of the collections by drafts upon deposits to the credit of the savings
17 bank in any city in the United States, and to charge the usual rates or
18 fees for such collection and remittance for such protest.

19 (8) To sell gold or silver received in payment of interest or
20 principal of obligations owned by the savings bank or from depositors
21 in the ordinary course of business.

22 (9) To act as insurance agent for the purpose of writing fire
23 insurance on property in which the bank has an insurable interest, the
24 property to be located in the city in which the bank is situated and in
25 the immediate contiguous suburbs, notwithstanding anything in any other
26 statute to the contrary.

27 (10) To let vaults, safes, boxes or other receptacles for the
28 safekeeping or storage of personal property, subject to laws and
29 regulations applicable to, and with the powers possessed by, safe
30 deposit companies.

31 (11) To elect or appoint in such manner as it may determine all
32 necessary or proper officers, agents, boards, and committees, to fix
33 their compensation, subject to the provisions of this title, and to
34 define their powers and duties, and to remove them at will.

35 (12) To make and amend bylaws consistent with law for the
36 management of its property and the conduct of its business.

37 (13) To wind up and liquidate its business in accordance with this
38 title.

1 (14) To adopt and use a common seal and to alter the same at
2 pleasure.

3 (15) To do all other acts authorized by this title.

4 **Sec. 320.** RCW 32.08.210 and 1975 1st ex.s. c 265 s 1 are each
5 amended to read as follows:

6 A mutual savings bank shall have the power to act as trustee under:

7 (1) A trust established by an inter vivos trust agreement or under
8 the will of a deceased person.

9 (2) A trust established in connection with any collective
10 bargaining agreement or labor negotiation wherein the beneficiaries of
11 the trust include the employees concerned under the agreement or
12 negotiation, or a trust established in connection with any pension,
13 profit sharing, or retirement benefit plan of any corporation,
14 partnership, association, or individual, including but not limited to
15 retirement plans established pursuant to the provisions of the act of
16 congress entitled "Self-Employed Individuals Tax Retirement Act of
17 1962", as now constituted or hereafter amended, or plans established
18 pursuant to the provisions of the act of congress entitled "Employee
19 Retirement Income Security Act of 1974", as now constituted or
20 hereafter amended.

21 A mutual savings bank may be appointed to and accept the
22 appointment of personal representative of the last will and testament,
23 or administrator with will annexed, of the estate of any deceased
24 person and to be appointed and to act as guardian of the estate of
25 minors and incompetent and disabled persons.

26 The restrictions, limitations and requirements in Title 30 RCW
27 shall apply to a mutual savings bank exercising the powers granted
28 under this section insofar as the restrictions, limitations, and
29 requirements relate to exercising the powers granted under this
30 section. The incidental trust powers to act as agent in the management
31 of trust property and the transaction of trust business in Title 30 RCW
32 shall apply to a mutual savings bank exercising the powers granted
33 under this section insofar as the incidental powers relate to
34 exercising the powers granted under this section.

35 Before engaging in trust business, a mutual savings bank shall
36 apply to the (~~supervisor of banking~~) director on such form as he or
37 she shall determine and pay the same fee as required for a state bank
38 to engage in trust business. In considering such application the

1 ((~~supervisor~~)) director shall ascertain from the best source of
2 information at his or her command and by such investigation as he or
3 she may deem necessary whether the management and personnel of the
4 mutual savings bank are such as to command confidence and warrant
5 belief that the trust business will be adequately and efficiently
6 conducted in accordance with law, whether the resources in the
7 neighborhood of such place and in the surrounding country afford a
8 reasonable promise of adequate support for the proposed trust business
9 and whether the resources of the mutual savings bank are sufficient to
10 support the conduct of such trust business, and that the mutual savings
11 bank has and maintains, in addition to its guaranty fund, undivided
12 profits against which the depositors have no prior claim in an amount
13 not less than would be required of a state bank or trust company, which
14 undivided profits shall be eligible for investment in the same manner
15 as the guaranty fund of a mutual savings bank. Within sixty days after
16 receipt of such application, the ((~~supervisor~~)) director shall either
17 approve or refuse the same and forthwith return to the mutual savings
18 bank a copy of the application upon which his or her decision has been
19 endorsed. The ((~~supervisor~~)) director shall not be required to approve
20 or refuse an application until thirty days after any appropriate
21 approval has been obtained from a federal regulatory agency. The
22 applicant shall have the right to appeal from an unfavorable
23 determination in accordance with the procedures of the administrative
24 procedure act, chapter 34.05 RCW, as now or hereafter amended. A
25 mutual savings bank shall not use the word "trust" in its name, but may
26 use the word "trust" in its business or advertising.

27 **Sec. 321.** RCW 32.08.215 and 1985 c 56 s 4 are each amended to read
28 as follows:

29 No mutual savings bank or wholly owned subsidiary thereof shall act
30 as trustee for common trust funds established for the benefit of more
31 than one beneficiary under more than one trust agreement, unless the
32 savings bank or subsidiary trust company shall first give written
33 notice to the ((~~supervisor~~)) director, at least sixty days prior to the
34 creation of any such fund.

35 **Sec. 322.** RCW 32.08.230 and 1981 c 86 s 13 are each amended to
36 read as follows:

1 Any mutual savings bank engaging in any activity contemplated in
2 RCW 32.08.225, whereby it holds or purchases subordinated securities,
3 issues letters of credit to secure a portion of any sale or issue of
4 loans sold or exchanged, or in any manner acts as a partial guarantor
5 or insurer or repurchaser of any loans sold or exchanged, shall do so
6 only in accordance with such reasonable restrictions and requirements
7 as the ((~~supervisor of banking~~)) director shall require and shall
8 report and carry such transactions on its books and records in such
9 manner as the ((~~supervisor~~)) director shall require. In establishing
10 any requirements and restrictions hereunder, the ((~~supervisor~~))
11 director shall consider the effect the transaction and the reporting
12 thereof will have on the safety and soundness of the mutual savings
13 bank engaging in it.

14 **Sec. 323.** RCW 32.12.010 and 1981 c 192 s 27 are each amended to
15 read as follows:

16 Deposits made by individuals in a mutual savings bank under this
17 chapter are governed by chapter 30.22 RCW. In addition, other deposits
18 which a savings bank may establish include but are not limited to the
19 following:

20 (1) Deposits in the name of, or on behalf of, a partnership or
21 other form of multiple ownership enterprise.

22 (2) Deposits in the name of a corporation, society, or
23 unincorporated association.

24 (3) Deposits maintained by a person, society, or corporation as
25 administrator, executor, guardian, or trustee under a will or trust
26 agreement.

27 Every such bank may limit the aggregate amount which an individual
28 or any corporation or society may have to his or her or its credit to
29 such sum as such bank may deem expedient to receive; and may in its
30 discretion refuse to receive a deposit, or may at any time return all
31 or any part of any deposits or require the withdrawal of any dividends
32 or interest. Any account in excess of one hundred thousand dollars may
33 only be accepted or held in accordance with such regulations as the
34 ((~~supervisor~~)) director may establish.

35 **Sec. 324.** RCW 32.12.020 and 1985 c 56 s 6 are each amended to read
36 as follows:

1 The sums deposited with any savings bank, together with any
2 dividends or interest credited thereto, shall be repaid to the
3 depositors thereof respectively, or to their legal representatives,
4 after demand in such manner, and at such times, and under such
5 regulations, as the board of trustees shall prescribe, subject to the
6 provisions of this section and chapter 30.22 RCW. Such regulations
7 shall be posted in a conspicuous place in the room where the business
8 of such savings bank shall be transacted, and shall be available to
9 depositors upon request. All such rules and regulations, and all
10 amendments thereto, from time to time in effect, shall be binding upon
11 all depositors.

12 (1) Such bank may at any time by a resolution of its board of
13 trustees require a notice of not more than six months before repaying
14 deposits, in which event no deposit shall be due or payable until the
15 required notice of intention to withdraw the same shall have been
16 personally given by the depositor: PROVIDED, That such bank at its
17 option may pay any deposit or deposits before the expiration of such
18 notice. But no bank shall agree with its depositors or any of them in
19 advance to waive the requirement of notice as herein provided:
20 PROVIDED, That the bank may create a special class of depositors who
21 shall be entitled to receive their deposits upon demand.

22 (2) Except as provided in subdivisions (3), (4), and (5) of this
23 section the savings bank shall not pay any dividend, or interest, or
24 deposit, or portion thereof, or any check drawn upon it by a depositor
25 unless the certificate of deposit is produced or bears a legend stating
26 it may be paid without production, or the passbook of the depositor is
27 produced and the proper entry is made therein, at the time of the
28 payment.

29 (3) The board of trustees of any such bank may by its bylaws
30 provide for making payments in cases of loss of passbook or certificate
31 of deposit, or other exceptional cases where the passbooks or
32 certificates of deposit cannot be produced without loss or serious
33 inconvenience to depositors, the right to make such payments to cease
34 when so directed by the (~~supervisor~~) director upon his or her being
35 satisfied that such right is being improperly exercised by any such
36 bank; but payments may be made at any time upon the judgment or order
37 of a court.

38 (4) The board of trustees of any such bank may by its bylaws
39 provide for making payments to depositors at their request, of

1 dividends or interest payable on any deposit, without requiring the
2 production of the passbook or certificate of deposit of the depositor,
3 and any payment made in accordance with any such request and the
4 receipt or acquittance of the one to whom such payment is made shall be
5 a valid and sufficient release and discharge to such savings bank for
6 all payments made on account of such request prior to receipt by such
7 savings bank of notice in writing not to pay such sums in accordance
8 with the terms of such request.

9 (5) The issuance of a passbook or certificate of deposit may be
10 omitted for any account if an adequate record thereof is maintained, in
11 lieu of a passbook or certificate of deposit, on which shall be entered
12 deposits, withdrawals, and interest credited: PROVIDED, That in any
13 event a passbook shall be issued upon the request of any passbook
14 account depositor.

15 **Sec. 325.** RCW 32.12.050 and 1985 c 56 s 7 are each amended to read
16 as follows:

17 (1) No savings bank shall by any system of accounting, or any
18 device of bookkeeping, directly or indirectly, enter any of its assets
19 upon its books in the name of any other individual, partnership,
20 unincorporated association, or corporation, or under any title or
21 designation that is not in accordance with the actual facts.

22 (2) The bonds, notes, mortgages, or other interest bearing
23 obligations purchased or acquired by a savings bank, shall not be
24 entered on its books at more than the actual cost thereof, and shall
25 not thereafter be carried upon its books for a longer period than until
26 the next declaration of dividends, or in any event for more than one
27 year, at a valuation exceeding their present cost as determined by
28 amortization, that is, by deducting from the cost of any such security
29 purchased for a sum in excess of the amount payable thereon at maturity
30 and charging to "profit and loss" a sufficient sum to bring it to par
31 at maturity, or adding to the cost of any such security purchased at
32 less than the amount payable thereon at maturity and crediting to
33 "profit and loss" a sufficient sum to bring it to par at maturity.

34 (3) No such bank shall enter, or at any time carry on its books,
35 the real estate and the building or buildings thereon used by it as its
36 place of business at a valuation exceeding their actual cost to the
37 bank.

1 (4) Every such bank shall conform its methods of keeping its books
2 and records to such orders in respect thereof as shall have been made
3 and promulgated by the ((~~supervisor~~)) director. Any officer, agent, or
4 employee of any savings bank who refuses or neglects to obey any such
5 order shall be punished as hereinafter provided.

6 (5) Real estate acquired by a savings bank, other than that
7 acquired for use as a place of business, may be entered on the books of
8 the bank at the actual cost thereof but shall not be carried beyond the
9 current dividend period at an amount in excess of the amount of the
10 debt in protection of which such real estate was acquired, plus the
11 cost of any improvements thereto.

12 An appraisal shall be made by a qualified person of every such
13 parcel of real estate within six months from the date of conveyance.
14 If the value at which such real estate is carried on the books is in
15 excess of the value found on appraisal the book value shall, at the end
16 of the dividend period during which such appraisal was made, be reduced
17 to an amount not in excess of such appraised value.

18 (6) No such bank shall enter or carry on its books any asset which
19 has been disallowed by the ((~~supervisor~~)) director or the trustees of
20 such bank, or any debt owing to it which has remained due without
21 prosecution and upon which no interest has been paid for more than one
22 year, or on which a judgment has been recovered which has remained
23 unsatisfied for more than two years, unless the ((~~supervisor~~)) director
24 upon application by such savings bank has fixed a valuation at which
25 such debt may be carried as an asset, or unless such debt is secured by
26 first mortgage upon real estate, in which latter case it may be carried
27 at the actual cash value of such real estate as determined by written
28 appraisal signed by two or more persons appointed by the board of
29 trustees and filed with it.

30 (7) Notwithstanding the prohibitions of this section, a savings
31 bank may maintain its books and records and may enter and carry on its
32 books any asset or liability at any valuation in accordance with any
33 accounting rules promulgated or adopted by the federal deposit
34 insurance corporation or the financial accounting standards board or
35 the ((~~supervisor of banking~~)) director.

36 **Sec. 326.** RCW 32.12.060 and 1955 c 13 s 32.12.060 are each amended
37 to read as follows:

1 Any debt due a savings bank on which interest is one year or more
2 past due and unpaid, unless such debt is well secured and in course of
3 collection by legal process or probate proceedings, shall be considered
4 a bad debt, and shall be charged off of the books of such bank. A
5 judgment held by a savings bank shall not be considered an asset of the
6 corporation after two years from the date of its rendition, unless with
7 the written permission of the (~~supervisor~~) director specifying an
8 additional period: PROVIDED, That time consumed by any appeal shall be
9 excluded.

10 **Sec. 327.** RCW 32.12.070 and 1955 c 80 s 3 are each amended to read
11 as follows:

12 (1) Gross current operating earnings. Every savings bank shall
13 close its books, for the purpose of computing its net earnings, at the
14 end of any period for which a dividend is to be paid, and in no event
15 less frequently than semiannually. To determine the amount of gross
16 earnings of a savings bank during any dividend period the following
17 items may be included:

18 (a) All earnings actually received during such period, less
19 interest accrued and uncollected included in the last previous
20 calculation of earnings;

21 (b) Interest accrued and uncollected upon debts owing to it secured
22 by authorized collateral, upon which there has been no default for more
23 than one year, and upon corporate bonds, or other interest bearing
24 obligations owned by it upon which there is no default;

25 (c) The sums added to the cost of securities purchased for less
26 than par as a result of amortization;

27 (d) Any profits actually received during such period from the sale
28 of securities, real estate or other property owned by it;

29 (e) Such other items as the (~~supervisor~~) director, in his or her
30 discretion and upon his or her written consent, may permit to be
31 included.

32 (2) Net current earnings. To determine the amount of its net
33 earnings for each dividend period the following items shall be deducted
34 from gross earnings:

35 (a) All expenses paid or incurred, both ordinary and extraordinary,
36 in the transaction of its business, the collection of its debts and the
37 management of its affairs, less expenses incurred and interest accrued

1 upon its debts deducted at the last previous calculation of net
2 earnings for dividend purposes;

3 (b) Interest paid or accrued and unpaid upon debts owing by it;

4 (c) The amounts deducted through amortization from the cost of
5 bonds or other interest bearing obligations purchased above par in
6 order to bring them to par at maturity;

7 (d) Contributions to any corporation or any community chest fund or
8 foundation organized and operated exclusively for religious,
9 charitable, scientific, literary or educational purposes, no part of
10 the net earnings of which inures to the benefit of any private
11 shareholder or individual and no substantial part of the activities of
12 which is carrying on propaganda or otherwise attempting to influence
13 legislation. The total contributions for any calendar year shall not
14 exceed a sum equal to one-half of one percent of the net earnings of
15 such savings bank for the preceding calendar year.

16 The balance thus obtained shall constitute the net earnings of the
17 savings bank for such period.

18 (3) Earnings paid by a savings bank on deposits may be referred to
19 as "dividends" or as "interest".

20 **Sec. 328.** RCW 32.16.020 and 1955 c 13 s 32.16.020 are each amended
21 to read as follows:

22 (1) Each trustee, whether named in the certificate of authorization
23 or elected to fill a vacancy, shall, when such certificate of
24 authorization has been issued, or when notified of such election, take
25 an oath that he will, so far as it devolves on him or her, diligently
26 and honestly administer the affairs of the savings bank, and will not
27 knowingly violate, or willingly permit to be violated, any of the
28 provisions of law applicable to such savings bank. Such oath shall be
29 subscribed by the trustee making it and certified by the officer before
30 whom it is taken, and shall be immediately transmitted to the
31 (~~supervisor~~) director and filed and preserved in his or her office.

32 (2) Prior to the first day of March in each year, every trustee of
33 every savings bank shall subscribe a declaration to the effect that he
34 or she is, at the date thereof, a trustee of the savings bank, and that
35 he or she has not resigned, become ineligible, or in any other manner
36 vacated his or her office as such trustee. Such declaration shall be
37 acknowledged in like manner as a deed to be entitled to record and

1 shall be transmitted to the ((~~supervisor~~)) director and filed in his or
2 her office prior to the tenth day of March in each year.

3 **Sec. 329.** RCW 32.16.060 and 1955 c 13 s 32.16.060 are each amended
4 to read as follows:

5 The board of trustees of every savings bank may, by resolution
6 incorporated in its bylaws, increase or reduce the number of trustees
7 named in the original charter or certificate of authorization.

8 (1) The number may be increased to a number designated in the
9 resolution not exceeding thirty: PROVIDED, That reasons therefor are
10 shown to the satisfaction of the ((~~supervisor~~)) director and his or her
11 written consent thereto is first obtained.

12 (2) The number may be reduced to a number designated in the
13 resolution but not less than nine. The reduction shall be effected by
14 omissions to fill vacancies occurring in the board.

15 **Sec. 330.** RCW 32.16.080 and 1955 c 13 s 32.16.080 are each amended
16 to read as follows:

17 (1) Whenever, in the judgment of three-fourths of the trustees, the
18 conduct and habits of a trustee of any savings bank are of such
19 character as to be injurious to such bank, or he or she has been guilty
20 of acts that are detrimental or hostile to the interests of the bank,
21 he or she may be removed from office, at any regular meeting of the
22 trustees, by the affirmative vote of three-fourths of the total number
23 thereof: PROVIDED, That a written copy of the charges made against him
24 or her has been served upon him or her personally at least two weeks
25 before such meeting, that the vote of such trustees by ayes and noes is
26 entered in the record of the minutes of such meeting, and that such
27 removal receives the written approval of the ((~~supervisor~~)) director
28 which shall be attached to the minutes of such meeting and form a part
29 of the record.

30 (2) The office of a trustee of a savings bank shall immediately
31 become vacant whenever he or she:

32 (a) Fails to comply with any of the provisions of RCW 32.16.020
33 relating to his or her official oath and declaration;

34 (b) Becomes disqualified for any of the reasons specified in RCW
35 32.16.010(2);

36 (c) Has failed to attend the regular meetings of the board of
37 trustees, or to perform any of his or her duties as trustee, for a

1 period of six successive months, unless excused by the board for such
2 failure;

3 (d) Violates any of the provisions of RCW 32.16.070 imposing
4 restrictions upon trustees and officers, except subsection (2)(c)
5 thereof.

6 (3) A trustee who has forfeited or vacated his or her office shall
7 not be eligible to reelection, except when the forfeiture or vacancy
8 occurred solely by reason of his or her:

9 (a) Failure to comply with the provisions of RCW 32.16.020,
10 relating to his or her official oath and declaration; or

11 (b) Neglect of his or her official duties as prescribed in
12 subsection (2)(c) of this section; or

13 (c) Disqualification through becoming a nonresident, or becoming a
14 trustee, officer, clerk or other employee of another savings bank, or
15 becoming a director of a bank, trust company, or national banking
16 association under the circumstances specified in RCW 32.16.070(1)(b)
17 and such disqualification has been removed.

18 **Sec. 331.** RCW 32.16.090 and 1979 c 46 s 7 are each amended to read
19 as follows:

20 Whenever the ((~~supervisor~~)) director finds that:

21 (1) Any trustee, officer, or employee of any mutual savings bank
22 has committed or engaged in:

23 (a) A violation of any law, rule, or cease and desist order which
24 has become final;

25 (b) Any unsafe or unsound practice in connection with the mutual
26 savings bank; or

27 (c) Any act, omission, or practice which constitutes a breach of
28 his or her fiduciary duty as trustee, officer, or employee; and

29 (2) The ((~~supervisor~~)) director determines that:

30 (a) The mutual savings bank has suffered or may suffer substantial
31 financial loss or other damage; or

32 (b) The interests of its depositors could be seriously prejudiced
33 by reason of the violation, practice, or breach of fiduciary duty; and

34 (3) The ((~~supervisor~~)) director determines that the violation,
35 practice, or breach of fiduciary duty is one involving personal
36 dishonesty, recklessness, or incompetence on the part of the trustee,
37 officer, or employee;

1 Then the ((~~supervisor~~)) director may serve upon the trustee,
2 officer, or employee of any mutual savings bank a written notice of the
3 ((~~supervisor's~~)) director's intention to remove the person from office
4 or to prohibit the person from participation in the conduct of the
5 affairs of the mutual savings bank.

6 **Sec. 332.** RCW 32.16.093 and 1979 c 46 s 8 are each amended to read
7 as follows:

8 A notice of an intention to remove a trustee, officer, or employee
9 from office or to prohibit his or her participation in the conduct of
10 the affairs of a mutual savings bank shall contain a statement of the
11 facts which constitute grounds therefor and shall fix a time and place
12 at which a hearing will be held. The hearing shall be set not earlier
13 than ten days nor later than thirty days after the date of service of
14 the notice unless an earlier or later date is set by the ((~~supervisor~~))
15 director at the request of the trustee, officer, or employee for good
16 cause shown or at the request of the attorney general of the state.

17 Unless the trustee, officer, or employee appears at the hearing
18 personally or by a duly authorized representative, the person shall be
19 deemed to have consented to the issuance of an order of removal or
20 prohibition or both. In the event of such consent or if upon the
21 record made at the hearing the ((~~supervisor~~)) director finds that any
22 of the grounds specified in the notice have been established, the
23 ((~~supervisor~~)) director may issue such orders of removal from office or
24 prohibition from participation in the conduct of the affairs of the
25 mutual savings bank as the ((~~supervisor~~)) director may consider
26 appropriate.

27 Any order under this section shall become effective at the
28 expiration of ten days after service upon the mutual savings bank and
29 the trustee, officer, or employee concerned except that an order issued
30 upon consent shall become effective at the time specified in the order.

31 An order shall remain effective except to the extent it is stayed,
32 modified, terminated, or set aside by the ((~~supervisor~~)) director or a
33 reviewing court.

34 **Sec. 333.** RCW 32.16.095 and 1979 c 46 s 9 are each amended to read
35 as follows:

36 If at any time because of the removal of one or more trustees under
37 this chapter there shall be on the board of trustees of a mutual

1 savings bank less than a quorum of trustees, all powers and functions
2 vested in, or exercisable by the board shall vest in, and be
3 exercisable by the trustee or trustees remaining, until such time as
4 there is a quorum on the board of trustees. If all of the trustees of
5 a mutual savings bank are removed under this chapter, the
6 ((~~supervisor~~)) director shall appoint persons to serve temporarily as
7 trustees until such time as their respective successors take office.

8 **Sec. 334.** RCW 32.16.097 and 1979 c 46 s 10 are each amended to
9 read as follows:

10 Any present or former trustee, officer, or employee of a mutual
11 savings bank or any other person against whom there is outstanding an
12 effective final order issued under RCW 32.16.093, which order has been
13 served upon the person, and who, in violation of the order, (1)
14 participates in any manner in the conduct of the affairs of the mutual
15 savings bank involved; or (2) directly or indirectly solicits or
16 procures, transfers or attempts to transfer, or votes or attempts to
17 vote any proxies, consents, or authorizations with respect to any
18 voting rights in the mutual savings bank; or (3) without the prior
19 approval of the ((~~supervisor~~)) director, votes for a trustee or serves
20 or acts as a trustee, officer, employee, or agent of any mutual savings
21 bank, shall be guilty of a gross misdemeanor, and, upon conviction,
22 shall be punishable as prescribed under chapter 9A.20 RCW.

23 **Sec. 335.** RCW 32.16.140 and 1989 c 180 s 9 are each amended to
24 read as follows:

25 If the directors of any bank shall knowingly violate, or knowingly
26 permit any of the officers, agents, or servants of the bank to violate
27 any of the provisions of this title or any lawful regulation or
28 directive of the ((~~supervisor of banking~~)) director, and if the
29 directors are aware that such facts and circumstances constitute such
30 violations, then each director who participated in or assented to the
31 violation is personally and individually liable for all damages which
32 the state or any insurer of the deposits sustains due to the violation.

33 **Sec. 336.** RCW 32.20.035 and 1989 c 97 s 2 are each amended to read
34 as follows:

35 Except as may be limited by the ((~~supervisor~~)) director by rule, a
36 mutual savings bank may invest its funds in obligations of the United

1 States, as authorized by RCW 32.20.030, either directly or in the form
2 of securities of, or other interests in, an open-end or closed-end
3 management type investment company or investment trust registered under
4 the federal investment company act of 1940, as now or hereafter
5 amended, if both of the following conditions are met:

6 (1) The portfolio of the investment company or investment trust is
7 limited to obligations of the United States and to repurchase
8 agreements fully collateralized by such obligations; and

9 (2) The investment company or investment trust takes delivery of
10 the collateral for any repurchase agreement either directly or through
11 an authorized custodian.

12 **Sec. 337.** RCW 32.20.280 and 1981 c 86 s 4 are each amended to read
13 as follows:

14 A mutual savings bank may invest its funds in real estate as
15 follows:

16 (1) A tract of land whereon there is or may be erected a building
17 or buildings suitable for the convenient transaction of the business of
18 the savings bank, from portions of which not required for its own use
19 revenue may be derived: PROVIDED, That the cost of the land and
20 building or buildings for the transaction of the business of the
21 savings bank shall in no case exceed fifty percent of the guaranty
22 fund, undivided profits, reserves, and subordinated securities of the
23 savings bank, except with the approval of the ((supervisor)) director;
24 and before the purchase of such property is made, or the erection of a
25 building or buildings is commenced, the estimate of the cost thereof,
26 and the cost of the completion of the building or buildings, shall be
27 submitted to and approved by the ((supervisor)) director. "The cost of
28 the land and building or buildings" means the amounts paid or expended
29 therefor less the reasonable depreciation thereof taken by the bank
30 against such improvements during the time they were held by the bank.

31 (2) Such lands as shall be conveyed to the savings bank in
32 satisfaction of debts previously contracted in the course of its
33 business.

34 (3) Such lands as the savings bank shall purchase at sales under
35 judgments, decrees, or mortgages held by it.

36 All real estate purchased by any such savings bank, or taken by it
37 in satisfaction of debts due it, under this section, shall be conveyed
38 to it directly by name, or in the name of a corporation all of the

1 stock of which is owned by the bank, or in such other manner as the
2 bank shall determine to be in the best interest of the bank, and the
3 conveyance shall be immediately recorded in the office of the proper
4 recording officer of the county in which such real estate is situated.

5 (4) Every parcel of real estate purchased or acquired by a savings
6 bank under subsections (2) and (3) of this section, shall be sold by it
7 within five years from the date on which it was purchased or acquired,
8 or in case it was acquired subject to a right of redemption, within
9 five years from the date on which the right of redemption expires,
10 unless:

11 (a) There is a building thereon occupied by the savings bank and
12 its offices,

13 (b) The ((~~supervisor~~)) director, on application of the board of
14 trustees of the savings bank, extends the time within which such sale
15 shall be made, or

16 (c) The property is held by the bank as an investment under the
17 provisions of RCW 32.20.285, as now or hereafter amended.

18 **Sec. 338.** RCW 32.20.290 and 1967 c 145 s 8 are each amended to
19 read as follows:

20 No savings bank shall deposit any of its funds with any bank, trust
21 company, or other moneyed corporation or concern which has not been
22 approved by the ((~~supervisor~~)) director as a depository for the savings
23 bank's funds and designated a depository by vote of a majority of the
24 trustees of the savings bank, exclusive of any trustee who is an
25 officer, director, or trustee of or who owns more than one-half of one
26 percent of the outstanding stock in the depository so designated.

27 **Sec. 339.** RCW 32.24.010 and 1955 c 13 s 32.24.010 are each amended
28 to read as follows:

29 If the trustees of any solvent mutual savings bank deem it
30 necessary or expedient to close the business of such bank, they may, by
31 affirmative vote of not less than two-thirds of the whole number of
32 trustees, at a meeting called for that purpose, of which one month's
33 notice has been given, either personally or by mailing such notice to
34 the post office address of each trustee, declare by resolution their
35 determination to close such business and pay the moneys due depositors
36 and creditors and to surrender the corporate franchise. Subject to the
37 approval and under the direction of the ((~~supervisor~~)) director, such

1 savings bank may adopt any lawful plan for closing up its affairs, as
2 nearly as may be in accordance with the original plan and objects.

3 **Sec. 340.** RCW 32.24.020 and 1981 c 302 s 29 are each amended to
4 read as follows:

5 When the trustees, acting under the provisions of RCW 32.24.010,
6 have paid the sums due respectively to all creditors and depositors,
7 who, after such notice as the ((~~supervisor of banking~~)) director shall
8 prescribe, claim the money due and their deposits, the trustees shall
9 make a transcript or statement from the books in the bank of the names
10 of all depositors and creditors who have not claimed or have not
11 received the balance of the credit due them, and of the sums due them,
12 respectively, and shall file such transcript with the ((~~supervisor~~))
13 director and pay over and transfer all such unclaimed and unpaid
14 deposits, credits, and moneys to the ((~~supervisor~~)) director. The
15 trustees shall then report their proceedings, duly verified, to the
16 superior court of the county wherein the bank is located, and upon such
17 report and the petition of the trustees, and after notice to the
18 attorney general and the ((~~supervisor~~)) director, and such other notice
19 as the court may deem necessary, the court shall adjudge the franchise
20 surrendered and the existence of the corporation terminated. Certified
21 copies of the judgment shall be filed in the offices of the secretary
22 of state and the ((~~supervisor of banking~~)) director and shall be
23 recorded in the office of the secretary of state.

24 **Sec. 341.** RCW 32.24.030 and 1985 c 56 s 14 are each amended to
25 read as follows:

26 An unconverted mutual savings bank may for the purpose of
27 consolidation, acquisition, pooling of assets, merger, or voluntary
28 liquidation arrange for its assets and liabilities to become assets and
29 liabilities of another mutual savings bank, by the affirmative vote or
30 with the written consent of two-thirds of the whole number of its
31 trustees, but only with the written consent of the ((~~supervisor~~))
32 director and upon such terms and conditions as he or she may prescribe.

33 Upon any such transfer being made, or upon the liquidation of any
34 such mutual savings bank for any cause whatever, or upon its being no
35 longer engaged in the business of a mutual savings bank, the
36 ((~~supervisor~~)) director shall terminate its certificate of authority,
37 which shall not thereafter be revived or renewed. When the certificate

1 of authority of any such corporation has been revoked, it shall
2 forthwith collect and distribute its remaining assets, and when that is
3 done, the ((~~supervisor~~)) director shall certify the fact to the
4 secretary of state, whereupon the corporation shall cease to exist and
5 the secretary of state shall note the fact upon his or her records.

6 In case of the consolidation with or voluntary liquidation of a
7 mutual savings bank by another mutual savings bank, as herein provided,
8 any sums advanced by its incorporators, or others, to create or
9 maintain its guaranty fund or its expense fund shall not be liabilities
10 of such mutual savings bank unless the mutual savings bank, so assuming
11 its liabilities shall specifically undertake to pay the same, or a
12 stated portion thereof.

13 **Sec. 342.** RCW 32.24.040 and 1955 c 13 s 32.24.040 are each amended
14 to read as follows:

15 Whenever it appears to the ((~~supervisor~~)) director that any mutual
16 savings bank is conducting its business in an unsafe manner or that it
17 refuses to submit its books, papers, or concerns to lawful inspection,
18 or that any trustee or officer thereof refuses to submit to examination
19 on oath touching its concerns, or that it has failed to carry out any
20 authorized order or direction of the ((~~supervisor~~)) director, such
21 ((~~supervisor~~)) director may give notice to the mutual savings bank so
22 offending or delinquent or whose trustee or officer is thus offending
23 or delinquent to correct such offense or delinquency, and if the mutual
24 savings bank fails to comply with the terms of such notice within
25 thirty days from the date of its issuance, or within such further time
26 as the ((~~supervisor~~)) director may allow, then the ((~~supervisor~~))
27 director may take possession of such mutual savings bank as in the case
28 of insolvency.

29 **Sec. 343.** RCW 32.24.050 and 1955 c 13 s 32.24.050 are each amended
30 to read as follows:

31 Whenever it appears to the ((~~supervisor~~)) director that any offense
32 or delinquency referred to in RCW 32.24.040 renders a mutual savings
33 bank in an unsound or unsafe condition to continue its business, or
34 that it has suspended payment of its obligations, or is insolvent, such
35 ((~~supervisor~~)) director may take possession thereof without notice.

36 Upon taking possession of any mutual savings bank, the
37 ((~~supervisor~~)) director shall forthwith proceed to liquidate the

1 business, affairs, and assets thereof and such liquidation shall be had
2 in accordance with the provisions of law governing the liquidation of
3 insolvent banks and trust companies.

4 **Sec. 344.** RCW 32.24.060 and 1955 c 13 s 32.24.060 are each amended
5 to read as follows:

6 Within ten days after the ((~~supervisor~~)) director takes possession
7 thereof, a mutual savings bank may serve notice upon such
8 ((~~supervisor~~)) director to appear before the superior court in the
9 county wherein such corporation is located, at a time to be fixed by
10 said court, which shall not be less than five nor more than fifteen
11 days from the date of the service of such notice, to show cause why
12 such corporation should not be restored to the possession of its
13 assets. Upon the return day of such notice, or such further day as the
14 matter may be continued to, the court shall summarily hear said cause
15 and shall dismiss the same, if it finds that possession was taken by
16 the ((~~supervisor~~)) director in good faith and for cause, but if it
17 finds that no cause existed for the taking possession of such
18 corporation, it shall require the ((~~supervisor~~)) director to restore
19 the bank to the possession of its assets and enjoin him or her from
20 further interference therewith without cause.

21 **Sec. 345.** RCW 32.24.070 and 1955 c 13 s 32.24.070 are each amended
22 to read as follows:

23 No receiver shall be appointed by any court for any mutual savings
24 bank, nor shall any assignment of any such bank for the benefit of
25 creditors be valid, excepting only that a court otherwise having
26 jurisdiction may in case of imminent necessity appoint a temporary
27 receiver to take possession of and preserve the assets of the mutual
28 savings bank. Immediately upon any such appointment, the clerk of the
29 court shall notify the ((~~supervisor~~)) director by telegram and mail of
30 such appointment and the ((~~supervisor~~)) director shall forthwith take
31 possession of the mutual savings bank, as in case of insolvency, and
32 the temporary receiver shall upon demand of the ((~~supervisor~~)) director
33 surrender up to him or her such possession and all assets which have
34 come into his or her hands. The ((~~supervisor~~)) director shall in due
35 course pay such receiver out of the assets of the mutual savings bank
36 such amount as the court shall allow.

1 **Sec. 346.** RCW 32.24.080 and 1985 c 56 s 15 are each amended to
2 read as follows:

3 Every transfer of its property or assets by any mutual savings bank
4 in this state, made (1) after it has become insolvent, (2) within
5 ninety days before the date the (~~supervisor~~) director takes
6 possession of such savings bank under RCW 32.24.050 or the federal
7 deposit insurance corporation is appointed as receiver or liquidator of
8 such savings bank under RCW 32.24.090, and (3) with the view to the
9 preference of one creditor over another or to prevent equal
10 distribution of its property and assets among its creditors, shall be
11 void. Every trustee, officer, or employee making any such transfer
12 shall be guilty of a felony.

13 **Sec. 347.** RCW 32.24.090 and 1973 1st ex.s. c 54 s 3 are each
14 amended to read as follows:

15 The federal deposit insurance corporation is hereby authorized and
16 empowered to be and act without bond as receiver or liquidator of any
17 mutual savings bank the deposits in which are to any extent insured by
18 that corporation and which shall have been closed on account of
19 inability to meet the demands of its depositors. In the event of such
20 closing, the (~~supervisor of banking~~) director may appoint the federal
21 deposit insurance corporation as receiver or liquidator of such mutual
22 savings bank. If the corporation accepts such appointment, it shall
23 have and possess all the powers and privileges provided by the laws of
24 this state with respect to a liquidator of a mutual savings bank, its
25 depositors and other creditors, and be subject to all the duties of
26 such liquidator, except insofar as such powers, privileges, or duties
27 are in conflict with the provisions of the federal deposit insurance
28 act, as now or hereafter amended.

29 **Sec. 348.** RCW 32.24.100 and 1973 1st ex.s. c 54 s 4 are each
30 amended to read as follows:

31 The pendency of any proceedings for judicial review of the
32 (~~supervisor's~~) director's actions in taking possession and control of
33 a mutual savings bank and its assets for the purpose of liquidation
34 shall not operate to defer, delay, impede, or prevent the payment or
35 acquisition by the federal deposit insurance corporation of the deposit
36 liabilities of the mutual savings bank which are insured by the
37 corporation. During the pendency of any proceedings for judicial

1 review, the ((~~supervisor of banking~~)) director shall make available to
2 the federal deposit insurance corporation such facilities in or of the
3 mutual savings bank and such books, records, and other relevant data of
4 the mutual savings bank as may be necessary or appropriate to enable
5 the corporation to pay out or to acquire the insured deposit
6 liabilities of the mutual savings bank. The federal deposit insurance
7 corporation and its directors, officers, agents, and employees, the
8 ((~~supervisor of banking~~)) director, and his or her agents and employees
9 shall be free from liability to the mutual savings bank, its directors,
10 stockholders, and creditors for or on account of any action taken in
11 connection herewith.

12 **Sec. 349.** RCW 32.32.010 and 1981 c 85 s 1 are each amended to read
13 as follows:

14 This chapter shall exclusively govern the conversion of mutual
15 savings banks to capital stock savings banks. No mutual savings bank
16 may convert to the capital stock form of organization without the prior
17 written approval of the ((~~supervisor~~)) director pursuant to this
18 chapter, except that the ((~~supervisor~~)) director may waive requirements
19 of this chapter in appropriate cases.

20 **Sec. 350.** RCW 32.32.015 and 1981 c 85 s 2 are each amended to read
21 as follows:

22 The ((~~supervisor~~)) director may prescribe under this chapter such
23 forms as the ((~~supervisor~~)) director deems appropriate for use by a
24 mutual savings bank seeking to convert to a capital stock savings bank
25 pursuant to this chapter.

26 **Sec. 351.** RCW 32.32.020 and 1981 c 85 s 3 are each amended to read
27 as follows:

28 (1) If an applicant finds that compliance with any provision of
29 this chapter would be in conflict with applicable federal law, the
30 ((~~supervisor~~)) director shall grant or deny a request of noncompliance
31 with the provision. The request may be incorporated in the application
32 for conversion; otherwise, the applicant shall file the request in
33 accordance with the requirements of the ((~~supervisor~~)) director.

34 (2) In making any such request, the applicant shall:

35 (a) Specify the provision or provisions of this chapter with
36 respect to which the applicant desires waiver;

1 (b) Furnish an opinion of counsel demonstrating that applicable
2 federal law is in conflict with the specified provision or provisions
3 of this chapter; and

4 (c) Demonstrate that the requested waiver would not result in any
5 effects that would be inequitable or detrimental to the applicant, its
6 account holders, or other financial institutions or would be contrary
7 to the public interest.

8 **Sec. 352.** RCW 32.32.025 and 1985 c 56 s 16 are each amended to
9 read as follows:

10 As used in this chapter, the following definitions apply, unless
11 the context otherwise requires:

12 (1) Except as provided in RCW 32.32.230, an "affiliate" of, or a
13 person "affiliated" with, a specified person, is a person that
14 directly, or indirectly through one or more intermediaries, controls,
15 or is controlled by, or is under common control with, the person
16 specified.

17 (2) The term "amount", when used in regard to securities, means the
18 principal amount if relating to evidences of indebtedness, the number
19 of shares if relating to shares, and the number of units if relating to
20 any other kind of security.

21 (3) An "applicant" is a mutual savings bank which has applied to
22 convert pursuant to this chapter.

23 (4) The term "associate", when used to indicate a relationship with
24 any person, means (a) any corporation or organization (other than the
25 applicant or a majority-owned subsidiary of the applicant) of which the
26 person is an officer or partner or is, directly or indirectly, the
27 beneficial owner of ten percent or more of any class of equity
28 securities, (b) any trust or other estate in which the person has a
29 substantial beneficial interest or as to which the person serves as
30 trustee or in a similar fiduciary capacity, and (c) any relative who
31 would be a "class A beneficiary" (~~under RCW 83.08.005~~) if the person
32 were a decedent.

33 (5) The term "broker" means any person engaged in the business of
34 effecting transactions in securities for the account of others.

35 (6) The term "capital stock" includes permanent stock, guaranty
36 stock, permanent reserve stock, any similar certificate evidencing
37 nonwithdrawable capital, or preferred stock, of a savings bank

1 converted under this chapter or of a subsidiary institution or holding
2 company.

3 (7) The term "charter" includes articles of incorporation, articles
4 of reincorporation, and certificates of incorporation, as amended,
5 effecting (either with or without filing with any governmental agency)
6 the organization or creation of an incorporated person.

7 (8) Except as provided in RCW 32.32.230, the term "control"
8 (including the terms "controlling", "controlled by", and "under common
9 control with") means the possession, direct or indirect, of the power
10 to direct or cause the direction of the management and policies of a
11 person, whether through the ownership of voting securities, by
12 contract, or otherwise.

13 (9) The term "dealer" means any person who engages either for all
14 or part of his or her time, directly or indirectly, as agent, broker,
15 or principal, in the business of offering, buying, selling, or
16 otherwise dealing or trading in securities issued by another person.

17 (10) The term "director" means any director of a corporation, any
18 trustee of a mutual savings bank, or any person performing similar
19 functions with respect to any organization whether incorporated or
20 unincorporated.

21 (11) The term "eligibility record date" means the record date for
22 determining eligible account holders of a converting mutual savings
23 bank.

24 (12) The term "eligible account holder" means any person holding a
25 qualifying deposit as determined in accordance with RCW 32.32.180.

26 (13) The term "employee" does not include a director or officer.

27 (14) The term "equity security" means any stock or similar
28 security; or any security convertible, with or without consideration,
29 into such a security, or carrying any warrant or right to subscribe to
30 or purchase such a security; or any such warrant or right.

31 (15) The term "market maker" means a dealer who, with respect to a
32 particular security, (a) regularly publishes bona fide, competitive bid
33 and offer quotations in a recognized interdealer quotation system; or
34 (b) furnishes bona fide competitive bid and offer quotations on
35 request; and (c) is ready, willing, and able to effect transaction in
36 reasonable quantities at his or her quoted prices with other brokers or
37 dealers.

38 (16) The term "material", when used to qualify a requirement for
39 the furnishing of information as to any subject, limits the information

1 required to those matters as to which an average prudent investor ought
2 reasonably to be informed before purchasing an equity security of the
3 applicant.

4 (17) The term "mutual savings bank" means a mutual savings bank
5 organized and operating under Title 32 RCW.

6 (18) Except as provided in RCW 32.32.435, the term "offer", "offer
7 to sell", or "offer of sale" shall include every attempt or offer to
8 dispose of, or solicitation of an offer to buy, a security or interest
9 in a security, for value. These terms shall not include preliminary
10 negotiations or agreements between an applicant and any underwriter or
11 among underwriters who are or are to be in privity of contract with an
12 applicant.

13 (19) The term "officer", for purposes of the purchase of stock in
14 a conversion under this chapter or the sale of this stock, means the
15 chairman of the board, president, vice president, secretary, treasurer
16 or principal financial officer, comptroller or principal accounting
17 officer, and any other person performing similar functions with respect
18 to any organization whether incorporated or unincorporated.

19 (20) Except as provided in RCW 32.32.435, the term "person" means
20 an individual, a corporation, a partnership, an association, a joint-
21 stock company, a trust, any unincorporated organization, or a
22 government or political subdivision thereof.

23 (21) The term "proxy" includes every form of authorization by which
24 a person is or may be deemed to be designated to act for a stockholder
25 in the exercise of his or her voting rights in the affairs of an
26 institution. Such an authorization may take the form of failure to
27 dissent or object.

28 (22) The terms "purchase" and "buy" include every contract to
29 purchase, buy, or otherwise acquire a security or interest in a
30 security for value.

31 (23) The terms "sale" and "sell" include every contract to sell or
32 otherwise dispose of a security or interest in a security for value;
33 but these terms do not include an exchange of securities in connection
34 with a merger or acquisition approved by the (~~supervisor~~) director of
35 financial institutions.

36 (24) The term "savings account" means deposits established in a
37 mutual savings bank and includes certificates of deposit.

38 (25) Except as provided in RCW 32.32.435, the term "security"
39 includes any note, stock, treasury stock, bond, debenture, transferable

1 share, investment contract, voting-trust certificate, or in general,
2 any instrument commonly known as a "security"; or any certificate of
3 interest or participation in, temporary or interim certificate for,
4 receipt for, or warrant or right to subscribe to or purchase any of the
5 foregoing.

6 (26) The term "subscription offering" refers to the offering of
7 shares of capital stock, through nontransferable subscription rights
8 issued to: (a) Eligible account holders as required by RCW 32.32.045;
9 (b) supplemental eligible account holders as required by RCW 32.32.055;
10 (c) directors, officers, and employees, as permitted by RCW 32.32.140;
11 and (d) eligible account holders and supplemental eligible account
12 holders as permitted by RCW 32.32.145.

13 (27) A "subsidiary" of a specified person is an affiliate
14 controlled by the person, directly or indirectly through one or more
15 intermediaries.

16 (28) (~~The term "supervisor" means the supervisor of banking.~~
17 ~~(29)~~) The term "supplemental eligibility record date" means the
18 supplemental record date for determining supplemental eligible account
19 holders of a converting savings bank required by RCW 32.32.055. The
20 date shall be the last day of the calendar quarter preceding
21 (~~supervisor~~) director of financial institutions approval of the
22 application for conversion.

23 (~~(30)~~) (29) The term "supplemental eligible account holder" means
24 any person holding a qualifying deposit, except officers, directors,
25 and their associates, as of the supplemental eligibility record date.

26 (~~(31)~~) (30) The term "underwriter" means any person who has
27 purchased from an applicant with a view to, or offers or sells for an
28 applicant in connection with, the distribution of any security, or
29 participates or has a direct or indirect participation in the direct or
30 indirect underwriting of any such undertaking; but the term does not
31 include a person whose interest is limited to a commission from an
32 underwriter or dealer not in excess of the usual and customary
33 distributors' or sellers commission. The term "principal underwriter"
34 means an underwriter in privity of contract with the applicant or other
35 issuer of securities as to which that person is the underwriter.

36 Terms defined in other chapters of this title, when used in this
37 chapter, shall have the meanings given in those definitions, to the
38 extent those definitions are not inconsistent with the definitions
39 contained in this chapter unless the context otherwise requires.

1 **Sec. 353.** RCW 32.32.030 and 1981 c 85 s 5 are each amended to read
2 as follows:

3 No application for conversion may be approved by the ((~~supervisor~~))
4 director if:

5 (1) The plan of conversion adopted by the applicant's board of
6 directors is not in accordance with this chapter;

7 (2) The conversion would result in a reduction of the applicant's
8 net worth below requirements established by the ((~~supervisor~~))
9 director;

10 (3) The conversion may result in a taxable reorganization of the
11 applicant under the United States Internal Revenue Code of 1954, as
12 amended; or

13 (4) The converted savings bank does not meet the insurance
14 requirements as established by the ((~~supervisor~~)) director.

15 **Sec. 354.** RCW 32.32.040 and 1985 c 56 s 17 are each amended to
16 read as follows:

17 A converted savings bank or a holding company organized pursuant to
18 chapter 32.34 RCW shall issue and sell capital stock at a total price
19 equal to the estimated pro forma market value of the stock issued in
20 connection with the conversion, based on an independent valuation, as
21 provided in RCW 32.32.305. In the conversion of a mutual savings bank
22 or holding company, either of which is in the process of merging with,
23 being acquired by, or consolidating with a stock savings bank, or a
24 savings bank holding company owned by stockholders, or a subsidiary
25 thereof, the following subsections apply:

26 (1) The price per share of the shares offered for subscription and
27 issued in the conversion shall be not less than the price reported for
28 stock which is listed on a national or regional stock exchange, or the
29 bid price for stock which is traded on the NASDAQ system, as of the day
30 before any public offering or other completion of the sale of stock in
31 the conversion: PROVIDED, That for stock not so listed and not traded
32 on the NASDAQ system, and any stock whose price has been affected, as
33 of the day specified above, by a violation of RCW 32.32.225, the price
34 per share shall be determined by the ((~~supervisor~~)) director, upon the
35 submission of such information as the ((~~supervisor~~)) director may
36 request.

37 (2) The independent valuation as provided in RCW 32.32.305 shall
38 determine the aggregate value of shares for which subscription rights

1 are granted pursuant to RCW 32.32.045, 32.32.050, and 32.32.055, rather
2 than a price per share or number of shares as provided in RCW
3 32.32.290, 32.32.325, and 32.32.330. This independent valuation may be
4 replaced by a demonstration, to the satisfaction of the ((supervisor))
5 director, of the fairness of the price of the shares issued.

6 **Sec. 355.** RCW 32.32.055 and 1981 c 85 s 10 are each amended to
7 read as follows:

8 In plans involving an eligibility record date that is more than
9 fifteen months prior to the date of the latest amendment to the
10 application for conversion filed prior to the ((supervisor)) director
11 approval, a supplemental eligibility record date shall be determined
12 whereby each supplemental eligible account holder of the converting
13 savings bank shall receive, without payment, nontransferable
14 subscription rights to purchase supplemental shares in an amount equal
15 to the greatest of two hundred shares, one-tenth of one percent of the
16 total offering of shares, or fifteen times the product (rounded down to
17 the next whole number) obtained by multiplying the total number of
18 shares of capital stock to be issued by a fraction of which the
19 numerator is the amount of the qualifying deposit of the supplemental
20 eligible account holder and the denominator is the total amount of the
21 qualifying deposits of all supplemental eligible account holders in the
22 converting savings bank on the supplemental eligibility record date.

23 (1) Subscription rights received pursuant to this section shall be
24 subordinated to all rights received by eligible account holders to
25 purchase shares pursuant to RCW 32.32.045 and 32.32.050.

26 (2) Any nontransferable subscription rights to purchase shares
27 received by an eligible account holder in accordance with RCW 32.32.045
28 shall be applied in partial satisfaction of the subscription rights to
29 be distributed pursuant to this section.

30 (3) In the event of an oversubscription for supplemental shares
31 pursuant to this section, shares shall be allocated among the
32 subscribing supplemental eligible account holders as follows:

33 (a) Shares shall be allocated among subscribing supplemental
34 eligible account holders so as to permit each such supplemental account
35 holder, to the extent possible, to purchase a number of shares
36 sufficient to make the supplemental account holder's total allocation
37 (including the number of shares, if any, allocated in accordance with
38 RCW 32.32.045) equal to one hundred shares.

1 (b) Any shares not allocated in accordance with subsection (3)(a)
2 of this section shall be allocated among the subscribing supplemental
3 eligible account holders on such equitable basis, related to the
4 amounts of their respective qualifying deposits, as may be provided in
5 the plan of conversion.

6 **Sec. 356.** RCW 32.32.060 and 1981 c 85 s 11 are each amended to
7 read as follows:

8 Any shares of the converting savings bank not sold in the
9 subscription offering shall either be sold in a public offering through
10 an underwriter or directly by the converting savings bank in a direct
11 community marketing, subject to the applicant demonstrating to the
12 (~~supervisor~~) director the feasibility of the method of sale and to
13 such conditions as may be provided in the plan of conversion. The
14 conditions shall include, but not be limited to:

15 (1) A condition limiting purchases by each officer and director or
16 their associates in this phase of the offering to one-tenth of one
17 percent of the total offering of shares.

18 (2) A condition limiting purchases by any person and that person's
19 associates in this phase of the offering to a number of shares or a
20 percentage of the total offering so long as the limitation does not
21 exceed two percent of the shares to be sold in the total offering.

22 (3) A condition that any direct community offering by the
23 converting savings bank shall give a preference to natural persons
24 residing in the counties in which the savings bank has an office. The
25 methods by which preference shall be given shall be approved by the
26 (~~supervisor~~) director.

27 **Sec. 357.** RCW 32.32.075 and 1981 c 85 s 14 are each amended to
28 read as follows:

29 No officer or director, or their associates, may purchase without
30 the prior written approval of the (~~supervisor~~) director the capital
31 stock of the converted savings bank except from a broker or a dealer
32 registered with the Securities and Exchange Commission for a period of
33 three years following the conversion. This provision shall not apply
34 to negotiated transactions involving more than one percent of the
35 outstanding capital stock of the converted savings bank.

36 As used in this section, the term "negotiated transactions" means
37 transactions in which the securities are offered and the terms and

1 arrangements relating to any sale of the securities are arrived at
2 through direct communications between the seller or any person acting
3 on the seller's behalf and the purchaser or the purchaser's investment
4 representative. The term "investment representative" means a
5 professional investment adviser acting as agent for the purchaser and
6 independent of the seller and not acting on behalf of the seller in
7 connection with the transaction.

8 **Sec. 358.** RCW 32.32.105 and 1981 c 85 s 20 are each amended to
9 read as follows:

10 The plan of conversion adopted by the applicant's board of
11 directors may be amended by the board of directors with the concurrence
12 of the ((~~supervisor~~)) director at any time prior to final approval of
13 the ((~~supervisor~~)) director and may be terminated with the concurrence
14 of the ((~~supervisor~~)) director at any time prior to issuance of the
15 authorization certificate by the ((~~supervisor~~)) director.

16 **Sec. 359.** RCW 32.32.130 and 1981 c 85 s 25 are each amended to
17 read as follows:

18 The plan of conversion shall contain no provision which the
19 ((~~supervisor~~)) director determines to be inequitable or detrimental to
20 the applicant, its savings account holders, or other savings banks or
21 to be contrary to the public interest.

22 **Sec. 360.** RCW 32.32.150 and 1985 c 56 s 20 are each amended to
23 read as follows:

24 Any insignificant residue of shares not sold in the subscription
25 offering or in a public offering referred to in RCW 32.32.060 may be
26 sold in such other manner as provided in the plan with the
27 ((~~supervisor's~~)) director's approval.

28 **Sec. 361.** RCW 32.32.175 and 1981 c 85 s 34 are each amended to
29 read as follows:

30 The ((~~supervisor~~)) director may approve such other equitable
31 provisions as are necessary to avert imminent injury to the converting
32 savings bank.

33 **Sec. 362.** RCW 32.32.210 and 1985 c 56 s 21 are each amended to
34 read as follows:

1 No converted savings bank may repurchase any of its capital stock
2 from any person unless the repurchase is approved by the ((~~supervisor~~))
3 director either in advance or at the time of repurchase.

4 **Sec. 363.** RCW 32.32.215 and 1985 c 56 s 22 are each amended to
5 read as follows:

6 Except as provided in RCW 32.32.222, no converted savings bank may
7 declare or pay a cash dividend unless the declaration or payment of the
8 dividend would be in accordance with the requirements of RCW 30.04.180
9 and would not have the effect of reducing the net worth of the
10 converted savings bank below (1) the amount required for the
11 liquidation account or (2) the amount required by the ((~~supervisor~~))
12 director.

13 **Sec. 364.** RCW 32.32.220 and 1985 c 56 s 23 are each amended to
14 read as follows:

15 Except as provided in RCW 32.32.222, no converted savings bank may,
16 without the prior approval of the ((~~supervisor~~)) director, for a period
17 of ten years after the date of its conversion, declare or pay a cash
18 dividend on its capital stock in an amount in excess of one-half of the
19 greater of:

- 20 (1) The savings bank's net income for the current fiscal year; or
21 (2) The average of the savings bank's net income for the current
22 fiscal year and not more than two of the immediately preceding fiscal
23 years.

24 For purposes of this chapter, "net income" shall be determined by
25 generally accepted accounting principles.

26 **Sec. 365.** RCW 32.32.222 and 1985 c 56 s 24 are each amended to
27 read as follows:

28 A converted mutual savings bank may pay dividends on preferred
29 stock at the rate or rates agreed in connection with the issuance of
30 preferred stock if such issuance has been approved by the
31 ((~~supervisor~~)) director.

32 **Sec. 366.** RCW 32.32.228 and 1989 c 180 s 6 are each amended to
33 read as follows:

- 34 (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 party" means the person acquiring control of a bank
6 through the purchase of stock;

7 (c) "Person" means any individual, corporation, partnership, group
8 acting in concert, association, business trust, or other organization.

9 (2)(a) It is unlawful for any person to acquire control of a
10 converted savings bank until thirty days after filing with the
11 (~~supervisor~~) director a completed application. The application shall
12 be under oath or affirmation, and shall contain substantially all of
13 the following information plus any additional information that the
14 (~~supervisor~~) director may prescribe as necessary or appropriate in
15 the particular instance for the protection of bank depositors,
16 borrowers, or shareholders and the public interest:

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

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

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

23 (iv) The source and amount of the funds or other consideration used
24 or to be used in making the acquisition, and a description of the
25 transaction and the names of the parties if any part of these funds or
26 other consideration has been or is to be borrowed or otherwise obtained
27 for the purpose of making the acquisition;

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

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

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

1 (viii) Such additional information as shall be necessary to satisfy
2 the ((~~supervisor~~)) director, in the exercise of the ((~~supervisor's~~))
3 director's discretion, that each such person and associate meets the
4 standards of character, responsibility, and general fitness established
5 for incorporators of a savings bank under RCW 32.08.040.

6 (b) Notwithstanding any other provision of this section, a bank or
7 bank holding company which has been in operation for at least three
8 consecutive years or a converted mutual savings bank or the holding
9 company of a mutual savings bank need only notify the ((~~supervisor~~))
10 director and the savings bank to be acquired of an intent to acquire
11 control and the date of the proposed acquisition of control at least
12 thirty days before the date of the acquisition of control.

13 (c) When a person, other than an individual or corporation, is
14 required to file an application under this section, the ((~~supervisor~~))
15 director may require that the information required by (a) (i), (ii),
16 (vi), and (viii) of this subsection be given with respect to each
17 person, as defined in subsection (1)(c) of this section, who has an
18 interest in or controls a person filing an application under this
19 subsection.

20 (d) When a corporation is required to file an application under
21 this section, the ((~~supervisor~~)) director may require that information
22 required by (a) (i), (ii), (vi), and (viii) of this subsection be given
23 for the corporation, each officer and director of the corporation, and
24 each person who is directly or indirectly the beneficial owner of
25 twenty-five percent or more of the outstanding voting securities of the
26 corporation.

27 (e) If any tender offer, request, or invitation for tenders or
28 other agreements to acquire control is proposed to be made by means of
29 a registration statement under the securities act of 1933 (48 Stat. 74,
30 15 U.S.C. Sec. 77(a)), as amended, or in circumstances requiring the
31 disclosure of similar information under the securities exchange act of
32 1934 (48 Stat. 881, 15 U.S.C. Sec. 78(a)), as amended, the registration
33 statement or application may be filed with the ((~~supervisor~~)) director
34 in lieu of the requirements of this section.

35 (f) Any acquiring party shall also deliver a copy of any notice or
36 application required by this section to the savings bank proposed to be
37 acquired within two days after such notice or application is filed with
38 the ((~~supervisor~~)) director.

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

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

9 (3) The ((~~supervisor~~)) director may disapprove the acquisition of
10 a savings bank within thirty days after the filing of a complete
11 application pursuant to subsections (1) and (2) of this section or an
12 extended period not exceeding an additional fifteen days if:

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

16 (b) The plan or proposal of the acquiring party to liquidate the
17 savings bank, to sell its assets, to merge it with any person, or to
18 make any other major change in its business or corporate structure or
19 management is not fair and reasonable to its depositors, borrowers, or
20 stockholders or is not in public interest;

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

25 (d) The information provided by the application is insufficient for
26 the ((~~supervisor~~)) director to make a determination or there has been
27 insufficient time to verify the information provided and conduct an
28 examination of the qualification of the acquiring party; or

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

30 An acquisition may be made prior to expiration of the disapproval
31 period if the ((~~supervisor~~)) director issues written notice of intent
32 not to disapprove the action.

33 The ((~~supervisor~~)) director shall set forth the basis for
34 disapproval of any proposed acquisition in writing and shall provide a
35 copy of such findings and order to the applicants and to the bank
36 involved. Such findings and order shall not be disclosed to any other
37 party and shall not be subject to public disclosure under chapter 42.17
38 RCW unless the findings and/or order are appealed pursuant to chapter
39 34.05 RCW.

1 Whenever such a change in control occurs, each party to the
2 transaction shall report promptly to the ((supervisor)) director any
3 changes or replacement of its chief executive officer or of any
4 director occurring in the next twelve-month period, including in its
5 report a statement of the past and current business and professional
6 affiliations of the new chief executive officer or directors.

7 (4)(a) For a period of ten years following the acquisition of
8 control by any person, neither such acquiring party nor any associate
9 shall receive any loan or the use of any of the funds of, nor purchase,
10 lease, or otherwise receive any property from, nor receive any
11 consideration from the sale, lease, or any other conveyance of property
12 to, any savings bank in which the acquiring party has control except as
13 provided in (b) of this subsection.

14 (b) Upon application by any acquiring party or associate subject to
15 (a) of this subsection, the ((supervisor)) director may approve a
16 transaction between a converted savings bank and such acquiring party,
17 person, or associate, upon finding that the terms and conditions of the
18 transaction are at least as advantageous to the savings bank as the
19 savings bank would obtain in a comparable transaction with an
20 unaffiliated person.

21 (5) Except with the consent of the ((supervisor)) director, no
22 converted savings bank shall, for the purpose of enabling any person to
23 purchase any or all shares of its capital stock, pledge or otherwise
24 transfer any of its assets as security for a loan to such person or to
25 any associate, or pay any dividend to any such person or associate.
26 Nothing in this section shall prohibit a dividend of stock among
27 shareholders in proportion to their shareholdings. In the event any
28 clause of this section is declared to be unconstitutional or otherwise
29 invalid, all remaining dependent and independent clauses of this
30 section shall remain in full force and effect.

31 **Sec. 367.** RCW 32.32.230 and 1985 c 56 s 26 are each amended to
32 read as follows:

33 (1) No conversion may be approved by the ((supervisor)) director
34 unless the plan of conversion provides that the converted savings bank
35 shall enter into an agreement with the ((supervisor)) director, in form
36 satisfactory to the ((supervisor)) director, which shall provide that
37 for a period of three years following the conversion any company
38 significantly engaged in an unrelated business activity, either

1 directly or through an affiliate thereof, shall not be permitted,
2 regardless of the form of the transaction, to acquire control of the
3 converted savings bank. Any acquisition of a converted savings bank
4 shall also comply with RCW 32.32.228.

5 (2) As used in this section:

6 (a) The term "affiliate" means any person or company which
7 controls, is controlled by, or is under common control with, a
8 specified company.

9 (b) A person or company shall be deemed to have "control" of:

10 (i) A savings bank if the person directly or indirectly or acting
11 in concert with one or more other persons, or through one or more
12 subsidiaries, owns, controls, or holds with power to vote, or holds
13 proxies representing, more than twenty-five percent of the voting
14 shares of the savings bank, or controls in any manner the election of
15 a majority of the directors of the bank;

16 (ii) Any other company if the person directly or indirectly or
17 acting in concert with one or more other persons, or through one or
18 more subsidiaries, owns, controls, or holds with power to vote, or
19 holds proxies representing, more than twenty-five percent of the voting
20 shares or rights of the other company, or controls in any manner the
21 election or appointment of a majority of the directors or trustees of
22 the other company, or is a general partner in or has contributed more
23 than twenty-five percent of the capital of the other company;

24 (iii) A trust if the person is a trustee thereof; or

25 (iv) A savings bank or any other company if the ((~~supervisor~~))
26 director determines, after reasonable notice and opportunity for
27 hearing, that the person directly or indirectly exercises a controlling
28 influence over the management or policies of the savings bank or other
29 company.

30 (c) A company shall be deemed to be "significantly engaged" in an
31 unrelated business activity if its unrelated business activities would
32 represent, on either an actual or a pro forma basis, more than fifteen
33 percent of its consolidated net worth at the close of this preceding
34 fiscal year or of its consolidated net earnings for such fiscal year.

35 (d) The term "unrelated business activity" means any business
36 activity not authorized for a savings bank or any subsidiary thereof.

37 **Sec. 368.** RCW 32.32.235 and 1981 c 85 s 46 are each amended to
38 read as follows:

1 To the extent permitted by applicable federal or state law, a plan
2 of conversion may provide for a provision in the charter of the
3 converted savings bank containing, in substance, the restriction set
4 forth in RCW 32.32.230. There may also be included a restriction
5 providing that the charter provision may be amended only by a vote of
6 up to seventy-five percent of the votes eligible to be cast at a
7 regular or special meeting of shareholders of the converted savings
8 bank. If the converted savings bank elects to adopt the foregoing
9 optional charter provision, the ((supervisor)) director shall impose,
10 as a condition to approval of the conversion, a requirement that the
11 converted savings bank fully enforce the charter provision.

12 **Sec. 369.** RCW 32.32.240 and 1981 c 85 s 47 are each amended to
13 read as follows:

14 A savings bank which is considering converting pursuant to this
15 chapter and its directors, officers, and employees shall keep this
16 consideration in the strictest confidence and shall only discuss the
17 potential conversion as would be consistent with the need to prepare
18 information for filing an application for conversion. Should this
19 confidence be breached the ((supervisor)) director may require remedial
20 measures including:

21 (1) A public statement by the savings bank that its board of
22 directors is currently considering converting pursuant to this chapter;

23 (2) Providing for an eligibility record date which shall be as of
24 such a date prior to the adoption of the plan by the converting savings
25 bank's board of directors as to assure the equitability of the
26 conversion;

27 (3) Limitation of the subscription rights of any person violating
28 or aiding the violation of this section to an amount deemed appropriate
29 by the ((supervisor)) director; and

30 (4) Any other actions the ((supervisor)) director may deem
31 appropriate and necessary to assure the fairness and equitability of
32 the conversion.

33 **Sec. 370.** RCW 32.32.250 and 1981 c 85 s 49 are each amended to
34 read as follows:

35 Promptly after the adoption of a plan of conversion by not less
36 than two-thirds of its board of directors, the savings bank shall:

1 (1) Notify its account holders of the action by publishing a
2 statement in a newspaper having general circulation in each community
3 in which an office of the savings bank is located and/or by mailing a
4 letter to each of its account holders; and

5 (2) Have copies of the adopted plan of conversion available for
6 inspection by its account holders at each office of the savings bank.

7 The savings bank may also issue a press release with respect to the
8 action. Copies of the proposed statement, letter, and press release
9 are not required to be filed with the ((~~supervisor~~)) director but may
10 be submitted to the ((~~supervisor~~)) director for comment. Copies of the
11 definitive statement, letter, and press release shall be filed with the
12 ((~~supervisor~~)) director as part of the application for conversion.

13 **Sec. 371.** RCW 32.32.255 and 1981 c 85 s 50 are each amended to
14 read as follows:

15 The statement, letter, and press release of the applicant issued
16 pursuant to RCW 32.32.250, unless otherwise authorized by the
17 ((~~supervisor~~)) director, shall contain only (but need not contain all
18 of) the following:

19 (1) A statement that the board of directors has adopted a plan to
20 convert the savings bank from a mutual savings bank to a capital stock
21 savings bank;

22 (2) A statement that the plan of conversion is subject to approval
23 by the ((~~supervisor of banking~~)) director and by the appropriate
24 federal regulatory authority or authorities (naming such an authority
25 or authorities) before the plan can become effective and that account
26 holders of the applicant will have an opportunity to file written
27 comments including objections and materials supporting the objections
28 with the ((~~supervisor~~)) director;

29 (3) A statement that the plan of conversion is contingent upon
30 obtaining favorable tax rulings from the Internal Revenue Service or an
31 appropriate tax opinion;

32 (4) A statement that there is no assurance that the approval of the
33 ((~~supervisor of banking~~)) director or the approval of any appropriate
34 federal authority or authorities will be obtained, and also no
35 assurance that the favorable tax rulings or tax opinion will be
36 received;

1 (5) The proposed record date for determining the eligible account
2 holders entitled to receive nontransferable subscription rights to
3 purchase capital stock of the applicant;

4 (6) A brief statement describing the circumstances that would
5 require supplemental eligible account holders to receive
6 nontransferable subscription rights to purchase capital stock of the
7 applicant;

8 (7) A brief description of the plan of conversion;

9 (8) The par value and approximate number of shares of capital stock
10 to be issued and sold under the plan of conversion;

11 (9) A brief statement as to the extent to which directors,
12 officers, and employees will participate in the conversion;

13 (10) A statement that savings account holders will continue to hold
14 accounts in the converted savings bank identical as to dollar amount,
15 rate of return, and general terms and that their accounts will continue
16 to be insured by the Federal Deposit Insurance Corporation;

17 (11) A statement that borrowers' loans will be unaffected by
18 conversion and that the amount, rate, maturity, security, and other
19 conditions will remain contractually fixed as they existed prior to
20 conversion;

21 (12) A statement that the normal business of the savings bank in
22 accepting savings and making loans will continue without interruption;
23 that the converted savings bank will continue after conversion to
24 conduct its present services to savings account holders and borrowers
25 under current policies to be carried on in existing offices and by the
26 present management and staff;

27 (13) A statement that the plan of conversion may be substantively
28 amended or terminated by the board of directors with the concurrence of
29 the ((~~supervisor of banking~~)) director; and

30 (14) A statement that questions of account holders may be answered
31 by telephoning or writing to the savings bank.

32 **Sec. 372.** RCW 32.32.265 and 1985 c 56 s 27 are each amended to
33 read as follows:

34 Upon determination that an application for conversion is properly
35 executed and is not materially incomplete, the ((~~supervisor~~)) director
36 shall advise the applicant, in writing, to publish notices of the
37 filing of the application. Promptly after receipt of the advice, the
38 applicant shall furnish a written notice of the filing to each eligible

1 account holder and also publish a notice of the filing in a newspaper
2 printed in the English language and having general circulation in each
3 community in which an office of the applicant is located, as follows:

4 NOTICE OF FILING OF AN APPLICATION
5 FOR APPROVAL TO CONVERT TO A
6 STOCK SAVINGS BANK

7 Notice is hereby given that, pursuant to chapter 32.32 of the
8 Revised Code of Washington

9

10 (fill in name of applicant)

11 has filed an application with the ((~~Supervisor of Banking~~))
12 Director of Financial Institutions for approval to convert to
13 the stock form of organization. Copies of the application have
14 been delivered to (address).

15 Written comments, including objections to the plan of
16 conversion and materials supporting the objections, from any
17 account holder of the applicant or aggrieved person, will be
18 considered by the ((~~supervisor~~)) director if filed within
19 twenty business days after the date of this notice. Failure to
20 make written comments in objection may preclude the pursuit of
21 any administrative or judicial remedies. Three copies of the
22 comments should be sent to the aforementioned. The proposed
23 plan of conversion and any comments thereon will be available
24 for inspection by any account holder of the applicant at
25 (address). A copy of the plan may also be inspected at
26 each office of the applicant.

27 If a significant number of the applicant's account holders speak a
28 language other than English and a newspaper in that language is
29 published in the area served by the applicant, an appropriate
30 translation of the notice shall also be published in that newspaper.
31 A notice sent by mail may be accompanied by the statement that the
32 converting institution will not mail a subscription offering circular
33 to an eligible account holder or a supplemental eligible account holder
34 unless the eligible account holder or the supplemental eligible account
35 holder, prior to the commencement of the subscription offering,
36 requests the subscription offering circular by returning a postcard.
37 The issuer of stock in the conversion shall pay the postage of this

1 postcard and shall inform the eligible account holder or supplemental
2 eligible holder that the postage is paid.

3 **Sec. 373.** RCW 32.32.270 and 1981 c 85 s 53 are each amended to
4 read as follows:

5 Promptly after publication of the notices prescribed in RCW
6 32.32.265, the applicant shall file with the ((~~supervisor~~)) director
7 the notice and affidavit of publication from each newspaper publisher
8 in the manner the ((~~supervisor~~)) director shall require.

9 **Sec. 374.** RCW 32.32.275 and 1981 c 85 s 54 are each amended to
10 read as follows:

11 Should the applicant desire to submit any information it deems to
12 be of a confidential nature regarding any item or a part of any exhibit
13 included in any application under this chapter, the information
14 pertaining to the item or exhibit shall be separately bound and labeled
15 "confidential", and a statement shall be submitted therewith briefly
16 setting forth the grounds on which the information should be treated as
17 confidential. Only general reference thereto need be made in that
18 portion of the application which the applicant deems not to be
19 confidential. Applications under this chapter shall be made available
20 for inspection by the public, except for portions which are bound and
21 labeled "confidential" and which the ((~~supervisor~~)) director determines
22 to withhold from public availability under RCW 42.17.250 through
23 42.17.340. The applicant shall be advised of any decision by the
24 ((~~supervisor~~)) director to make public information designated as
25 "confidential" by the applicant. Even though sections of the
26 application are considered "confidential" as far as public inspection
27 thereof is concerned, to the extent the ((~~supervisor~~)) director deems
28 necessary the ((~~supervisor~~)) director may comment on the confidential
29 submissions in any public statement in connection with the
30 ((~~supervisor's~~)) director's decision on the application without prior
31 notice to the applicant.

32 **Sec. 375.** RCW 32.32.280 and 1981 c 85 s 55 are each amended to
33 read as follows:

34 No offer to sell securities of an applicant pursuant to a plan of
35 conversion may be made prior to approval by the ((~~supervisor~~)) director
36 of the application for conversion. No sale of these securities in the

1 subscription offering may be made except by means of the final offering
2 circular for the subscription offering. No sale of unsubscribed
3 securities may be made except by means of the final offering circular
4 for the public offering or direct community marketing. The offering of
5 shares in the direct community marketing may commence during the
6 subscription offering upon the declaration of effectiveness by the
7 ((~~supervisor~~)) director of the offering circular proposed for the
8 community offering. This section shall not apply to preliminary
9 negotiations or agreements between an applicant and any underwriter or
10 among underwriters who are to be in privity of contract with the
11 applicant.

12 **Sec. 376.** RCW 32.32.285 and 1981 c 85 s 56 are each amended to
13 read as follows:

14 Any preliminary offering circular for the subscription offering,
15 the public offering, or the direct community marketing which has been
16 filed with the ((~~supervisor~~)) director may be distributed to eligible
17 account holders or supplemental eligible account holders and to others
18 in connection with the offering after the ((~~supervisor~~)) director has
19 advised the applicant in writing that the application is properly
20 executed and is not materially incomplete under RCW 32.32.265. No
21 final offering circular may be distributed until the offering circular
22 has been declared effective by the ((~~supervisor~~)) director.

23 **Sec. 377.** RCW 32.32.295 and 1981 c 85 s 58 are each amended to
24 read as follows:

25 The ((~~supervisor~~)) director shall review the price information
26 required under RCW 32.32.290 in determining whether to give approval to
27 an application for conversion. No representations may be made in any
28 manner that the price information has been approved by the
29 ((~~supervisor~~)) director or that the shares of capital stock sold
30 pursuant to the plan of conversion have been approved or disapproved by
31 the ((~~supervisor~~)) director or that the ((~~supervisor~~)) director has
32 passed upon the accuracy or adequacy of any offering circular covering
33 the shares.

34 **Sec. 378.** RCW 32.32.300 and 1981 c 85 s 59 are each amended to
35 read as follows:

1 Underwriting commissions shall not exceed an amount or percentage
2 per share acceptable to the ((~~supervisor~~)) director. No underwriting
3 commission may be allowed or paid with respect to shares of capital
4 stock sold in the subscription offering; however, an underwriter may be
5 reimbursed for accountable expenses in connection with the subscription
6 offering where the public offering is so small that reasonable
7 underwriting commissions thereon would not be sufficient to cover total
8 accountable expenses. The term "underwriting commissions" includes
9 underwriting discounts.

10 **Sec. 379.** RCW 32.32.305 and 1981 c 85 s 60 are each amended to
11 read as follows:

12 In considering the pricing information required under RCW
13 32.32.290, the ((~~supervisor~~)) director shall apply the following
14 guidelines:

15 (1) The materials shall be prepared by persons independent of the
16 applicant, experienced and expert in the area of corporate appraisal,
17 and acceptable to the ((~~supervisor~~)) director;

18 (2) The materials shall contain data which are sufficient to
19 support the conclusions reached therein;

20 (3) The materials shall contain a complete and detailed description
21 of the appraisal methodology employed; and

22 (4) To the extent that the appraisal is based on a capitalization
23 of the pro forma income of the converted savings bank, the materials
24 shall indicate the basis for determination of the income to be derived
25 from the proceeds of the sale of stock and demonstrate the
26 appropriateness of the earnings multiple used, including assumptions
27 made as to future earnings growth. To the extent that the appraisal is
28 based on comparison of the capital stock of the applicant with
29 outstanding capital stock of existing stock savings banks or stock
30 savings and loan associations, the materials shall demonstrate the
31 appropriate comparability of the form and substance of the outstanding
32 capital stock and the appropriate comparability of the existing stock
33 savings banks and stock savings and loan associations in terms of such
34 factors as size, market area, competitive conditions, profit history,
35 and expected future earnings.

36 **Sec. 380.** RCW 32.32.310 and 1981 c 85 s 61 are each amended to
37 read as follows:

1 In addition to the information required in RCW 32.32.305, the
2 applicant shall submit information demonstrating to the satisfaction of
3 the ((~~supervisor~~)) director the independence and expertise of any
4 person preparing materials under RCW 32.32.305. However, a person will
5 not be considered as lacking independence for the reason that the
6 person will participate in effecting a sale of capital stock under the
7 plan of conversion or will receive a fee from the applicant for
8 services rendered in connection with the appraisal.

9 **Sec. 381.** RCW 32.32.315 and 1981 c 85 s 62 are each amended to
10 read as follows:

11 Promptly after the ((~~supervisor~~)) director has declared the
12 offering circular for the subscription offering effective, the
13 applicant shall distribute order forms for the purchase of shares of
14 capital stock in the subscription offering to all eligible account
15 holders, supplemental eligible account holders (if applicable), and
16 other persons who may subscribe for the shares under the plan of
17 conversion.

18 **Sec. 382.** RCW 32.32.325 and 1981 c 85 s 64 are each amended to
19 read as follows:

20 The maximum subscription price stated on each order form
21 distributed pursuant to RCW 32.32.315 shall be the amount to be paid
22 when the order form is returned. The maximum subscription price and
23 the actual subscription price shall be within the subscription price
24 range stated in the ((~~supervisor's~~)) director's approval and the
25 offering circular. If either the maximum subscription price or the
26 actual subscription price is not within this subscription price range,
27 the applicant shall obtain an amendment to the ((~~supervisor's~~))
28 director's approval. If appropriate, the ((~~supervisor~~)) director shall
29 condition the giving of amended approval by requiring a resolicitation
30 of order forms. If the actual public offering price is less than the
31 maximum subscription price stated on the order form, the actual
32 subscription price shall be correspondingly reduced and the difference
33 shall be refunded to those who have paid the maximum subscription
34 price.

35 **Sec. 383.** RCW 32.32.340 and 1981 c 85 s 67 are each amended to
36 read as follows:

1 The sale of all shares of capital stock of the converting savings
2 bank to be made under the plan of conversion, including any sale in a
3 public offering or direct community marketing, shall be completed as
4 promptly as possible and within forty-five calendar days after the last
5 day of the subscription period, unless extended by the ((~~supervisor~~)
6 director).

7 **Sec. 384.** RCW 32.32.345 and 1981 c 85 s 68 are each amended to
8 read as follows:

9 An applicant that desires to convert in accordance with this
10 chapter shall file copies of an application for approval in the form
11 and number prescribed by the ((~~supervisor~~) director).

12 **Sec. 385.** RCW 32.32.350 and 1981 c 85 s 69 are each amended to
13 read as follows:

14 Any application for approval that is improperly executed, or that
15 does not contain copies of a plan of conversion, amendments to the
16 charter of the applicant in the form of new articles of incorporation,
17 and preliminary offering circulars for the subscription offering and
18 for the public offering or direct community marketing shall not be
19 accepted for filing and shall be returned to the applicant. Any
20 application for approval containing a materially incomplete plan of
21 conversion or offering circular may be returned by the ((~~supervisor~~)
22 director to the applicant.

23 **Sec. 386.** RCW 32.32.360 and 1981 c 85 s 71 are each amended to
24 read as follows:

25 The form of the application shall comply with the requirements of
26 the ((~~supervisor~~) director).

27 **Sec. 387.** RCW 32.32.370 and 1981 c 85 s 73 are each amended to
28 read as follows:

29 The representations specified in RCW 32.32.365 shall not be deemed
30 to have been made by any director of the applicant who did not sign the
31 application or any amendment thereto, if, and only to the extent that,
32 the director files with the ((~~supervisor~~) director within ten business
33 days after the filing of the application or amendment a statement
34 describing those portions of the filing as to which he or she does not
35 so represent.

1 **Sec. 388.** RCW 32.32.375 and 1981 c 85 s 74 are each amended to
2 read as follows:

3 Every application shall furnish information in accordance with this
4 chapter and with the requirements and forms prescribed by the
5 (~~supervisor~~) director.

6 **Sec. 389.** RCW 32.32.395 and 1981 c 85 s 78 are each amended to
7 read as follows:

8 The form and contents of any filing made under this chapter need
9 conform only to the applicable requirements and forms prescribed by the
10 (~~supervisor~~) director then in effect, and contain the information,
11 including financial statements, required at the time the filing is
12 made, notwithstanding subsequent changes, except as otherwise provided
13 in any such amendment or in RCW 32.32.400.

14 **Sec. 390.** RCW 32.32.400 and 1981 c 85 s 79 are each amended to
15 read as follows:

16 Whenever the (~~supervisor~~) director prohibits by order or
17 otherwise the use of any filing under this chapter, the form and
18 contents of any filing used thereafter shall conform to the
19 requirements of the order.

20 **Sec. 391.** RCW 32.32.410 and 1981 c 85 s 81 are each amended to
21 read as follows:

22 If any person who has not signed an application is named in the
23 offering circular as about to become a director, the written consent of
24 this person shall be filed with the (~~supervisor~~) director in the form
25 the (~~supervisor~~) director prescribes.

26 **Sec. 392.** RCW 32.32.415 and 1981 c 85 s 82 are each amended to
27 read as follows:

28 The date on which any documents are actually received by the office
29 of the (~~supervisor of banking~~) director of financial institutions
30 shall be the date of filing thereof.

31 **Sec. 393.** RCW 32.32.420 and 1981 c 85 s 83 are each amended to
32 read as follows:

33 (1) The staff of the (~~supervisor~~) director shall be available for
34 conferences with prospective applicants or their representatives in

1 advance of filing an application to convert. These conferences may be
2 held for the purpose of discussing generally the problems confronting
3 an applicant in effecting conversion or to resolve specific problems of
4 an unusual nature.

5 (2) Prefiling review of an application may be refused by the staff
6 of the ((~~supervisor~~)) director if the review would delay the
7 examination and processing of material which has already been filed or
8 would favor certain applicants at the expense of others. In any
9 conference under this section, the staff of the ((~~supervisor~~)) director
10 shall not undertake to prepare material for filing but shall limit
11 itself to indicating the kind of information required, leaving the
12 actual drafting to the applicant and its representatives.

13 **Sec. 394.** RCW 32.32.425 and 1981 c 85 s 84 are each amended to
14 read as follows:

15 From the ((~~supervisor's~~)) director of financial institutions'
16 refusal to approve an application for conversion, the applicant may,
17 within thirty days from the date of the mailing by the ((~~supervisor~~))
18 director of financial institutions of notice of refusal to approve,
19 appeal to a board of appeal composed of the governor or the governor's
20 designee, the attorney general, and the ((~~supervisor of banking~~))
21 director of financial institutions by filing in the office of the
22 ((~~supervisor~~)) director of financial institutions a notice that it
23 appeals to this board from the ((~~supervisor's~~)) director of financial
24 institutions' refusal. The procedure upon the appeal shall be such as
25 the board may prescribe, and its determination shall be certified,
26 filed, and recorded in the same manner as the ((~~supervisor's~~)) director
27 of financial institutions', and shall be final.

28 **Sec. 395.** RCW 32.32.430 and 1981 c 85 s 85 are each amended to
29 read as follows:

30 The applicant shall file such postconversion reports concerning its
31 conversion as the ((~~supervisor~~)) director may require.

32 **Sec. 396.** RCW 32.32.450 and 1981 c 85 s 89 are each amended to
33 read as follows:

34 No person for a period of three years following the date of the
35 conversion may directly or indirectly offer to acquire or acquire the
36 beneficial ownership of more than ten percent of any class of an equity

1 security of any savings bank converted in accordance with this chapter
2 without the prior written approval of the ((~~supervisor of banking~~))
3 director of financial institutions.

4 **Sec. 397.** RCW 32.32.455 and 1981 c 85 s 90 are each amended to
5 read as follows:

6 RCW 32.32.440 and 32.32.445 shall not apply to a transfer,
7 agreement or understanding to transfer, offer, or announcement of an
8 offer or intent to make an offer which (1) pertains only to securities
9 to be purchased pursuant to RCW 32.32.060, 32.32.150, or 32.32.175; and
10 (2) has prior written approval of the ((~~supervisor~~)) director.

11 **Sec. 398.** RCW 32.32.465 and 1981 c 85 s 92 are each amended to
12 read as follows:

13 Unless made applicable by the ((~~supervisor~~)) director by prior
14 advice in writing, the prohibition contained in RCW 32.32.450 shall not
15 apply to any offer or announcement of an offer which if consummated
16 would result in acquisition by a person, together with all other
17 acquisitions by the person of the same class of securities during the
18 preceding twelve-month period, of not more than one percent of the same
19 class of securities.

20 **Sec. 399.** RCW 32.32.470 and 1981 c 85 s 93 are each amended to
21 read as follows:

22 The ((~~supervisor~~)) director shall not approve an application
23 involving an offer for, an announcement thereof, or an acquisition of
24 any security of a converted savings bank submitted under RCW 32.32.450
25 if the ((~~supervisor~~)) director finds that the offer frustrates the
26 purposes of this chapter, is manipulative or deceptive, subverts the
27 fairness of the conversion, is likely to result in injury to the
28 savings bank, is not consistent with savings banking under Title 32
29 RCW, or is otherwise violative of law or regulation.

30 **Sec. 400.** RCW 32.32.475 and 1981 c 85 s 94 are each amended to
31 read as follows:

32 For willful violation or assistance of such a violation of any
33 provision of RCW 32.32.440 through 32.32.470, any person who (1) has
34 any connection with the management of a converting or converted savings
35 bank, including any director, officer, employee, attorney, or agent, or

1 (2) controls more than ten percent of the outstanding shares of any
2 class of equity security or voting rights thereto of a converting or
3 converted savings bank shall be subject to a civil penalty of not more
4 than five hundred dollars (which penalty shall be cumulative to any
5 other remedies) for each day that the violation continues, which
6 penalty the ((~~supervisor~~)) director may recover by suit or otherwise
7 for the ((~~supervisor's~~)) director's own use. The ((~~supervisor~~))
8 director in his or her discretion may, at any time before collection of
9 the penalty (whether before or after the bringing of any action or
10 other legal proceedings, the obtaining of any judgment or other
11 recovery, or the issuance or levy of any execution or other legal
12 process thereof), compromise or remit in whole or in part the penalty.

13 **Sec. 401.** RCW 32.32.485 and 1981 c 85 s 96 are each amended to
14 read as follows:

15 (1) An application for conversion under this chapter shall include
16 amendments to the charter of the converting savings bank. The charter
17 of the converted savings bank, as amended, shall be known after the
18 conversion as the articles of incorporation of the converted savings
19 bank. The articles of incorporation may limit or permit the preemptive
20 rights of a shareholder to acquire unissued shares of the converted
21 savings bank and may thereafter by amendment limit, deny, or grant to
22 shareholders of any class of stock the preemptive right to acquire
23 additional shares of the converted savings bank whether then or
24 thereafter authorized. The articles of incorporation shall contain
25 such other provisions not inconsistent with this chapter as the board
26 of directors of the converting savings bank shall determine and as
27 shall be approved by the ((~~supervisor~~)) director of financial
28 institutions.

29 (2) When all of the stock of a converting savings bank has been
30 subscribed for in accordance with the plan and any amendments thereto,
31 the board of trustees shall thereupon issue the stock and shall cause
32 to be filed with the ((~~supervisor of banking~~)) director of financial
33 institutions, in quadruplicate, a certificate subscribed and
34 acknowledged by the persons who are to be directors of the converted
35 savings bank, stating:

36 (a) That all of the stock of the converted mutual savings bank has
37 been issued;

1 (b) That the attached articles of incorporation have been executed
2 by all of the persons who are to be directors of the converted mutual
3 savings bank;

4 (c) The place where the bank is to be located and its business
5 transacted, naming the city or town and county, which city or town
6 shall be the same as that where the principal place of business of the
7 mutual savings bank has theretofore been located;

8 (d) The name, occupation, residence, and post office address of
9 each signer of the certificate;

10 (e) The amount of the assets of the mutual savings bank, the amount
11 of its liabilities, and the amount of its guaranty fund and nondivided
12 profits as of the first day of the current calendar month; and

13 (f) A declaration that each signer will accept the responsibilities
14 and faithfully discharge the duties of a director of the converted
15 savings bank and is free from all the disqualifications specified in
16 the laws applicable to converted mutual savings banks.

17 (3) Upon the filing of the certificate in quadruplicate, the
18 (~~supervisor of banking~~) director of financial institutions shall,
19 within thirty days thereafter, if satisfied that the corporation has
20 complied with all the provisions of this chapter, issue in
21 quadruplicate an authorization certificate stating that the corporation
22 has complied with all the requirements of law, and that it has
23 authority to transact at the place designated in its articles of
24 incorporation the business of a converted mutual savings bank. One of
25 the (~~supervisor's~~) director of financial institutions' quadruplicate
26 certificates of authorization shall be attached to each of the
27 quadruplicate articles of incorporation, and one set of these shall be
28 filed and retained by the (~~supervisor of banking~~) director of
29 financial institutions, one set shall be filed in the office of the
30 county auditor of the county in which the bank is located, one set
31 shall be filed in the office of the secretary of state, and one set
32 shall be transmitted to the bank for its files. Upon the receipt from
33 the corporation of the same fees as are required for filing and
34 recording other incorporation certificates or articles the county
35 auditor and secretary of state shall record the same; whereupon the
36 conversion of the mutual savings bank shall be deemed complete, and the
37 signers of the articles of incorporation and their successors shall be
38 a corporation having the powers and being subject to the duties and
39 obligations prescribed by the laws of this state applicable to

1 converted mutual savings banks, and the time of existence of the
2 corporation shall be perpetual, unless terminated pursuant to law.

3 **Sec. 402.** RCW 32.32.490 and 1985 c 56 s 28 are each amended to
4 read as follows:

5 Amendments to the articles of incorporation of the converted
6 savings bank shall be made only with the approvals of the
7 (~~supervisor~~) director, of two-thirds of the directors of the savings
8 bank, and of the holders of a majority of each class of the outstanding
9 shares of capital stock or such greater percentage of these shares as
10 may be specified in the articles of the converted savings bank.

11 **Sec. 403.** RCW 32.32.495 and 1985 c 56 s 29 are each amended to
12 read as follows:

13 (1) Every converted savings bank shall be managed by not less than
14 five directors, except that a bank having a capital of fifty thousand
15 dollars or less may have only three directors. Directors shall be
16 elected by the stockholders and hold office for one year and until
17 their successors are elected and have qualified. In the first instance
18 the directors shall be those named in the articles of incorporation and
19 afterwards, those elected at the annual meeting of the stockholders to
20 be held at least once each year on a day to be specified by the
21 converted savings bank's bylaws but not later than May 15th of each
22 year. If for any cause an election is not held at that time, it may be
23 held at an adjourned meeting or at a subsequent meeting called for that
24 purpose in the manner prescribed by the corporation's bylaws. Each
25 director shall be a resident of a state of the United States. The
26 directors shall meet at least nine times each year and whenever
27 required by the (~~supervisor~~) director. A majority of the board of
28 directors shall constitute a quorum for the transaction of business.
29 At all stockholders' meetings, each share shall be entitled to one
30 vote, unless the articles of incorporation provide otherwise. Any
31 stockholder may vote in person or by written proxy.

32 (2) If the board of directors consists of nine or more members, in
33 lieu of electing the entire number of directors annually, the converted
34 savings bank's articles of incorporation or bylaws may provide that the
35 directors be divided into either two or three classes, each class to be
36 as nearly equal in number as possible, the term of office of directors
37 of the first class to expire at the first annual meeting of

1 shareholders after their election, that of the second class to expire
2 at the second annual meeting after their election, and that of the
3 third class, if any, to expire at the third annual meeting after their
4 election. At each annual meeting after such classification, the number
5 of directors equal to the number of the class whose term expires at the
6 time of such meeting shall be elected to hold office until the second
7 succeeding annual meeting, if there are two classes, or until the third
8 succeeding annual meeting, if there are three classes. A
9 classification of directors shall not be effective prior to the first
10 annual meeting of shareholders.

11 (3) Immediately upon election, each director shall take, subscribe,
12 swear to, and file with the (~~supervisor~~) director an oath that he or
13 she will, so far as the duty devolves upon him or her, diligently and
14 honestly administer the affairs of the corporation and will not
15 knowingly violate or willingly permit to be violated any provision of
16 law applicable to the corporation.

17 (4) A vacancy occurring in the board of directors may be filled by
18 the affirmative vote of a majority of the remaining directors. A
19 director elected to fill a vacancy shall be elected for the unexpired
20 term of the director's predecessor in office. A directorship to be
21 filled by reason of an increase in the number of directors may be
22 filled by the board of directors for a term of office continuing only
23 until the next election of directors by the shareholders.

24 **Sec. 404.** RCW 32.32.500 and 1985 c 56 s 31 are each amended to
25 read as follows:

26 A mutual savings bank or bank converted under this chapter may
27 merge with, consolidate with, convert into, acquire the assets of, or
28 sell its assets to any other financial institution chartered under
29 Titles 30, 32, or 33 RCW or under the National Bank Act, as amended, or
30 the National Housing Act, as amended, or to a holding company thereof,
31 subject to (1) the approval of the (~~supervisor of banking~~) director
32 of financial institutions if the surviving institution is one chartered
33 under Title 30 or 32 RCW, or (2) approval of the (~~supervisor of~~
34 ~~savings and loans~~) director of financial institutions if the surviving
35 institution is one chartered under Title 33 RCW, or (3) if the
36 surviving institution is to be a national bank, the comptroller of
37 currency under 12 U.S.C. Sec. 35, 12 U.S.C. Sec. 215, 12 U.S.C. Sec.
38 215a, and 12 U.S.C. Sec. 1828c, or (4) if the surviving institution is

1 to be a federal savings and loan association, the Federal Home Loan
2 Bank Board under 12 U.S.C. Sec. 1464 (d)(11), or (5) if the surviving
3 institution is to be a bank holding company, the Federal Reserve Board
4 under 12 U.S.C. Sec. 1842 (a) and (d).

5 In the case of a liquidation, acquisition, merger, consolidation,
6 or conversion of a converted savings bank, chapter 32.34 RCW shall
7 apply.

8 **Sec. 405.** RCW 32.32.525 and 1983 c 44 s 4 are each amended to read
9 as follows:

10 After July 26, 1981, no converted savings bank may make any loan or
11 discount on the security of its own capital stock, nor be the purchaser
12 or holder of any such shares, unless the security or purchase is
13 necessary to prevent loss upon a debt previously contracted in good
14 faith, in which case the stocks so purchased or acquired shall be sold
15 at public or private sale, or otherwise disposed of, within six months
16 from the time of its purchase or acquisition. The prohibitions of this
17 section do not apply to a purchase of shares approved by the
18 (~~supervisor~~) director pursuant to RCW 32.32.210.

19 **Sec. 406.** RCW 32.34.010 and 1983 c 45 s 1 are each amended to read
20 as follows:

21 (1) A domestic savings bank formed under this title may convert
22 itself into a federal mutual or stock savings bank. The conversion
23 shall be effected:

24 (a) In the case of a mutual savings bank, by the vote of two-thirds
25 of the trustees at a regular or special meeting of the trustees called
26 for such purpose;

27 (b) In the case of a stock savings bank, by the vote of a majority
28 of the stockholders present, in person or by proxy, at a regular or
29 special meeting of the stockholders called for such purpose.

30 (2) Notice of the meeting, stating the purpose thereof, shall be
31 given the (~~supervisor~~) director at least thirty days prior to the
32 meeting. If the conversion is authorized by the trustees or
33 stockholders at the meeting, the trustees or stockholders are
34 authorized and shall effect such action, and the officers of the
35 savings bank shall execute all proper conveyances, documents, and other
36 papers necessary or proper thereunto. If conversion is authorized, a

1 copy of the minutes of the meeting shall be filed forthwith with the
2 ((supervisor)) director.

3 (3) Upon consummation of the conversion, the successor federal
4 savings bank shall succeed to all right, title, and interest of the
5 mutual or stock bank in and to its assets and to its liabilities to the
6 creditors of the savings bank. Upon the conversion, after the
7 execution and delivery of all instruments of transfer, conveyance, and
8 assignment, the domestic savings bank shall be deemed dissolved.

9 (4) Every federal savings bank, the home office of which is located
10 in this state, and the savings accounts therein, have all the rights,
11 powers, and privileges and are entitled to the same immunities and
12 exemptions as pertain to savings banks organized under the laws of this
13 state.

14 **Sec. 407.** RCW 32.34.020 and 1983 c 45 s 2 are each amended to read
15 as follows:

16 (1) A federal savings bank, the home office of which is located in
17 this state, may convert itself into a domestic savings bank under this
18 title upon approval by the ((supervisor of banking)) director. For any
19 such conversion, the federal savings bank shall proceed as provided in
20 this chapter for the conversion of a domestic savings bank into a
21 federal savings bank. The conversion shall be effected by the vote of
22 a majority of the members or stockholders present, in person or by
23 proxy, at a regular or special meeting of the members or stockholders
24 called for such purpose.

25 (2) Upon consummation of the conversion, the successor domestic
26 savings bank shall succeed to all right, title, and interest of the
27 federal savings bank in and to its assets, and to its liabilities to
28 the creditors of such federal savings bank.

29 **Sec. 408.** RCW 32.34.040 and 1985 c 56 s 34 are each amended to
30 read as follows:

31 (1) No savings bank having capital stock may establish a holding
32 company to own all its stock without the approval of the ((supervisor))
33 director. Upon tender of their shares of the converted savings bank,
34 the shareholders of the savings bank shall receive all the shares of
35 the holding company which are outstanding at the time of this tender.

36 (2) Any company owning more than twenty-five percent of the
37 outstanding voting stock of a savings bank doing business under this

1 Title 32 RCW shall, in addition to the restrictions of RCW 32.32.228,
2 be subject to regulation as a savings bank holding company. Any
3 savings bank holding company which is not subject to regulation by the
4 federal reserve board or the federal home loan bank board, and all
5 holding company subsidiaries engaging in businesses which are not
6 subject to regulation or licensing by the federal home loan bank board,
7 the ((~~supervisor of savings and loan associations~~)) director, the
8 commissioner of insurance, or the administrator authorized to regulate
9 loan companies doing business under Title 31 RCW, will be subject to
10 such regulation of accounting practices and of the qualifications of
11 directors and officers, and such inspection and visitation by the
12 ((~~supervisor of banking~~)) director as the ((~~supervisor~~)) director shall
13 deem appropriate, subject to the limitations imposed on regulation,
14 inspection, and visitation of a savings bank under this title. In
15 addition, any savings bank holding company and all holding company
16 subsidiaries will be subject to visitation by the ((~~supervisor of~~
17 ~~banking~~)) director as such shall deem appropriate, subject to the
18 limitations imposed on visitation of a savings bank under this Title 32
19 RCW and under the supremacy clause of the Constitution of the United
20 States. The savings bank subsidiary of this holding corporation may
21 engage in subsequent mergers, consolidations, acquisitions, and
22 conversions, only to the extent authorized by RCW 32.32.500, and only
23 upon complying with the applicable requirements in RCW 32.34.030 and
24 this chapter.

25 (3) In the event a savings bank forms a subsidiary to carry out any
26 of the powers of savings banks under this title, any institution with
27 which this subsidiary merges shall continue to be subject to
28 regulation, inspection, and visitation by the ((~~supervisor of savings~~
29 ~~and loans~~)) director if the subsidiary is authorized to do business by
30 Title 33 RCW.

31 **Sec. 409.** RCW 32.34.050 and 1985 c 56 s 35 are each amended to
32 read as follows:

33 A savings bank not having capital stock may establish a business
34 trust for the benefit of its depositors, with the approval of the
35 ((~~supervisor~~)) director and subject to such rules ((~~and regulations~~))
36 as the ((~~supervisor~~)) director may adopt. The ((~~supervisor~~)) director
37 may permit this business trust to become a mutual holding company
38 owning all shares of an interim stock savings bank, the sole purpose of

1 which shall be to merge into the mutual savings bank that formed the
2 business trust. The depositors in an unconverted savings bank which
3 has merged with the subsidiary of such a mutual holding company, in the
4 event of a later conversion of this mutual holding company to the stock
5 form, shall retain all their rights to their deposits in the savings
6 bank, and shall also receive, without payment, nontransferrable rights
7 to subscribe for the stock of the holding company, and rights to a
8 liquidation account maintained by the holding company in proportion to
9 their deposits in the savings bank, to the same extent that they would
10 receive these rights in a stock conversion of the savings bank as
11 prescribed in chapter 32.32 RCW.

12 **Sec. 410.** RCW 32.40.010 and 1985 c 329 s 8 are each amended to
13 read as follows:

14 (1) In conducting an examination of a savings bank chartered under
15 Title 32 RCW, the (~~supervisor of banking, deputy supervisor, or~~
16 ~~examiner~~) director shall investigate and assess the record of
17 performance of the savings bank in meeting the credit needs of the
18 savings bank's entire community, including low and moderate-income
19 neighborhoods. The (~~supervisor~~) director shall accept, in lieu of an
20 investigation or part of an investigation required by this section, any
21 report or document that the savings bank is required to prepare or file
22 with one or more federal agencies by the act of Congress entitled the
23 "Community Reinvestment Act of 1977" and the regulations promulgated in
24 accordance with that act, to the extent such reports or documents
25 assist the (~~supervisor~~) director in making an assessment based upon
26 the factors outlined in subsection (2) of this section.

27 (2) In making an investigation required under subsection (1) of
28 this section, the (~~supervisor~~) director shall consider, independent
29 of any federal determination, the following factors in assessing the
30 savings bank's record of performance:

31 (a) Activities conducted by the institution to ascertain credit
32 needs of its community, including the extent of the institution's
33 efforts to communicate with members of its community regarding the
34 credit services being provided by the institution;

35 (b) The extent of the institution's marketing and special credit
36 related programs to make members of the community aware of the credit
37 services offered by the institution;

1 (c) The extent of participation by the institution's board of
2 directors or board of trustees in formulating the institution's
3 policies and reviewing its performance with respect to the purposes of
4 the Community Reinvestment Act of 1977;

5 (d) Any practices intended to discourage applications for types of
6 credit set forth in the institution's community reinvestment act
7 statement(s);

8 (e) The geographic distribution of the institution's credit
9 extensions, credit applications, and credit denials;

10 (f) Evidence of prohibited discriminatory or other illegal credit
11 practices;

12 (g) The institution's record of opening and closing offices and
13 providing services at offices;

14 (h) The institution's participation, including investments, in
15 local community development projects;

16 (i) The institution's origination of residential mortgage loans,
17 housing rehabilitation loans, home improvement loans and small business
18 or small farm loans within its community, or the purchase of such loans
19 originated in its community;

20 (j) The institution's participation in governmentally insured,
21 guaranteed, or subsidized loan programs for housing, small businesses,
22 or small farms;

23 (k) The institution's ability to meet various community credit
24 needs based on its financial condition, size, legal impediments, local
25 economic condition, and other factors;

26 (l) Other factors that, in the judgment of the (~~supervisor~~)
27 director, reasonably bear upon the extent to which an institution is
28 helping to meet the credit needs of its entire community.

29 (3) The (~~supervisor~~) director shall include as part of the
30 examination report, a summary of the results of the assessment required
31 under subsection (1) of this section and shall assign annually to each
32 savings bank a numerical community reinvestment rating based on a one
33 through five scoring system. Such numerical scores shall represent
34 performance assessments as follows:

- | | |
|----------------------------------|---|
| 35 (a) Excellent performance: | 1 |
| 36 (b) Good performance: | 2 |
| 37 (c) Satisfactory performance: | 3 |
| 38 (d) Inadequate performance: | 4 |
| 39 (e) Poor performance: | 5 |

1 **Sec. 411.** RCW 32.40.020 and 1985 c 329 s 9 are each amended to
2 read as follows:

3 Whenever the ((~~supervisor of banking~~)) director must approve or
4 disapprove of an application for a new branch or satellite facility;
5 for a purchase of assets, a merger, an acquisition or a conversion not
6 required for solvency reasons; or for authority to engage in a business
7 activity, the ((~~supervisor~~)) director shall consider, among other
8 factors, the record of performance of the applicant in helping to meet
9 the credit needs of the applicant's entire community, including low and
10 moderate-income neighborhoods. Assessment of an applicant's record of
11 performance may be the basis for denying an application.

12 **Sec. 412.** RCW 32.40.030 and 1985 c 329 s 10 are each amended to
13 read as follows:

14 The ((~~supervisor of banking~~)) director shall adopt all rules
15 necessary to implement RCW 32.40.010 and 32.40.020 by January 1, 1986.

16 **Sec. 413.** RCW 33.04.002 and 1982 c 3 s 1 are each amended to read
17 as follows:

18 The legislature finds that the statutory law relating to savings
19 and loan associations has not been generally updated or modernized
20 since 1945; and, as a result, many changes to Title 33 RCW should now
21 be made with respect to the powers and duties of the ((~~supervisor~~))
22 director; to the provisions relating to the organization, management
23 and conversion of savings and loan associations; and to the powers and
24 restrictions placed upon savings and loan associations to make
25 investments. While it is the intent of the legislature to grant
26 permissive investment powers to state-chartered savings and loan
27 associations, it does not intend these associations to abandon the
28 residential financing market in Washington. It, therefore, finds that
29 the powers granted in ((~~this act~~)) chapter 3, Laws of 1982 are for the
30 purpose of updating and modernizing the law relating to savings and
31 loan associations, thereby creating a more secure and responsive
32 financial environment in which the residential home buyer will continue
33 to obtain financing.

34 **Sec. 414.** RCW 33.04.005 and 1982 c 3 s 2 are each amended to read
35 as follows:

1 Unless the context requires otherwise, the definitions in this
2 section apply throughout this title.

3 (1) "Branch" means an established manned place of business or a
4 manned mobile facility or other manned facility of an association,
5 other than the principal office, at which deposits may be taken.

6 (2) "Depositor" means a person who deposits money in an
7 association.

8 (3) "Domestic association" means a savings and loan association
9 which is incorporated under the laws of this state.

10 (4) "Federal association" means a savings and loan association
11 which is incorporated under federal law.

12 (5) "Foreign association" means a savings and loan association
13 organized under the laws of another state.

14 (6)(a) "Member," in a mutual association, means a depositor or any
15 other person who is a member of a class of persons granted membership
16 rights by the articles of incorporation or bylaws.

17 (b) "Member," in a stock association, means a stockholder or any
18 other person who is a member of a class of persons granted membership
19 rights by the articles of incorporation or bylaws.

20 (7) "Mutual association" means an association formed without
21 authority to issue stock.

22 (8) "Savings and loan association," "savings association" or
23 "association," unless otherwise restricted, means a domestic or foreign
24 association and includes a stock or a mutual association.

25 (9) "Stock association" means an association formed with the
26 authority to issue stock.

27 (10) "Department" means department of financial institutions.

28 (11) "Director" means director of financial institutions.

29 **Sec. 415.** RCW 33.04.010 and 1982 c 3 s 3 are each amended to read
30 as follows:

31 Whenever, in this title or any prior acts relating to savings and
32 loan associations, the term "supervisor" or "supervisor of savings and
33 loans" appears, it is understood that the director of (~~the department~~
34 ~~of general administration~~) financial institutions may act for and in
35 lieu of the supervisor of savings and loans, if there is no supervisor
36 of savings and loan associations duly qualified to act.

1 **Sec. 416.** RCW 33.04.020 and 1982 c 3 s 4 are each amended to read
2 as follows:

3 The ((~~supervisor~~)) director:

4 (1) Shall be charged with the administration and enforcement of
5 this title and shall have and exercise all powers necessary or
6 convenient thereunto;

7 (2) Shall issue to each association doing business hereunder, when
8 it shall have paid its annual license fee and be duly qualified
9 otherwise, a certificate of authority authorizing it to transact
10 business;

11 (3) Shall require of each association an annual statement and such
12 other reports and statements as the ((~~supervisor~~)) director deems
13 desirable, on forms to be furnished by the ((~~supervisor~~)) director;

14 (4) Shall require each association to conduct its business in
15 compliance with the provisions of this title;

16 (5) Shall visit and examine into the affairs of every association,
17 at least once in each biennium; may appraise and revalue its
18 investments and securities; and shall have full access to all the
19 books, records, papers, securities, correspondence, bank accounts, and
20 other papers of such association for such purposes. The ((~~supervisor~~))
21 director may accept in lieu of an examination the report of the
22 examining division of the federal home loan bank board, or the report
23 of the savings and loan department of another state, which has made and
24 submitted a report of the condition of the affairs of the association,
25 and if approved, the report shall have the same force and effect as
26 though the examination were made by the ((~~supervisor~~)) director or one
27 of his or her appointees;

28 (6) May accept or exchange any information or reports with the
29 examining division of the federal home loan bank board or other like
30 agency which may insure the accounts in an association or to which an
31 association may belong or with the savings and loan department of
32 another state which has authority to examine any association doing
33 business in this state;

34 (7) May visit and examine into the affairs of any nonpublicly-held
35 corporation in which the association has a material investment and any
36 publicly-held corporation the capital stock of which is controlled by
37 the association; may appraise and revalue its investments and
38 securities; and shall have full access to all the books, records,

1 papers, securities, correspondence, bank accounts, and other papers of
2 such corporation for such purposes;

3 (8) May, in the ((~~supervisor's~~)) director's discretion, administer
4 oaths to and to examine any person under oath concerning the affairs of
5 any association or nonpublicly-held corporation in which the
6 association has a material investment and any publicly-held corporation
7 the capital stock of which is controlled by an association and, in
8 connection therewith, to issue subpoenas and require the attendance and
9 testimony of any person or persons at any place within this state, and
10 to require witnesses to produce any books, papers, documents, or other
11 things under their control material to such examination; and

12 (9) Shall have power to commence and prosecute actions and
13 proceedings to enforce the provisions of this title, to enjoin
14 violations thereof, and to collect sums due to the state of Washington
15 from any association.

16 **Sec. 417.** RCW 33.04.025 and 1982 c 3 s 5 are each amended to read
17 as follows:

18 The ((~~supervisor~~)) director shall adopt uniform rules ((~~and~~
19 ~~regulations~~)) in accordance with the administrative procedure act,
20 chapter 34.05 RCW, to govern examinations and reports of associations
21 and the form in which they shall report their assets, liabilities, and
22 reserves, charge off bad debts and otherwise keep their records and
23 accounts, and otherwise to govern the administration of this title.
24 ((He)) The director shall mail a copy of the rules ((~~and regulations~~))
25 to each savings and loan association at its principal place of
26 business. The person doing the mailing shall make and file his or her
27 affidavit thereof in the office of the ((~~supervisor~~)) director.

28 **Sec. 418.** RCW 33.04.030 and 1945 c 235 s 96 are each amended to
29 read as follows:

30 In event any person shall refuse to appear in compliance with any
31 subpoena issued by the ((~~supervisor~~)) director or shall refuse to
32 testify thereunder, the superior court of the state of Washington for
33 the county in which such witness was required by said subpoena to
34 appear, upon application of the ((~~supervisor~~)) director, shall have
35 jurisdiction to compel such witness to attend and testify and to punish
36 for contempt any witness not complying with the order of the court.

1 **Sec. 419.** RCW 33.04.042 and 1982 c 3 s 7 are each amended to read
2 as follows:

3 (1) The ((~~supervisor~~)) director may issue and serve upon an
4 association a notice of charges if in the opinion of the ((~~supervisor~~))
5 director the association:

6 (a) Is engaging or has engaged in an unsafe or unsound practice in
7 conducting the business of the association;

8 (b) Is violating or has violated a material provision of any law,
9 rule, or any condition imposed in writing by the ((~~supervisor~~))
10 director in connection with the granting of any application or other
11 request by the association or any written agreement made with the
12 ((~~supervisor~~)) director; or

13 (c) Is about to do the acts prohibited in (a) or (b) of this
14 subsection if the opinion that the threat exists is based upon
15 reasonable cause.

16 (2) The notice shall contain a statement of the facts constituting
17 the alleged violation or violations or the practice or practices and
18 shall fix a time and place at which a hearing will be held to determine
19 whether an order to cease and desist should issue against the
20 association. The hearing shall be set not earlier than ten days nor
21 later than thirty days after service of the notice unless a later date
22 is set by the ((~~supervisor~~)) director at the request of the
23 association.

24 Unless the association appears at the hearing by a duly authorized
25 representative, it shall be deemed to have consented to the issuance of
26 the cease and desist order. In the event of this consent or if upon
27 the record made at the hearing the ((~~supervisor~~)) director finds that
28 any violation or practice specified in the notice of charges has been
29 established, the ((~~supervisor~~)) director may issue and serve upon the
30 association an order to cease and desist from the violation or
31 practice. The order may require the association and its directors,
32 officers, employees, and agents to cease and desist from the violation
33 or practice and may require the association to take affirmative action
34 to correct the conditions resulting from the violation or practice.

35 (3) A cease and desist order shall become effective at the
36 expiration of ten days after the service of the order upon the
37 association concerned except that a cease and desist order issued upon
38 consent shall become effective at the time specified in the order and
39 shall remain effective as provided therein unless it is stayed,

1 modified, terminated, or set aside by action of the ((~~supervisor~~))
2 director or a reviewing court.

3 **Sec. 420.** RCW 33.04.044 and 1982 c 3 s 8 are each amended to read
4 as follows:

5 Whenever the ((~~supervisor~~)) director determines that the acts
6 specified in RCW 33.04.042 or their continuation is likely to cause
7 insolvency or substantial dissipation of assets or earnings of the
8 association or to otherwise seriously prejudice the interests of its
9 depositors, the ((~~supervisor~~)) director may also issue a temporary
10 order requiring the association to cease and desist from the violation
11 or practice. The order shall become effective upon service on the
12 association and shall remain effective unless set aside, limited, or
13 suspended by a court in proceedings under RCW 33.04.046 pending the
14 completion of the administrative proceedings under the notice and until
15 such time as the ((~~supervisor~~)) director shall dismiss the charges
16 specified in the notice or until the effective date of a cease and
17 desist order issued against the association under RCW 33.04.042.

18 **Sec. 421.** RCW 33.04.048 and 1982 c 3 s 10 are each amended to read
19 as follows:

20 In the case of a violation or threatened violation of a temporary
21 cease and desist order issued under RCW 33.04.044, the ((~~supervisor~~))
22 director may apply to the superior court of the county of the principal
23 place of business of the association for an injunction to enforce the
24 order, and the court shall issue an injunction if it determines that
25 there has been a violation or threatened violation.

26 **Sec. 422.** RCW 33.04.052 and 1982 c 3 s 11 are each amended to read
27 as follows:

28 (1) Any administrative hearing provided in RCW 33.04.042 may be
29 held at such place as is designated by the ((~~supervisor~~)) director and
30 shall be conducted in accordance with chapter 34.05 RCW. The hearing
31 shall be private unless the ((~~supervisor~~)) director determines that a
32 public hearing is necessary to protect the public interest after fully
33 considering the views of the party afforded the hearing.

34 Within sixty days after the hearing, the ((~~supervisor~~)) director
35 shall render a decision which shall include findings of fact upon which
36 the decision is based and the ((~~supervisor~~)) director shall issue and

1 serve upon each party to the proceeding an order or orders consistent
2 with RCW 33.04.042.

3 Unless a petition for review is timely filed in the superior court
4 of the county of the principal place of business of the affected
5 association under subsection (2) of this section and until the record
6 in the proceeding has been filed as therein provided, the
7 ((~~supervisor~~)) director may at any time modify, terminate, or set aside
8 any order upon such notice and in such manner as the ((~~supervisor~~))
9 director deems proper. Upon filing the record, the ((~~supervisor~~))
10 director may modify, terminate, or set aside any order only with
11 permission of the court.

12 The judicial review provided in this section for an order shall be
13 exclusive.

14 (2) Any party to the proceeding or any person required by an order
15 issued under RCW 33.04.042, 33.04.044 or 33.04.048 to refrain from any
16 of the violations or practices stated therein may obtain a review of
17 any order served under subsection (1) of this section other than one
18 issued upon consent by filing in the superior court of the county of
19 the principal place of business of the affected association within ten
20 days after the date of service of the order a written petition praying
21 that the order of the ((~~supervisor~~)) director be modified, terminated,
22 or set aside. A copy of the petition shall be immediately served upon
23 the ((~~supervisor~~)) director and the ((~~supervisor~~)) director shall then
24 file in the court the record of the proceeding. The court shall have
25 jurisdiction upon the filing of the petition, which jurisdiction shall
26 become exclusive upon the filing of the record to affirm, modify,
27 terminate, or set aside in whole or in part the order of the
28 ((~~supervisor~~)) director except that the ((~~supervisor~~)) director may
29 modify, terminate, or set aside an order with the permission of the
30 court. The judgment and decree of the court shall be final, except
31 that it is subject to appellate review under the rules of court.

32 (3) The commencement of proceedings for judicial review under
33 subsection (2) of this section shall not operate as a stay of any order
34 issued by the ((~~supervisor~~)) director unless specifically ordered by
35 the court.

36 (4) Service of any notice or order required to be served under RCW
37 33.04.042 or 33.04.044 shall be accomplished in the same manner as
38 required for the service of process in civil actions in superior courts
39 of this state.

1 **Sec. 423.** RCW 33.04.054 and 1982 c 3 s 12 are each amended to read
2 as follows:

3 The ((~~supervisor~~)) director may apply to the superior court of the
4 county of the principal place of business of the association affected
5 for the enforcement of any effective and outstanding order issued under
6 RCW 33.04.042, 33.04.044, or 33.04.048, and the court shall have
7 jurisdiction to order compliance therewith.

8 No court shall have jurisdiction to affect by injunction or
9 otherwise the issuance or enforcement of any order or to review,
10 modify, suspend, terminate, or set aside any order except as provided
11 in RCW 33.04.046 and 33.04.052.

12 **Sec. 424.** RCW 33.04.060 and 1988 c 202 s 32 are each amended to
13 read as follows:

14 An association may petition the superior court of the state of
15 Washington for Thurston county for the review of any decision, ruling,
16 requirement or other action or determination of the ((~~supervisor~~))
17 director, by filing its complaint, duly verified, with the clerk of the
18 court and serving a copy thereof upon the ((~~supervisor~~)) director.
19 Upon the filing of the complaint, the clerk of the court shall docket
20 the same as a cause pending therein.

21 The ((~~supervisor~~)) director may answer the complaint and the
22 petitioner reply thereto, and the cause shall be heard before the court
23 as in other civil actions. Both the petitioner and the ((~~supervisor~~))
24 director may seek appellate review of the decision of the court to the
25 supreme court or the court of appeals of the state of Washington.

26 **Sec. 425.** RCW 33.04.110 and 1982 c 3 s 6 are each amended to read
27 as follows:

28 (1) Except as otherwise provided in this section, all examination
29 reports and all information obtained by the ((~~supervisor~~)) director and
30 the ((~~supervisor's~~)) director's staff in conducting examinations of
31 associations are confidential and privileged information and shall not
32 be made public or otherwise disclosed to any person, firm, corporation,
33 agency, association, governmental body, or other entity.

34 (2) Subsection (1) of this section notwithstanding, the
35 ((~~supervisor~~)) director may furnish in whole or in part examination
36 reports prepared by the ((~~supervisor's~~)) director's office to federal
37 agencies empowered to examine state associations, to savings and loan

1 supervisory agencies of other states which have authority to examine
2 associations doing business in this state, to the attorney general in
3 his or her role as legal advisor to the ((~~supervisor~~)) director, to the
4 examined association as provided in subsection (4) of this section, and
5 to officials empowered to investigate criminal charges. If the
6 ((~~supervisor~~)) director furnishes any examination report to officials
7 empowered to investigate criminal charges, the ((~~supervisor~~)) director
8 may only furnish that part of the report which is necessary and
9 pertinent to the investigation, and the ((~~supervisor~~)) director may do
10 this only after notifying the affected savings and loan association and
11 any customer of the savings and loan association who is named in that
12 part of the report of the order to furnish the part of the examination
13 report unless the officials requesting the report first obtain a waiver
14 of the notice requirement from a court of competent jurisdiction for
15 good cause. The ((~~supervisor~~)) director may also furnish in whole or
16 in part examination reports concerning any association in danger of
17 insolvency to the directors or officers of a potential acquiring party
18 when, in the ((~~supervisor's~~)) director's opinion, it is necessary to do
19 so in order to protect the interests of members, depositors, or
20 borrowers of the examined association.

21 (3) All examination reports furnished under subsection (2) of this
22 section shall remain the property of the ((~~division of savings and loan~~
23 ~~associations~~)) department of financial institutions and, except as
24 provided in subsection (4) of this section, no person, agency, or
25 authority to whom reports are furnished or any officer, director, or
26 employee thereof shall disclose or make public any of the reports or
27 any information contained therein except in published statistical
28 material that does not disclose the affairs of any individual or
29 corporation: PROVIDED, That nothing herein shall prevent the use in a
30 criminal prosecution of reports furnished under subsection (2) of this
31 section.

32 (4) The examination report made by the ((~~division of savings and~~
33 ~~loan associations~~)) department of financial institutions is designed
34 for use in the supervision of the association, and the ((~~supervisor~~))
35 director may furnish a copy of the report to the savings and loan
36 association examined. The report shall remain the property of the
37 ((~~supervisor~~)) director and will be furnished to the association solely
38 for its confidential use. Neither the association nor any of its
39 directors, officers, or employees may disclose or make public in any

1 manner the report or any portion thereof without permission of the
2 board of directors of the examined association. The permission shall
3 be entered in the minutes of the board.

4 (5) Examination reports and information obtained by the
5 (~~supervisor~~) director and the (~~supervisor's~~) director's staff in
6 conducting examinations shall not be subject to public disclosure under
7 chapter 42.17 RCW.

8 (6) In any civil action in which the reports are sought to be
9 discovered or used as evidence, any party may, upon notice to the
10 (~~supervisor~~) director, petition the court for an in camera review of
11 the report. The court may permit discovery and introduction of only
12 those portions of the report which are relevant and otherwise
13 unobtainable by the requesting party. This subsection shall not apply
14 to an action brought or defended by the (~~supervisor~~) director.

15 (7) This section shall not apply to investigation reports prepared
16 by the (~~supervisor~~) director and the (~~supervisor's~~) director's
17 staff concerning an application for a new association or an application
18 for a branch of an association. The (~~supervisor~~) director may adopt
19 rules making confidential portions of such reports if in the
20 (~~supervisor's~~) director's opinion the public disclosure of the
21 portions of the report would impair the ability to obtain the
22 information which the (~~supervisor~~) director considers necessary to
23 fully evaluate the application.

24 (8) Every person who intentionally violates any provision of this
25 section is guilty of a gross misdemeanor.

26 **Sec. 426.** RCW 33.08.010 and 1959 c 280 s 1 are each amended to
27 read as follows:

28 No person, firm, company, association, fiduciary, co-partnership,
29 or corporation, either foreign or domestic, shall organize as, carry on
30 or conduct the business of an association except in conformity with the
31 terms and provisions of this title or unless incorporated as a savings
32 and loan association under the laws of the United States or use in name
33 or advertising any of the following:

34 Any collocation employing either or both of the words "building" or
35 "loan" with one or more of the words "saving", "savings", "thrift", or
36 words of similar import except in conformity with this title;

37 Any collocation employing one or more of the words "saving",
38 "savings", "thrift" or words of similar import, with one or more of the

1 words "association", "institution", "society", "company",
2 "corporation", or words of similar import, or abbreviations thereof
3 except in conformity with this title or unless authorized to do
4 business under the laws of this state or of the United States relating
5 to savings and loan associations, banks, or mutual savings banks; nor
6 shall the word "federal" be used as a part of such name unless the user
7 is incorporated as a savings and loan association under the laws of the
8 United States.

9 Neither shall the words "saving", or "savings", be used in any name
10 or advertising or to represent in any manner to indicate that ((his or
11 its)) the business is of the character or kind of business carried on
12 or transacted by an association or which is calculated to lead any
13 person to believe that ((his or its)) the business is that of an
14 association unless authorized to do business under the laws of this
15 state or of the United States relating to savings and loan
16 associations, banks, or mutual savings banks.

17 Every person who, and every director and officer of every
18 corporation which, to the knowledge of such director or officer,
19 violates any provision of this section, shall be guilty of a gross
20 misdemeanor. Such conduct shall also be deemed a nuisance and subject
21 to abatement in the manner prescribed by law at the instance of the
22 ((state supervisor of savings and loan associations)) director of
23 financial institutions or any other public body or officer authorized
24 to do so.

25 The provisions of this section shall have no application to use of
26 any word or collocation of words or to any representation or
27 advertising which had been adopted and lawfully used by any person,
28 firm, company, association, fiduciary, co-partnership or corporation
29 lawfully engaged in business at ((~~on~~)) on March 24, 1959.

30 **Sec. 427.** RCW 33.08.050 and 1982 c 3 s 16 are each amended to read
31 as follows:

32 The incorporators shall deliver to the ((supervisor)) director
33 triplicate originals of the articles of incorporation and duplicate
34 copies of its proposed bylaws.

35 **Sec. 428.** RCW 33.08.055 and 1982 c 3 s 17 are each amended to read
36 as follows:

1 When the incorporators of a domestic association deliver the
2 articles of incorporation and bylaws to the ((~~supervisor~~)) director,
3 the incorporators shall submit an application for a certificate of
4 incorporation, signed and verified by the incorporators, together with
5 the filing fee. The application shall set forth:

6 (1) The names and addresses of the incorporators and proposed
7 directors and officers of the association;

8 (2) A statement of the character, financial responsibility,
9 experience, and fitness of the directors and officers to engage in the
10 association business;

11 (3) Statements of estimated receipts, expenditures, earnings, and
12 financial condition of the association for the first two years or such
13 longer period as the ((~~supervisor~~)) director may require;

14 (4) A showing that the association will have a reasonable chance to
15 succeed in the market area in which it proposes to operate;

16 (5) A showing that the public convenience and advantage will be
17 promoted by the formation of the proposed association; and

18 (6) Any other matters the ((~~supervisor~~)) director may require.

19 **Sec. 429.** RCW 33.08.060 and 1982 c 3 s 18 are each amended to read
20 as follows:

21 Upon receipt of the articles of incorporation and bylaws, the
22 ((~~supervisor~~)) director shall proceed to determine, from all sources of
23 information and by such investigation as he or she may deem necessary,
24 whether:

25 (1) The proposed articles and bylaws comply with all requirements
26 of law;

27 (2) The incorporators and directors possess the qualifications
28 required by this title;

29 (3) The incorporators have available for the operation of the
30 business at the specified location sufficient cash assets;

31 (4) The general fitness of the persons named in the articles of
32 incorporation are such as to command confidence and warrant belief that
33 the business of the proposed association will be honestly and
34 efficiently conducted in accordance with the intent and purposes of
35 this title;

36 (5) The public convenience and advantage will be promoted by
37 allowing such association to be incorporated and engage in business in
38 the market area indicated; and

1 (6) The population and industry of the market area afford
2 reasonable promise of adequate support for the proposed association.

3 For the purpose of this investigation and determination, the
4 incorporators, when delivering the articles and bylaws to the
5 ((~~supervisor~~)) director, shall pay to the ((~~supervisor~~)) director an
6 investigation fee, the amount of which shall be established by rule of
7 the ((~~supervisor~~)) director.

8 **Sec. 430.** RCW 33.08.070 and 1988 c 202 s 33 are each amended to
9 read as follows:

10 The ((~~supervisor~~)) director, not later than six months after
11 receipt of the proposed articles and bylaws shall endorse upon each
12 copy thereof the word "approved" or "refused" and the date thereof. In
13 case of refusal, he or she shall forthwith return one copy of the
14 articles and bylaws to the incorporators, and the refusal shall be
15 final unless the incorporators, or a majority of them, within thirty
16 days after the refusal, appeal to the superior court of Thurston
17 county. The appeal may be accomplished by the incorporators preparing
18 a notice of appeal, serving a copy of it upon the ((~~supervisor~~))
19 director, and filing the notice with the clerk of the court, whereupon
20 the clerk, under the direction of the judge, shall give notice to the
21 appellants and to the ((~~supervisor~~)) director of a date for the hearing
22 of the appeal. The appeal shall be tried de novo by the court. At the
23 hearing a record shall be kept of the evidence adduced, and the
24 decision of the court shall be final unless appellate review is sought
25 as in other cases.

26 **Sec. 431.** RCW 33.08.080 and 1982 c 3 s 19 are each amended to read
27 as follows:

28 If the ((~~supervisor~~)) director approves the incorporation of the
29 proposed association, the ((~~supervisor~~)) director shall forthwith
30 return two copies of the articles of incorporation and one copy of the
31 bylaws to the incorporators, retaining the others as a part of the
32 files of the ((~~supervisor's~~)) director's office. The incorporators,
33 thereupon, shall file one set of the articles with the secretary of
34 state and retain the other set of the articles of incorporation and the
35 bylaws as a part of its minute records, paying to the secretary of
36 state such fees and charges as are required by law. Upon receiving an
37 original set of the approved articles of incorporation, duly endorsed

1 by the ((~~supervisor~~)) director as herein provided, together with the
2 required fees, the secretary of state shall issue the secretary of
3 state's certificate of incorporation and deliver the same to the
4 incorporators, whereupon the corporate existence of the association
5 shall begin. Unless an association whose articles of incorporation and
6 bylaws have been approved by the ((~~supervisor~~)) director shall engage
7 in business within two years from the date of such approval, its right
8 to engage in business shall be deemed revoked and of no effect. In the
9 ((~~supervisor's~~)) director's discretion, the two-year period in which
10 the association must commence business may be extended for a reasonable
11 period of time, which shall not exceed one additional year.

12 **Sec. 432.** RCW 33.08.090 and 1982 c 3 s 20 are each amended to read
13 as follows:

14 The members, at any meeting called for the purpose, may amend the
15 articles of incorporation of the association by a majority vote of the
16 members present, in person or in proxy. The amended articles shall be
17 filed with the ((~~supervisor~~)) director and be subject to the same
18 procedure of approval, refusal, appeal, and filing with the secretary
19 of state as provided for the original articles of incorporation.
20 Proposed amendments of the articles of incorporation shall be submitted
21 to the ((~~supervisor~~)) director at least thirty days prior to the
22 meeting of the members.

23 If the amendments include a change in the association's corporate
24 name, the association shall give notice by mail to each association
25 doing business within this state at its principal place of business of
26 the filing of the amended articles. Persons interested in protesting
27 an amendment changing the association's corporate name may contact the
28 ((~~supervisor~~)) director in person or by writing prior to a date which
29 shall be given in the notice.

30 **Sec. 433.** RCW 33.08.100 and 1967 c 49 s 1 are each amended to read
31 as follows:

32 The bylaws adopted by the incorporators and approved by the
33 ((~~supervisor~~)) director shall be the bylaws of the association. The
34 members, at any meeting called for the purpose, may amend the bylaws of
35 the association on a majority vote of the members present, in person or
36 by proxy, or the directors at any regular or special meeting called
37 under the provisions of RCW 33.16.090 may amend the bylaws of the

1 association on a two-thirds majority vote of the directors. Proposed
2 amendments of the bylaws shall be submitted to the ((~~supervisor~~))
3 director in duplicate at least thirty days prior to the meeting at
4 which the amendments will be considered. The ((~~supervisor~~)) director
5 shall endorse thereon the word "approved" or "disapproved" and return
6 one copy to the association within the thirty day period prior to the
7 meeting. Amendments of the bylaws which have been approved by the
8 ((~~supervisor~~)) director shall become effective after being adopted by
9 the board or the members. The ((~~supervisor~~)) director shall be advised
10 of the effective date.

11 **Sec. 434.** RCW 33.08.110 and 1982 c 3 s 21 are each amended to read
12 as follows:

13 An association with the written approval of the ((~~supervisor~~))
14 director, may establish and operate branches in any place within the
15 state.

16 An association desiring to establish a branch shall file a written
17 application therefor with the ((~~supervisor~~)) director, who shall
18 approve or disapprove the application within four months after receipt.

19 The ((~~supervisor's~~)) director's approval shall be conditioned on a
20 finding that the resources in the market area of the proposed location
21 offer a reasonable promise of adequate support for the proposed branch
22 and that the proposed branch is not being formed for other than the
23 legitimate purposes under this title. A branch shall not be
24 established or permitted if the contingent fund, loss reserves and
25 guaranty stock are less than the aggregate paid-in capital which would
26 be required by law as a prerequisite to the establishment and operation
27 of an equal number of branches in like locations by a commercial bank.
28 If the application for a branch is not approved, the association shall
29 have the right to appeal in the same manner and within the same time as
30 provided by RCW 33.08.070 as now or hereafter amended. The association
31 when delivering the application to the ((~~supervisor~~)) director shall
32 transmit to the ((~~supervisor~~)) director a check in an amount
33 established by rule to cover the expense of the investigation. An
34 association shall not move any office more than two miles from its
35 existing location without prior approval of the ((~~supervisor~~))
36 director.

37 The board of directors of an association, after notice to the
38 ((~~supervisor~~)) director, may discontinue the operation of a branch.

1 The association shall keep the ((~~supervisor~~)) director informed in the
2 matter and shall notify the ((~~supervisor~~)) director of the date
3 operation of the branch is discontinued.

4 **Sec. 435.** RCW 33.12.010 and 1982 c 3 s 22 are each amended to read
5 as follows:

6 An association shall have the same capacity to act as possessed by
7 natural persons. An association has authority to perform such acts as
8 are necessary or proper to accomplish its purposes.

9 In addition to any other power an association may have, an
10 association has authority:

11 (1) To have and alter a corporate seal;

12 (2) To continue as an association for the time limited in its
13 articles of incorporation or, if no such time limit is specified, then
14 perpetually;

15 (3) To sue or be sued in its corporate name;

16 (4) To acquire, hold, sell, dispose of, pledge, mortgage, or
17 encumber property, as its interests and purposes may require;

18 (5) To conduct business in this state and elsewhere as may be
19 permitted by law and, to this end, to comply with any law, regulation,
20 or other requirements incident thereto;

21 (6) To acquire capital in the form of deposits, shares, or other
22 accounts for fixed, minimum or indefinite periods of time as are
23 authorized by its bylaws, and may issue such passbooks, statements,
24 time certificates of deposit, or other evidence of accounts;

25 (7) To pay interest;

26 (8) To charge reasonable service fees for services provided as part
27 of its business;

28 (9) To borrow money and to pledge, mortgage, or hypothecate its
29 properties and securities in connection therewith;

30 (10) To collect or protest promissory notes or bills of exchange
31 owned or held as collateral by the association;

32 (11) To let vaults, safes, boxes, or other receptacles for the
33 safekeeping or storage of personal property, subject to the laws and
34 regulations applicable to and with the powers possessed by safe deposit
35 companies; and to act as escrow holder;

36 (12) To act as fiscal agent for the United States of America; to
37 purchase, own, vote, or sell stock in, or act as fiscal agent for any
38 federal home loan bank, the federal housing administration, home

1 owners' loan corporation, or other state or federal agency, organized
2 under the authority of the United States or of the state of Washington
3 and authorized to loan to or act as fiscal agent for associations or to
4 insure savings accounts or mortgages; and in the exercise of these
5 powers, to comply with any requirements of law or rules or orders
6 promulgated by such federal or state agency and to execute any
7 contracts and pay any charges in connection therewith;

8 (13) To procure insurance of its mortgages and of its accounts from
9 any state or federal corporation or agency authorized to write such
10 insurance and, in the exercise of these powers, to comply with any
11 requirements of law or rules or orders promulgated and to execute any
12 contracts and pay any premiums required in connection therewith;

13 (14) To loan money and to sell any of its notes or other evidences
14 of indebtedness, together with the collateral securing the same;

15 (15) To make, adopt, and amend bylaws for the management of its
16 property and the conduct of its business;

17 (16) To deposit moneys and securities in any other association or
18 any bank or savings bank or other like depository;

19 (17) To dissolve and wind up its business;

20 (18) To collect or compromise debts due to it and, in so doing, to
21 apply to the indebtedness the accounts of the debtors, and to receive,
22 as collateral or otherwise, other securities, property or property
23 rights of any kind or nature;

24 (19) To become a member of, deal with, or make reasonable payments
25 or contribution to any organization to the extent that such
26 organization assists in furthering or facilitating the association's
27 purposes, powers or community responsibilities, and to comply with any
28 reasonable conditions of eligibility;

29 (20) To sell money orders, travelers checks and similar instruments
30 as agent for any organization empowered to sell such instruments
31 through agents within this state and to receive money for transmission
32 through a federal home loan bank;

33 (21) To service loans and investments for others;

34 (22) To sell and to purchase mortgages or other loans, including
35 participating interests therein;

36 (23) To use abbreviations, words or symbols in connection with any
37 document of any nature and on checks, proxies, notices and other
38 instruments which abbreviations, words, or symbols shall have the same
39 force and legal effect as though the respective words and phrases for

1 which they stand were set forth in full for the purposes of all
2 statutes of the state and all other purposes;

3 (24) To conduct a trust business under rules adopted by the
4 (~~supervisor~~) director pursuant to chapter 34.05 RCW; and

5 (25) To exercise, by and through its board of directors and duly
6 authorized officers and agents, all such incidental powers as may be
7 necessary to carry on the business of the association.

8 The powers granted in this section shall not be construed as
9 limiting or enlarging any grant of authority made elsewhere by this
10 title.

11 **Sec. 436.** RCW 33.12.014 and 1982 c 3 s 24 are each amended to read
12 as follows:

13 Notwithstanding any other provision of law, in addition to all
14 powers, express or implied, that an association has under this title,
15 the (~~supervisor~~) director may make reasonable rules authorizing an
16 association to exercise any of the powers conferred at the time of the
17 adoption of the rules upon a federal savings and loan association doing
18 business in this state, or may modify or reduce reserve or other
19 requirements if an association is insured by the federal savings and
20 loan insurance corporation, if the (~~supervisor~~) director finds that
21 the exercise of the power:

22 (1) Serves the convenience and advantage of depositors and
23 borrowers; and

24 (2) Maintains the fairness of competition and parity between state-
25 chartered savings and loan associations and federally-chartered savings
26 and loan associations.

27 **Sec. 437.** RCW 33.12.060 and 1985 c 239 s 1 are each amended to
28 read as follows:

29 (1) An association shall make no loan to or sell to or purchase any
30 real property or securities from:

31 (a) Any director, officer, agent, or employee of an association;

32 (b) Any former director or incorporator of the association within
33 one year of the termination of the relationship without the prior
34 written approval of the (~~supervisor~~) director;

35 (c) Any party involved, either directly or indirectly, in a stock
36 tender offer for acquisition of the association, as determined by the

1 ((~~supervisor~~)) director, without the prior written approval of the
2 ((~~supervisor~~)) director; or

3 (d) Any public officer or public employee whose duties have to do
4 with the supervision, regulation, or insurance of the association or
5 its savings accounts.

6 (2) The provisions of subsection (1) of this section shall not
7 apply to:

8 (a) Loans secured by the pledge or assignment of the savings
9 account of the borrowing member;

10 (b) Loans made to directors, officers, agents, or employees of the
11 association upon their property which is occupied principally by such
12 director, officer, agent, or employee as a home, the amount of such
13 loan to be based upon the appraised value of said property as
14 established by two independent appraisers who are not officers, agents,
15 directors, employees, or appraisers of the association;

16 (c) Loans made to directors, officers, or employees of the
17 association upon their mobile dwelling, which is occupied principally
18 by such director, officer, or employee as a home, the amount of such
19 loan to be based upon the appraised value of the dwelling as
20 established by two independent appraisers who are not directors,
21 officers, employees, or appraisers of the association;

22 (d) Loans made to directors, officers, or employees of the
23 association for home or property repairs, alterations, improvements, or
24 additions, or home furnishings or appliances, for a residence which is
25 occupied principally by such director, officer, or employee as a home;

26 (e) Loans made to directors, officers, or employees of the
27 association for the payment of expenses of vocational training or
28 college or university education; nor to

29 (f) Any other loans made to directors, officers, or employees of
30 the association: PROVIDED, That the total value of the loans made or
31 obligations acquired under authority of this section for any one
32 director, officer, or employee shall not exceed such amount as
33 prescribed by the ((~~supervisor~~)) director under ((~~regulations~~)) rules
34 adopted under the administrative procedure act, chapter 34.05 RCW. No
35 loan may be made, credit extended, or obligation acquired unless the
36 board of directors of the association has approved a resolution
37 authorizing the same by a majority vote at a meeting of the board held
38 within sixty days prior to the making or acquisition of the loan or

1 obligation, and the vote and resolution shall be entered in the
2 corporate minutes.

3 (3) A loan to or a purchase or sale to or from a partnership or
4 corporation fifteen percent of which is owned by any one director,
5 officer, agent, or employee of the association or twenty-five percent
6 of which is owned by any combination of directors, officers, agents, or
7 employees of the association shall be deemed a loan to or a purchase or
8 sale to or from such director, officer, agent, or employee within the
9 meaning of this section except when the transaction occurred without
10 the knowledge or against the protest of such director, officer, agent,
11 or employee of the association.

12 **Sec. 438.** RCW 33.12.140 and 1982 c 3 s 26 are each amended to read
13 as follows:

14 Before any association is authorized to receive deposits or
15 transact any business, its incorporators shall create an expense fund,
16 in such amount as the ((~~supervisor~~)) director may determine, from which
17 the expense of organizing the association and its operating expenses
18 may be paid until such time as its earnings are sufficient to pay its
19 operating expenses, and the incorporators shall enter into an
20 undertaking with the ((~~supervisor~~)) director to make such further
21 contributions to the expense fund as may be necessary to pay its
22 operating expenses until such time as it can pay them from its
23 earnings.

24 Before any mutual association is authorized to receive deposits or
25 transact any business, its incorporators shall create a contingent fund
26 for the protection of its members against investment losses, in an
27 amount to be determined by the ((~~supervisor~~)) director.

28 The contingent fund shall consist of payments in cash made by the
29 incorporators as provided in this section and of all sums credited
30 thereto from the earnings of the association as hereinafter required.

31 Prior to the liquidation of any mutual association the contingent
32 fund shall not be encroached upon in any manner except for losses and
33 for the repayment of contributions made by the incorporators.

34 No repayment of the contribution of incorporators to the contingent
35 fund shall be made until the net balance credited to the contingent
36 fund from earnings of the association, after such repayment, equals
37 five percent of the amount due members.

1 The incorporators may receive interest upon the amount of their
2 contributions to the contingent fund at the same rate as is paid, from
3 time to time, to savings members.

4 The amounts contributed to the contingent fund by the incorporators
5 shall not constitute a liability of the association except as
6 hereinafter provided, and any loss sustained by the association in
7 excess of that portion of the contingent fund created from earnings may
8 be charged against such contributions pro rata.

9 **Sec. 439.** RCW 33.16.040 and 1982 c 3 s 30 are each amended to read
10 as follows:

11 If the ((~~supervisor~~)) director shall notify the board of directors
12 of any association in writing, that he or she has information that any
13 director, officer, or employee of such association is dishonest,
14 reckless, or incompetent or is failing to perform any duty of his or
15 her office, the board shall meet and consider such matter forthwith and
16 the ((~~supervisor~~)) director shall have notice of the time and place of
17 such meeting. If the board shall find the ((~~supervisor's~~)) director's
18 objection to be well founded, such director, officer, or employee shall
19 be removed immediately. If the board does not remove the director,
20 officer, or employee against whom the objections have been filed, or if
21 the board fails to meet, consider or act upon the objections within
22 twenty days after receiving the same, the ((~~supervisor~~)) director may
23 forthwith or within twenty days thereafter, remove such individual by
24 complying with the administrative procedure act, chapter 34.05 RCW. If
25 the ((~~supervisor~~)) director feels that the public interest or safety of
26 the association requires the immediate removal of such individual, the
27 ((~~supervisor~~)) director may petition the superior court for a temporary
28 injunction suspending the performance of the individual as a director
29 pending the administrative procedure hearing.

30 **Sec. 440.** RCW 33.16.120 and 1982 c 3 s 35 are each amended to read
31 as follows:

32 The board of directors shall cause to be prepared, from the books
33 of the association, a statement of assets and of liabilities, at the
34 end of the association's fiscal year.

35 The board shall also cause to be prepared, certified, and filed
36 with the ((~~supervisor~~)) director, upon blanks to be furnished by the

1 ((supervisor)) director, such reports and statements as the
2 ((supervisor)) director, from time to time, may require.

3 **Sec. 441.** RCW 33.16.130 and 1979 c 113 s 4 are each amended to
4 read as follows:

5 The board of directors of every association shall procure a bond or
6 bonds, covering all of its active officers, agents, and employees,
7 whether or not they draw salary or compensation, with duly qualified
8 corporate surety authorized to do business in the state of Washington,
9 conditioned that the surety will indemnify and save harmless the
10 association against any and all loss or losses arising through the
11 larceny, theft, embezzlement, or other fraudulent or dishonest act or
12 acts of any such officer, agent, or employee. Such bond coverage may
13 provide for a deductible amount from any loss which otherwise would be
14 recoverable from the corporate surety. A deductible amount may be
15 applied separately to one or more bonding agreements. The bond shall
16 not provide for more than one deductible amount from all losses caused
17 by the same person or caused by the same persons acting in collusion or
18 combination in cases in which such losses result from dishonesty of
19 employees (as defined in the bond).

20 Such bond or bonds shall be in such amount, as to each of said
21 officers or employees, as the directors shall deem advisable, and said
22 bond or bonds shall be subject to the approval of the ((supervisor))
23 director and shall be filed with him or her. The board shall review
24 such bond, or bonds, at its regular meeting in January of each year,
25 and by resolution determine such bond coverage for the ensuing year.

26 **Sec. 442.** RCW 33.20.130 and 1945 c 235 s 53 are each amended to
27 read as follows:

28 When any savings member shall have neither paid in nor withdrawn
29 any funds from his or her savings account in the association for seven
30 consecutive years, and his or her whereabouts is unknown to the
31 association and he or she shall not respond to a letter from the
32 association inquiring as to his or her whereabouts, sent by registered
33 mail to his or her last known address, the association may transfer his
34 or her account to a "Dormant Accounts" fund. Any savings account in
35 the "Dormant Accounts" fund shall not participate in the earnings of
36 the association except by permissive action of the directors of the
37 association. The member, or his or her or its executor, administrator,

1 successors or assigns, may claim the amount so transferred from his or
2 her account to the dormant accounts fund at any time after such
3 transfer. Should the association be placed in liquidation while any
4 savings account shall remain credited in the dormant accounts fund and
5 before any valid claim shall have been made thereto, as hereinabove
6 provided, such savings account so credited, upon order of the
7 (~~supervisor~~) director and without any other escheat proceedings,
8 shall escheat to the state of Washington.

9 **Sec. 443.** RCW 33.20.150 and 1982 c 3 s 41 are each amended to read
10 as follows:

11 The deposits paid into an association, together with any interest
12 credited thereon, shall be repaid to the depositors thereof
13 respectively, or to their legal representatives, upon request.

14 If, in the judgment of the board, circumstances warrant deferment
15 of the payment of withdrawals from savings accounts to a later date,
16 thereafter withdrawals shall be paid proportionately, on a percentage
17 basis, to all depositors requesting withdrawal until full withdrawal
18 requests are paid to all depositors. A board resolution of deferment
19 shall not affect the payments of withdrawals from federal tax and loan
20 accounts.

21 The board shall, however, have the right in its discretion, where
22 need is shown, to pay not exceeding one hundred dollars to any account
23 holder in one month.

24 If, upon examination, the (~~supervisor~~) director finds that
25 further postponement of withdrawals is unwarranted, the (~~supervisor~~)
26 director may order the association to resume full payment of
27 withdrawals and cancel all written withdrawal requests. Such order
28 shall be in writing.

29 The association's failure, during a period of postponement, to pay
30 withdrawal requests shall not authorize the (~~supervisor~~) director to
31 take charge of or liquidate the association.

32 **Sec. 444.** RCW 33.20.170 and 1945 c 235 s 99 are each amended to
33 read as follows:

34 The (~~supervisor~~) director further is empowered, if in his or her
35 judgment the circumstances warrant it, to issue in writing a
36 declaration that an acute business depression, state of panic, or
37 economic emergency exists, in which event the directors of any

1 association, state or federal, within the state may limit withdrawals
2 by resolution, subject to the following conditions; that incoming funds
3 shall be applied:

4 First, to the payment of operating expenses, indebtedness, taxes,
5 insurance, and to the necessary charges for the protection of the
6 association and its investments;

7 Second, to the payment to members of emergency withdrawals not
8 exceeding twenty-five dollars per month to any member. The board of
9 directors of any association, with the prior written approval of the
10 (~~supervisor~~) director, by resolution may authorize the payment of
11 emergency withdrawals not exceeding one hundred dollars per month to
12 any member;

13 Third, to the payment of dividends on the savings of its members;

14 Fourth, three-fourths of all remaining receipts of the association,
15 except interest payments, shall be applied to the payment of
16 withdrawals, until all withdrawal requests have been paid.

17 All such withdrawal payments shall be made to members having
18 withdrawal requests on file in proportion to the amount of such
19 withdrawal requests.

20 **Sec. 445.** RCW 33.24.010 and 1982 c 3 s 45 are each amended to read
21 as follows:

22 An association may invest its funds only as provided in this
23 chapter.

24 It shall not invest more than two and a half percent of its assets
25 in any loan or obligation to any one person, except with the written
26 approval of the (~~supervisor~~) director.

27 **Sec. 446.** RCW 33.24.025 and 1989 c 97 s 3 are each amended to read
28 as follows:

29 Except as may be limited by the (~~supervisor~~) director by rule, an
30 association may invest its funds in obligations of the United States,
31 as authorized by RCW 33.24.020, either directly or in the form of
32 securities of, or other interests in, an open-end or closed-end
33 management type investment company or investment trust registered under
34 the federal investment company act of 1940, as now or hereafter
35 amended, if both of the following conditions are met:

1 (1) The portfolio of the investment company or investment trust is
2 limited to obligations of the United States and to repurchase
3 agreements fully collateralized by such obligations; and

4 (2) The investment company or investment trust takes delivery of
5 the collateral for any repurchase agreement either directly or through
6 an authorized custodian.

7 **Sec. 447.** RCW 33.24.360 and 1982 c 3 s 54 are each amended to read
8 as follows:

9 (1) It is unlawful for any acquiring party to acquire control of an
10 association until thirty days after the date of filing with the
11 (~~supervisor~~) director an application containing substantially all of
12 the following information and any additional information that the
13 (~~supervisor~~) director may prescribe as necessary or appropriate in
14 the public interest or for the protection of deposit account holders,
15 borrowers or stockholders:

16 (a) The identity, character, and experience of each acquiring party
17 by whom or on whose behalf acquisition is to be made;

18 (b) The financial and managerial resources and future prospects of
19 each acquiring party involved in the acquisition;

20 (c) The terms and conditions of any proposed acquisition and the
21 manner in which such acquisition is to be made;

22 (d) The source and amount of the funds or other consideration used
23 or to be used in making the acquisition and, if any part of these funds
24 or other consideration has been or is to be borrowed or otherwise
25 obtained for the purpose of making the acquisition, a description of
26 the transaction and the names of the parties. However, where a source
27 of funds is a loan made in the lender's ordinary course of business, if
28 the person filing the statement so requests, the (~~supervisor~~)
29 director shall not disclose the name of the lender to the public;

30 (e) Any plans or proposals which any acquiring party making the
31 acquisition may have to liquidate the association to sell its assets,
32 to merge it with any company, or to make any other major changes in its
33 business or corporate structure or management;

34 (f) The identification of any persons employed, retained or to be
35 compensated by the acquiring party, or by any person on his or her
36 behalf, who makes solicitations or recommendations to stockholders for
37 the purpose of assisting in the acquisition, and brief description of

1 the terms of such employment, retainer, or arrangements for
2 compensation;

3 (g) Copies of all invitations for tenders or advertisements making
4 a tender offer to stockholders for purchase of their stock to be used
5 in connection with the proposed acquisition.

6 When an unincorporated company is required to file the statements
7 under (1) (a), (b), and (f) of this section, the ((~~supervisor~~))
8 director may require that the information be given with respect to each
9 partner of a partnership or limited partnership, by each member of a
10 syndicate or group, and by each person who controls a partner or
11 member. When an incorporated company is required to file the
12 statements under (1) (a), (b), and (f) of this section, the
13 ((~~supervisor~~)) director may require that the information be given for
14 the corporation and for each officer and director of the corporation
15 and for each person who is directly or indirectly the beneficial owner
16 of twenty-five percent or more of the outstanding voting securities of
17 the corporation. If any tender offer, request or invitation for
18 tenders or other agreement to acquire control is proposed to be made by
19 means of a registration statement under the federal securities act of
20 1933 (48 Stat. 74, 15 U.S.C. Sec. 77a), as amended, or in circumstances
21 requiring the disclosure of similar information under the federal
22 securities exchange act of 1934 (48 Stat. 881; 15 U.S.C. Sec. 77b), as
23 amended, or in an application filed with the federal home loan bank
24 board requiring similar disclosure, such registration statement or
25 application may be filed with the ((~~supervisor~~)) director in lieu of
26 the requirements of this section.

27 (2) The ((~~supervisor~~)) director shall give notice by mail to all
28 associations doing business within the state of the filing of an
29 application to acquire control of an association. The association
30 shall transmit a check to the ((~~supervisor~~)) director for two hundred
31 dollars when filing the application to cover the expense of
32 notification. Persons interested in protesting the application may
33 contact the ((~~supervisor~~)) director in person or by writing prior to a
34 date which shall be given in the notice.

35 **Sec. 448.** RCW 33.24.370 and 1982 c 3 s 55 are each amended to read
36 as follows:

37 The ((~~supervisor~~)) director may within thirty days after the date
38 of filing of the application under RCW 33.24.360, file an action or

1 proceeding in superior court to prevent the pending acquisition of
2 control if the ((~~supervisor~~)) director finds any of the following:

3 (1) The acquisition would substantially lessen competition or would
4 in any manner be in restraint of trade or would result in a monopoly,
5 or would be in furtherance of any combination or conspiracy to
6 monopolize or to attempt to monopolize the savings and loan business in
7 any part of the state of Washington, unless the ((~~supervisor~~)) director
8 also finds that the anticompetitive effects of the proposed acquisition
9 are clearly outweighed in the public interest by the probable effect of
10 the acquisition in meeting the convenience and needs of the community
11 to be served;

12 (2) The poor financial condition of any acquiring party might
13 jeopardize the financial stability of the association being acquired or
14 might prejudice the interests of the depositors, borrowers, or
15 stockholders of the association or is not in the public interest;

16 (3) The plan or proposal under which the acquiring party intends to
17 liquidate the association, to sell its assets, or to merge it with any
18 person or company, or to make any other major change in its business or
19 corporate structure or management, is not fair and reasonable to the
20 association's depositors, borrowers, or stockholders or is not in the
21 public interest; or

22 (4) The competence, experience and integrity of any acquiring party
23 who would control the operation of the association indicates that
24 approval would not be in the interest of the association's depositors,
25 borrowers, or stockholders nor in the public interest.

26 **Sec. 449.** RCW 33.28.020 and 1982 c 3 s 57 are each amended to read
27 as follows:

28 The ((~~supervisor~~)) director shall collect from each association a
29 fee, the amount of which shall be set by rule, to cover the actual cost
30 of examinations and supervision.

31 **Sec. 450.** RCW 33.32.020 and 1982 c 3 s 59 are each amended to read
32 as follows:

33 Unless prohibited by the laws of the state in which it is
34 incorporated, a foreign association or like corporation authorized to
35 do business in this state which, by the laws of the state in which it
36 is incorporated, is required to be examined or to make reports to
37 officers of such state, after each such examination or on the making of

1 each such report, shall furnish to the ((~~supervisor~~)) director a copy
2 of such examination or report, certified by the officer of the state
3 making such examination or receiving the report.

4 **Sec. 451.** RCW 33.32.030 and 1982 c 3 s 60 are each amended to read
5 as follows:

6 Except as to those matters relating strictly to its internal
7 management which are governed by provisions of the law of the state of
8 its incorporation inconsistent with this title, a foreign association
9 or like corporation authorized to transact business in this state shall
10 conduct its business in conformance with the provisions of this title
11 and all requirements of the ((~~supervisor~~)) director.

12 All agreements made by any foreign association or like corporation
13 doing business in this state with any resident of this state shall be
14 deemed and construed to be made within this state.

15 **Sec. 452.** RCW 33.32.050 and 1945 c 235 s 84 are each amended to
16 read as follows:

17 No foreign savings and loan association or like corporation shall
18 do business in this state until it shall file with the ((~~supervisor~~))
19 director a written irrevocable power of attorney providing that service
20 upon the ((~~supervisor~~)) director of any process issued against it by
21 any court in this state shall constitute valid service of such process
22 upon it. Such service shall be had by serving upon the ((~~supervisor~~))
23 director two copies of such summons or other process, together with the
24 sum of two dollars. The ((~~supervisor~~)) director, upon receipt of any
25 such summons or other process, shall forthwith transmit, by registered
26 mail, one copy thereof to the principal office of such foreign
27 association or corporation.

28 **Sec. 453.** RCW 33.36.060 and 1982 c 3 s 65 are each amended to read
29 as follows:

30 Any person who, for the purpose of concealing any material fact,
31 suppresses any evidence or abstract, removes, mutilates, destroys, or
32 secretes any book, paper or record of an association, or of the
33 ((~~supervisor~~)) director, or of anyone connected with the association or
34 the office of the ((~~supervisor~~)) director, is guilty of a class C
35 felony as provided in chapter 9A.20 RCW.

1 **Sec. 454.** RCW 33.40.010 and 1949 c 20 s 9 are each amended to read
2 as follows:

3 Any domestic association may determine to enter upon voluntary
4 liquidation, to transfer its assets and liabilities to another
5 association, to merge with another association, to segregate its assets
6 into classes, to charge off its losses in excess of its reserves.

7 Any such liquidation, transfer, merger, segregation, or charge-off
8 shall be effected by the vote of a majority in amount of the members
9 present, in person or by proxy, at any regular or special meeting of
10 the members called for such purpose. Notice of such meeting, stating
11 the purpose thereof, shall be given the ((~~supervisor~~)) director at
12 least thirty days prior to the meeting and to the members pursuant to
13 the provisions contained in RCW 33.20.010.

14 If such liquidation, transfer, merger, segregation, or charge-off
15 be authorized by the members at the meeting, the directors of the
16 association are authorized and shall effect such action, and the
17 officers of the association shall execute all proper conveyances,
18 documents, and other papers necessary or proper thereunto.

19 **Sec. 455.** RCW 33.40.020 and 1982 c 3 s 66 are each amended to read
20 as follows:

21 Whenever it appears to the ((~~supervisor~~)) director that any
22 domestic association is in an unsound condition or is conducting its
23 business in an unsafe manner or is refusing to submit its books,
24 papers, or concerns to lawful inspection, or that any director or
25 officer thereof refuses to submit to examination on oath touching its
26 concerns and affairs or that it has failed to carry out any authorized
27 order or direction of the ((~~supervisor~~)) director, the ((~~supervisor~~))
28 director may give notice to the association so offending or delinquent
29 or whose director or officer is thus offending or delinquent to correct
30 such offense or delinquency and, if such association or such director
31 or officer fails to correct the condition, offense, or delinquency
32 within a reasonable time, as determined by the ((~~supervisor~~)) director,
33 the ((~~supervisor~~)) director may take possession of the association.

34 **Sec. 456.** RCW 33.40.030 and 1945 c 235 s 104 are each amended to
35 read as follows:

36 Whenever it shall appear to the ((~~supervisor~~)) director that any
37 association is in an unsound or unsafe condition to continue business

1 or is insolvent, the ((~~supervisor~~)) director may take possession
2 thereof without notice.

3 **Sec. 457.** RCW 33.40.040 and 1982 c 3 s 67 are each amended to read
4 as follows:

5 Upon the ((~~supervisor~~)) director taking possession of any domestic
6 association, the ((~~supervisor~~)) director shall proceed to liquidate the
7 association unless, in the ((~~supervisor's~~)) director's discretion, the
8 ((~~supervisor~~)) director shall determine to call a meeting of the
9 members to consider either a proportionate charge-off against the
10 deposit accounts to permit the association thereafter to continue in
11 business, or whether the association should proceed to voluntary
12 liquidation under the management of its board of directors. In such
13 event, if the ((~~supervisor~~)) director approves the decision of a
14 majority in amount of the members present and voting, the
15 ((~~supervisor~~)) director shall order such action to be taken.

16 During any period of voluntary liquidation, the ((~~supervisor~~))
17 director may take possession of the association and its assets and
18 complete the liquidation whenever, in the ((~~supervisor's~~)) director's
19 discretion, this seems advisable.

20 **Sec. 458.** RCW 33.40.050 and 1982 c 3 s 68 are each amended to read
21 as follows:

22 Whenever the ((~~supervisor~~)) director determines to liquidate the
23 affairs of a domestic association, the ((~~supervisor~~)) director shall
24 cause the attorney general to present to the superior court of the
25 county in which the association has its principal place of business a
26 written petition setting forth the date of the taking of possession,
27 the reasons therefor, and other material facts concerning the affairs
28 of the association and, if the court determines that the association
29 should be liquidated, it shall appoint the ((~~supervisor~~)) director, or
30 other responsible person as recommended by the ((~~supervisor~~)) director,
31 as the liquidator of the association and fix and require a bond to be
32 given by the liquidator conditioned for the faithful performance of the
33 duties as such liquidator, but if the association has the insurance
34 protection provided by Title IV of the National Housing Act, as now or
35 hereafter amended, the court upon the request of the ((~~supervisor~~))
36 director may tender to the federal savings and loan insurance
37 corporation the appointment as liquidator.

1 Upon the filing with and approval by the court of the bond, the
2 ((~~supervisor~~)) director or other person appointed shall enter upon the
3 duties as liquidator of the affairs of the association, and, under the
4 direction of the court, shall administer and liquidate the assets
5 thereof and apply the same to the payment of the expenses of
6 liquidation and the debts of the association, and distribute the
7 remainder to the deposit accounts proportionately.

8 If the court tenders the appointment as liquidator to the federal
9 savings and loan insurance corporation, and if the insurance
10 corporation accepts the appointment, it shall have and possess all the
11 powers and privileges provided by the laws of this state with respect
12 to a liquidator of an association, its depositors and other creditors,
13 and be subject to all the duties of such liquidator, except insofar as
14 such powers, privileges, or duties are in conflict with the provisions
15 of Title IV of the National Housing Act, as now or hereafter amended.
16 In any liquidation proceeding in which the insurance corporation is the
17 liquidator, it may proceed to liquidate without being subject to the
18 control of the court and without bond.

19 **Sec. 459.** RCW 33.40.070 and 1982 c 3 s 69 are each amended to read
20 as follows:

21 The liquidator, upon the approval of the court, may sell, discount,
22 or compromise debts of the association and claims against its debtors.
23 The liquidator, with the approval of the court, may lease, operate,
24 repair, exchange, or sell, either for cash or upon terms, the real and
25 personal property of the association.

26 The liquidator, with the approval of the court, when funds are
27 available, may pay savings members whose balances amount to not more
28 than five dollars, the full amount of the balances.

29 Checks issued or payments held by the liquidator which remain
30 undelivered for six months following the final liquidation dividend
31 shall be deposited with the ((~~supervisor~~)) director, after which the
32 liquidator shall be discharged by the court. During ten years
33 thereafter, the ((~~supervisor~~)) director shall deliver the checks or
34 payments, or the ((~~supervisor's~~)) director's own checks in lieu
35 thereof, to the payee, or his or her legal representative, upon receipt
36 of satisfactory evidence of the payee's right thereto. After the ten
37 years, the ((~~supervisor~~)) director shall cancel all such checks or
38 payments remaining in the ((~~supervisor's~~)) director's possession and

1 issue a check against the account for the amount thereof, payable to
2 the state treasurer, and deliver it to the state treasurer. Such
3 payment shall escheat to the state, without further legal proceedings.

4 **Sec. 460.** RCW 33.40.075 and 1982 c 3 s 70 are each amended to read
5 as follows:

6 All funds received by the (~~supervisor~~) director from liquidations
7 may be invested by the (~~supervisor~~) director. The earnings from the
8 moneys so held may be applied toward defraying the expenses incurred in
9 the liquidations.

10 **Sec. 461.** RCW 33.40.080 and 1945 c 235 s 109 are each amended to
11 read as follows:

12 Upon the termination of any liquidation proceeding, any files,
13 records, documents, books of account, or other papers in the possession
14 of the liquidator shall be surrendered into the possession of the
15 (~~supervisor~~) director, who, in his or her discretion at any time
16 after the expiration of one year, may destroy any of such files,
17 records, documents, books of account or other papers which appear to
18 him or her to be obsolete or unnecessary for future reference.

19 **Sec. 462.** RCW 33.40.110 and 1982 c 3 s 71 are each amended to read
20 as follows:

21 In a voluntary liquidation of a domestic association, checks issued
22 in the liquidation or funds representing liquidating dividends or
23 otherwise which remain undelivered for six months following the final
24 liquidating dividend, shall be deposited with the (~~supervisor~~)
25 director, together with any files, records, documents, books of
26 account, or other papers of the association. The (~~supervisor~~)
27 director, at any time after one year from delivery, may destroy any of
28 such files, records, documents, books of account, or other papers which
29 appear to the (~~supervisor~~) director to be obsolete or unnecessary for
30 future reference. During ten years thereafter, the (~~supervisor~~)
31 director shall deliver such checks, or the (~~supervisor's~~) director's
32 own checks in lieu thereof, or portions of such funds to the payee, or
33 the payee's legal representative, upon receipt of satisfactory evidence
34 of the payee's right thereto. After the ten years, the (~~supervisor~~)
35 director shall cancel all such checks remaining in the (~~supervisor's~~)
36 director's possession and issue a check payable to the state treasurer

1 for the amount thereof together with any other liquidating funds, and
2 deliver them to the state treasurer. Such payment shall escheat to the
3 state without further legal proceedings.

4 **Sec. 463.** RCW 33.40.120 and 1988 c 202 s 34 are each amended to
5 read as follows:

6 The court, upon notice and hearing, may remove the liquidator for
7 cause. Appellate review of the order of removal may be sought as in
8 other civil cases.

9 During the pendency of any appeal, the director of (~~general~~
10 ~~administration~~) financial institutions shall act as liquidator of the
11 association, without giving any additional bond for the performance of
12 the duties as such liquidator.

13 If such order of removal shall be affirmed, the director of
14 (~~general administration~~) financial institutions shall name another
15 liquidator for the association, which nominee, upon qualifying as
16 required for receivers generally, shall succeed to the position of
17 liquidator of the association.

18 **Sec. 464.** RCW 33.40.130 and 1982 c 3 s 73 are each amended to read
19 as follows:

20 Savings deposits received by an association, during a period or
21 periods of postponement of payment of withdrawals or of acute business
22 depression, panic or economic emergency under authorization or
23 declaration of the (~~supervisor~~) director as hereinbefore provided,
24 shall be repaid to the depositors paying in such savings before any
25 liquidation dividends shall be declared or paid if, during such period
26 or periods or at the expiration thereof, the (~~supervisor~~) director
27 takes charge of the association for liquidation, as provided in this
28 title.

29 **Sec. 465.** RCW 33.40.150 and 1985 c 239 s 2 are each amended to
30 read as follows:

31 (1) The (~~supervisor of savings and loans~~) director of financial
32 institutions, after exercising the authority granted in RCW 33.16.040,
33 may appoint provisional officers and directors, in whole or in part, of
34 an association.

35 (2) Notice of the appointment shall be served upon the association,
36 and the appointment shall take effect immediately and shall remain in

1 effect until a successor is chosen in accordance with the association's
2 bylaws.

3 **Sec. 466.** RCW 33.43.010 and 1982 c 3 s 74 are each amended to read
4 as follows:

5 Any domestic association may convert itself into a federal mutual
6 or stock savings and loan association. Any such conversion shall be
7 effected by the vote of a majority in amount of the members present, in
8 person or by proxy, at any regular or special meeting of the members
9 called for such purpose. Notice of such meeting, stating the purpose
10 thereof, shall be given the ((~~supervisor~~)) director at least thirty
11 days prior to the meeting and to the members pursuant to the provisions
12 contained in RCW 33.20.010.

13 If such conversion be authorized by the members at the meeting, the
14 directors of the association are authorized and shall effect such
15 action, and the officers of the association shall execute all proper
16 conveyances, documents, and other papers necessary or proper thereunto.

17 If conversion be authorized, a copy of the minutes of the meeting
18 shall be filed forthwith with the ((~~supervisor~~)) director.

19 Upon consummation of such conversion, the successor federal savings
20 and loan association shall succeed to all right, title, and interest of
21 the domestic association in and to its assets, and to its liabilities
22 to the creditors and members of the association. Upon such conversion,
23 after the execution and delivery of all instruments of transfer,
24 conveyance and assignment, the domestic association shall be deemed
25 dissolved.

26 **Sec. 467.** RCW 33.44.020 and 1982 c 3 s 75 are each amended to read
27 as follows:

28 Any association organized under the laws of this state, or under
29 the laws of the United States, may, if it has obtained the approval,
30 required by law or regulation, of any federal agencies, including the
31 federal home loan bank board and the federal savings and loan insurance
32 corporation, be converted into a savings bank or commercial bank in the
33 following manner:

34 (1) The board of directors of such association shall pass a
35 resolution declaring its intention to convert the association into a
36 savings bank or commercial bank and shall apply to the ((~~supervisor of~~
37 ~~banking~~)) director of financial institutions for leave to submit to the

1 members of the association the question whether the association shall
2 be converted into a savings bank or a commercial bank. A duplicate of
3 the application to the (~~supervisor of banking~~) director of financial
4 institutions shall be filed with the (~~supervisor of savings and loan~~
5 ~~associations~~) director of financial institutions, except that no such
6 filing shall be required in the case of an association organized under
7 the laws of the United States. The application shall include a
8 proposal which sets forth the method by and extent to which membership
9 or stockholder interests, as the case may be, in the association are to
10 be converted into membership or stockholder interests, as the case may
11 be, in the savings bank or commercial bank, and the proposal shall
12 allow for any member or stockholder to withdraw the value of his or her
13 interest at any time within sixty days of the completion of the
14 conversion. The proposal shall be subject to the approval of the
15 (~~supervisor of banking~~) director of financial institutions and shall
16 conform to all applicable regulations of the federal home loan bank
17 board, the federal savings and loan insurance corporation, the federal
18 deposit insurance corporation, or other federal regulatory agency.

19 (2) Thereupon the (~~supervisor of banking~~) director of financial
20 institutions shall make the same investigation and determine the same
21 questions as would be required by law to make and determine in case of
22 the submission to the (~~supervisor of banking~~) director of financial
23 institutions of a certificate of incorporation of a proposed new
24 savings bank or commercial bank, and the (~~supervisor of banking~~)
25 director of financial institutions shall also determine (~~after~~
26 ~~conference with the supervisor of savings and loan associations~~)
27 whether by the proposed conversion the business needs and conveniences
28 of the members of the association would be served with facility and
29 safety, except that no such conference shall be pertinent to such
30 investigation or determination in the case of an association organized
31 under the laws of the United States. After the (~~supervisor of~~
32 ~~banking~~) director of financial institutions determines whether it is
33 expedient and desirable to permit the proposed conversion, the
34 (~~supervisor of banking~~) director of financial institutions shall,
35 within sixty days after the filing of the application, endorse thereon
36 over the official signature of the (~~supervisor of banking~~) director
37 of financial institutions the word "granted" or the word "refused",
38 with the date of such endorsement and shall immediately notify the
39 secretary of such association of his or her decision. If an

1 application to convert to a mutual savings bank is granted, the
2 (~~supervisor of banking~~) director of financial institutions shall
3 require the applicants to enter into such an agreement or undertaking
4 with the (~~supervisor of banking~~) director of financial institutions
5 as trustee for the depositors with the mutual savings bank to make such
6 contributions in cash to the expense fund of the mutual savings bank as
7 in the (~~supervisor's~~) director of financial institutions judgment
8 will be necessary then and from time to time thereafter to pay the
9 operating expenses of the mutual savings bank if its earnings should
10 not be sufficient to pay the same in addition to the payment of such
11 dividends as may be declared and credited to depositors from its
12 earnings.

13 If the application is denied by the (~~supervisor of banking~~)
14 director of financial institutions, the association, acting by a two-
15 thirds majority of its board of directors, may, within thirty days
16 after receiving the notice of the denial, appeal to the superior court
17 in the manner prescribed in RCW 34.05.570.

18 (3) If the application is granted by the (~~supervisor of banking~~)
19 director of financial institutions or by the court, as the case may be,
20 the board of directors of the association shall, within sixty days
21 thereafter, submit the question of the proposed conversion to the
22 members of the association at a special meeting called for that
23 purpose. Notice of the meeting shall state the time, place and purpose
24 of the meeting, and that the only question to be voted upon will be,
25 "shall the (naming the association) be converted into a savings bank or
26 commercial bank under the laws of the state of Washington?" The vote
27 on the question shall be by ballot. Any member may vote by proxy or
28 may transmit the member's ballot by mail if the bylaws provide a method
29 for so doing. If two-thirds or more in number of the members voting on
30 the question vote affirmatively, then the board of directors shall have
31 power, and it shall be its duty, to proceed to convert such association
32 into a savings bank or commercial bank; otherwise, the proposed
33 conversion shall be abandoned and shall not be again submitted to the
34 members within three years from the date of the meeting.

35 (4) If authority for the proposed conversion has been approved by
36 the members as required by this section, the directors shall, within
37 thirty days thereafter, subscribe and acknowledge and file with the
38 (~~supervisor of banking~~) director of financial institutions in
39 triplicate a certificate of reincorporation, stating:

1 (a) The name by which the converted corporation is to be known.

2 (b) The place where the bank is to be located and its business
3 transacted, naming the city or town and county, which city or town
4 shall be the same as that where the principal place of business of the
5 corporation has theretofore been located.

6 (c) The name, occupation, residence and post office address of each
7 signer of the certificate.

8 (d) The amount of the assets of the corporation, the amount of its
9 liabilities and the amount of its contingent, reserve, expense, and
10 guaranty fund, as applicable, as of the first day of the then calendar
11 month.

12 (e) A declaration that each signer will accept the responsibilities
13 and faithfully discharge the duties of a trustee or director of the
14 bank, and is free from all the disqualifications specified in the laws
15 applicable to savings banks or commercial banks.

16 (f) Such other items as the (~~supervisor of banking~~) director of
17 financial institutions may require.

18 (5) Upon the filing of the certificate in triplicate, the
19 (~~supervisor of banking~~) director of financial institutions shall,
20 within thirty days thereafter, if satisfied that all the provisions of
21 this chapter have been complied with, issue in triplicate an
22 authorization certificate stating that the corporation has complied
23 with all the requirements of law, and that it has authority to transact
24 at the place designated in its certificate of incorporation the
25 business of a savings bank or commercial bank. One of the
26 (~~supervisor's~~) director of financial institutions certificates of
27 authorization shall be attached to each of the certificates of
28 reincorporation, and one set of these shall be filed and retained by
29 the (~~supervisor of banking~~) director of financial institutions, one
30 set shall be filed in the office of the secretary of state, and one set
31 shall be transmitted to the bank for its files. Upon the receipt from
32 the corporation of the same fees as are required for filing and
33 recording other incorporation certificates or articles, the secretary
34 of state shall file the certificates and record the same; whereupon the
35 conversion of the association shall be deemed complete, and the signers
36 of said reincorporation certificate and their successors shall
37 thereupon become and be a corporation having the powers and being
38 subject to the duties and obligations prescribed by the laws of this
39 state applicable to savings banks or commercial banks, as the case may

1 be. The time of existence of the corporation shall be perpetual unless
2 provided otherwise in the articles of incorporation of the association
3 or unless sooner terminated pursuant to law.

4 **Sec. 468.** RCW 33.44.090 and 1982 c 3 s 77 are each amended to read
5 as follows:

6 All mortgages, notes and other securities of any association that
7 has been converted into a savings bank or commercial bank, shall on
8 request of the bank, be delivered to it by the (~~supervisor of savings~~
9 ~~and loan associations~~) director of financial institutions or under the
10 (~~supervisor's~~) director's direction by any depository having
11 possession thereof. Every such bank shall, as soon as practicable and
12 within such time and by such methods as the (~~supervisor of banking~~)
13 director may direct, cause its organization, its securities and
14 investments, the character of its business and its methods of
15 transacting the same to conform to the laws applicable to savings banks
16 or commercial banks, as applicable.

17 **Sec. 469.** RCW 33.44.125 and 1982 c 3 s 78 are each amended to read
18 as follows:

19 If, in the opinion of the (~~supervisor of savings and loans and the~~
20 ~~supervisor of banking~~) director of financial institutions, it is
21 necessary for any of the requirements of this chapter to be waived in
22 order to permit an association which is in danger of failing to convert
23 its charter to that of a commercial bank or a savings bank so that the
24 association may be acquired by a commercial bank or a savings bank or
25 a bank holding company, then the (~~supervisor of savings and loans and~~
26 ~~the supervisor of banking~~) director may waive any such requirement.

27 **Sec. 470.** RCW 33.44.130 and 1982 c 3 s 79 are each amended to read
28 as follows:

29 The (~~supervisor of savings and loan associations and the~~
30 ~~supervisor of banking~~) director of financial institutions shall adopt
31 such rules under the administrative procedure act, chapter 34.05 RCW,
32 as are necessary to implement this chapter in a manner which protects
33 the relative interests of members, depositors, borrowers, stockholders,
34 and creditors.

1 **Sec. 471.** RCW 33.46.020 and 1982 c 3 s 81 are each amended to read
2 as follows:

3 Any bank may be converted into an association in the following
4 manner:

5 (1) The trustees or directors of the bank shall pass, by at least
6 a two-thirds favorable vote of all trustees or directors, a resolution
7 declaring its intention to convert the bank into an association,
8 specifying in such resolution the type of association and whether the
9 association is to be organized under the laws of this state, or is to
10 be organized under the laws of the United States of America. If the
11 association is to be a state association the bank shall apply to the
12 ~~((supervisor of savings and loan associations))~~ director of financial
13 institutions for authority to convert into an association. The
14 application shall include a proposal which sets forth the method by and
15 extent to which membership or stockholder interests, as the case may
16 be, in the bank are to be converted into membership or shareholder
17 interest, as the case may be, in the association, and the proposal
18 shall allow for any member or stockholder to withdraw the value of his
19 or her interest at any time within sixty days of the completion of the
20 conversion. The proposal is subject to the approval of the
21 ~~((supervisor of savings and loans))~~ director of financial institutions
22 and shall conform to all applicable regulations of the federal deposit
23 insurance corporation, the federal home loan bank board, the federal
24 savings and loan insurance corporation, or other federal regulatory
25 agency.

26 (2) ~~((A duplicate of the application made to the supervisor of~~
27 ~~savings and loan associations, or such application as may be filed with~~
28 ~~the federal home loan bank board or other federal agency, shall be~~
29 ~~filed with the supervisor of banking.~~

30 (3)) The ~~((supervisor of savings and loan associations))~~ director
31 of financial institutions shall, in the case of an application to
32 convert into a state association, make the same investigation and
33 determine the same questions as he or she would be required by law to
34 make in determining the case of submission to him or her of articles of
35 incorporation of a proposed new state association, and shall also
36 determine~~((, after conference with the supervisor of banking,))~~ whether
37 the proposed conversion would serve the needs and conveniences of the
38 depositors of the bank.

1 (4) The (~~supervisor of savings and loan associations~~) director of
2 financial institutions shall grant or deny the application within sixty
3 days of its date of filing and shall immediately notify the secretary
4 of the bank of the decision.

5 **Sec. 472.** RCW 33.46.030 and 1982 c 3 s 82 are each amended to read
6 as follows:

7 If the application to become a domestic mutual association is
8 granted, the (~~supervisor of savings and loan associations~~) director
9 of financial institutions shall require the applicant to enter into an
10 agreement or undertaking with the (~~supervisor~~) director, as trustee
11 for the members of the association, to make such cash contributions to
12 an expense fund of the mutual association as in the (~~supervisor's~~)
13 director's judgment will be necessary then and from time to time
14 thereafter to pay the operating expenses of the association if its
15 earnings should not be sufficient to pay the same in addition to the
16 payment of such dividends as may be declared and credited to members
17 from its earnings.

18 **Sec. 473.** RCW 33.46.040 and 1982 c 3 s 83 are each amended to read
19 as follows:

20 If the application is denied by the (~~supervisor of savings and~~
21 ~~loan associations~~) director of financial institutions, the bank,
22 acting by a two-thirds majority of its trustees or directors, may,
23 within thirty days after receiving notice of such denial, appeal to the
24 superior court of Thurston county pursuant to the provisions of the
25 administrative procedure act, chapter 34.05 RCW.

26 **Sec. 474.** RCW 33.46.050 and 1982 c 3 s 84 are each amended to read
27 as follows:

28 If the application is granted by the (~~supervisor of savings and~~
29 ~~loan associations~~) director of financial institutions, or by the
30 court, the trustees or directors of the bank shall, within thirty days
31 thereafter, subscribe, acknowledge, and file with the (~~supervisor of~~
32 ~~savings and loan associations~~) director of financial institutions, in
33 triplicate, a certificate of reincorporation stating:

- 34 (1) The name by which the association is to be known;
35 (2) The place where the association is to be located and its
36 business transacted, naming the city or town and the county, which city

1 or town shall be the same as that where the principal place of business
2 of the bank has theretofore been located;

3 (3) The name, occupation, residence, and post office address of
4 each signer of the certificate;

5 (4) The amount of the assets of the association, the amount of its
6 liabilities, and the amount of its contingent, expense, or guaranty
7 fund, as applicable, as of the first day of the calendar month during
8 which the certificate is filed; and

9 (5) A declaration that each signer will accept the responsibilities
10 and faithfully discharge the duties of a director of the association,
11 and is free from all the disqualifications specified in the laws
12 applicable to savings and loan associations.

13 **Sec. 475.** RCW 33.46.060 and 1982 c 3 s 85 are each amended to read
14 as follows:

15 Upon filing the certificate in triplicate as provided in RCW
16 33.46.050, the ((~~supervisor of savings and loan associations~~)) director
17 of financial institutions shall, within thirty days thereafter, if
18 satisfied that all the provisions of this chapter have been complied
19 with, issue in triplicate an authorization certificate stating that the
20 association has complied with all of the requirements of law, and that
21 it has authority to transact, at the place or places designated in its
22 certificate, the business of an association. The ((~~supervisor of~~
23 ~~savings and loan associations~~)) director of financial institutions
24 shall retain one set of the triplicate originals of the certificate of
25 reincorporation and of the certificate of authorization and shall
26 transmit the other two sets to the association, which shall retain one
27 set, and file one set with the secretary of state, paying the required
28 fees. Upon such filings being made, the conversion of the bank to the
29 association shall be deemed complete and consummated, and the
30 association shall thereupon be a corporation having the powers and
31 being subject to the duties and obligations prescribed by the laws of
32 this state applicable to state associations, and the time of existence
33 of such association shall be perpetual, unless sooner terminated.

34 **Sec. 476.** RCW 33.46.080 and 1982 c 3 s 87 are each amended to read
35 as follows:

36 All mortgages, notes, and other securities of any bank that has
37 been converted into an association shall, on request of the

1 association, be delivered to it by the (~~supervisor of banking~~)
2 director of financial institutions or, under the direction of the
3 (~~supervisor of banking~~) director, by any depository having possession
4 thereof. If the association is a state association it shall, as soon
5 as practicable and within such time and by such methods as the
6 (~~supervisor of savings and loan associations~~) director may direct,
7 cause its organization, its securities and investments, the character
8 of its business, and its methods of transacting the same to conform to
9 the laws applicable to state associations.

10 **Sec. 477.** RCW 33.46.130 and 1982 c 3 s 90 are each amended to read
11 as follows:

12 The (~~supervisor of savings and loan associations and the~~
13 ~~supervisor of banking~~) director of financial institutions shall adopt
14 such rules under the administrative procedure act, chapter 34.05 RCW,
15 as are necessary to implement this chapter in a manner which protects
16 the relative interests of members, depositors, borrowers, stockholders,
17 and creditors.

18 **Sec. 478.** RCW 33.48.100 and 1982 c 3 s 96 are each amended to read
19 as follows:

20 A domestic stock association may convert to a domestic mutual
21 association under the provisions of applicable statutes and regulations
22 of proper federal and state supervisory authorities. In the event of
23 compliance with such statutes and regulations an appraisal of the stock
24 shall be made by the (~~supervisor~~) director, upon written request of
25 the directors of the association, and the appropriate value of the
26 stock may be given consideration in the proceedings to convert by
27 giving credit to such stock from surplus and other reserves.

28 **Sec. 479.** RCW 33.48.110 and 1982 c 3 s 97 are each amended to read
29 as follows:

30 Any mutual association, either domestic or federal, operating in
31 the state of Washington may convert itself into a domestic stock
32 association. The conversion shall be effected by the vote of two-
33 thirds of the members present and voting in person or by proxy at any
34 regular or special meeting of the members called for such purpose.
35 Notice of such meeting, stating the purpose thereof, shall be given to

1 the ((~~supervisor~~)) director and to each member by mailing notice to the
2 member's last known address at least thirty days prior to the meeting.

3 At the meeting, the members may adopt a resolution amending its
4 articles of incorporation and bylaws to provide for operation under
5 this chapter as a stock association.

6 Upon adoption of the resolution, members shall be given notice of
7 the proposed change and shall be offered, for a period of sixty days
8 following the date of the meeting, the right to subscribe for the
9 proposed stock, pro rata to their deposits in such mutual association,
10 and such right shall be transferable. In the event that the total
11 stock required has not, at the end of the sixty day period, been fully
12 subscribed, the unsubscribed portion shall be offered to any former
13 subscribers for such stock.

14 When the stock has been fully subscribed and paid for, certified
15 copies of the documents relating to the conversion shall be submitted
16 to the ((~~supervisor~~)) director for his or her approval of the
17 conversion proceedings. Upon notification by the ((~~supervisor~~))
18 director that the ((~~supervisor~~)) director approves the conversion, the
19 directors shall adopt a resolution declaring the association to be a
20 stock association and thereafter it shall be such.

21 The ((~~supervisor~~)) director shall adopt such rules under chapter
22 34.05 RCW, the administrative procedure act, as are necessary to
23 implement this section in a manner which protects the relative
24 interests of members, depositors, borrowers, stockholders, and
25 creditors.

26 **Sec. 480.** RCW 33.48.130 and 1955 c 122 s 14 are each amended to
27 read as follows:

28 The directors of an association which has voted to amend its
29 charter or convert to another type of institution, may withdraw the
30 application at any time prior to the issuance of the amended charter,
31 by adopting a proper resolution and forwarding a copy to the
32 ((~~supervisor~~)) director.

33 **Sec. 481.** RCW 33.48.150 and 1973 c 130 s 6 are each amended to
34 read as follows:

35 No subscriptions or funds from proposed stockholders of any
36 proposed association, prior to its incorporation and prior to a
37 decision by the ((~~supervisor~~)) director on its application for approval

1 of its articles of incorporation, may be solicited or taken until a
2 verified application for an organizing permit has been filed and a
3 permit has been issued by the (~~supervisor~~) director authorizing such
4 subscription or collection of funds and then, only in accordance with
5 the terms of such permit.

6 **Sec. 482.** RCW 33.48.160 and 1973 c 130 s 7 are each amended to
7 read as follows:

8 The application for an organizing permit under RCW 33.48.150 shall
9 be in writing, verified as provided by law for the verification of
10 pleadings and shall be filed in the office of the (~~supervisor~~)
11 director. Such application shall be signed by the proposed
12 incorporators and shall include the following:

13 (1) The names and addresses of its proposed directors, officers and
14 incorporators, to the extent known;

15 (2) The proposed location of its office;

16 (3) A copy of any contract proposed to be used for the solicitation
17 of stock subscriptions and funds for its preincorporation expenses;

18 (4) A copy of any advertisement, circular, or other written matter
19 proposed to be used for soliciting stock subscriptions and funds for
20 its preincorporation expenses;

21 (5) A statement of the total funds proposed to be solicited and
22 collected prior to incorporation and an itemized estimate of the
23 preincorporation expenses proposed to be paid;

24 (6) A list of the names and addresses and amounts of each of the
25 known proposed stockholders and contributors to the fund for
26 preincorporation expenses; and

27 (7) Such additional information as the (~~supervisor~~) director may
28 require.

29 **Sec. 483.** RCW 33.48.170 and 1982 c 3 s 100 are each amended to
30 read as follows:

31 The (~~supervisor~~) director may impose conditions in the
32 (~~supervisor's~~) director's organizing permit issued under RCW
33 33.48.150 concerning the deposit in escrow of funds collected pursuant
34 to said permit, the manner of expenditure of such funds and such other
35 conditions as he or she deems reasonable and necessary or advisable for
36 the protection of the public and the subscribers to such stock or funds
37 for preincorporation expenses.

1 **Sec. 484.** RCW 33.48.180 and 1982 c 3 s 101 are each amended to
2 read as follows:

3 No association shall sell, take subscriptions for, or issue any
4 stock until the association applies for and secures from the
5 (~~supervisor~~) director a permit authorizing it to sell stock.

6 This section does not apply to an offering involving less than five
7 hundred thousand dollars nor to an offering made under a registration
8 statement filed under the federal securities act of 1933 (48 Stat. 74;
9 15 U.S.C. Sec. 77a).

10 **Sec. 485.** RCW 33.48.190 and 1973 c 130 s 9 are each amended to
11 read as follows:

12 No issued and outstanding stock of an association shall be sold or
13 offered for sale to the public, nor shall subscriptions be solicited or
14 taken for such sales until the association or the selling stockholders
15 have applied for and secured from the (~~supervisor~~) director a permit
16 authorizing the sale of the guaranty stock.

17 This section shall not apply to an offering involving less than ten
18 percent of the issued and outstanding guaranty stock of an association
19 and less than five hundred thousand dollars nor to an offering made
20 under a registration statement filed under the Securities Act of 1933
21 (48 Stat. 74; 15 U.S.C. Sec. 77a).

22 **Sec. 486.** RCW 33.48.200 and 1982 c 3 s 102 are each amended to
23 read as follows:

24 An application for a permit to sell stock shall be in writing and
25 shall be filed in the office of the (~~supervisor~~) director by the
26 association.

27 The application shall include the following:

28 (1) Regarding the association:

29 (a) The names and addresses of its officers;

30 (b) The location of its office;

31 (c) An itemized account of its financial condition within ninety
32 days of the filing date; and

33 (d) A copy of all minutes of any proceedings of its directors,
34 shareholders, or stockholders relating to or affecting the issue of
35 such stock;

36 (2) Regarding the offering:

1 (a) The names and addresses of the selling stockholders and of the
2 officers of any selling corporation and the partners of any selling
3 partnership;

4 (b) A copy of any contract concerning the sale of the stock;

5 (c) A copy of a prospectus or advertisement or other description of
6 the stock prepared for distribution or publication in accordance with
7 requirements prescribed by the ((~~supervisor~~)) director;

8 (d) A brief description of the method by which the stock is to be
9 offered for sale including the offering price and the underwriting
10 commissions and expense, if any; and

11 (3) Such additional information as the ((~~supervisor~~)) director may
12 require.

13 **Sec. 487.** RCW 33.48.210 and 1982 c 3 s 103 are each amended to
14 read as follows:

15 Upon the filing of the application for a permit to sell stock, the
16 ((~~supervisor~~)) director shall examine the application and other papers
17 and documents filed therewith and he or she may make a detailed
18 examination, audit, and investigation of the association and its
19 affairs. If the ((~~supervisor~~)) director finds that the proposed plan
20 for the issue and sale of such stock is fair, just and equitable, the
21 ((~~supervisor~~)) director shall issue to the applicant a permit
22 authorizing it to issue and dispose of its stock in such amounts and
23 for such considerations and upon such terms and conditions as the
24 ((~~supervisor~~)) director may provide in the permit. If the
25 ((~~supervisor~~)) director does not so find he or she shall deny the
26 application and notify the applicant in writing of his or her decision.

27 **Sec. 488.** RCW 33.48.230 and 1982 c 3 s 105 are each amended to
28 read as follows:

29 With respect to sales of stock by an association, the
30 ((~~supervisor~~)) director may impose conditions requiring the impoundment
31 of the proceeds from the sale of stock, limiting the expense in
32 connection with the sale of such stock, and other conditions as he or
33 she deems reasonable and necessary or advisable to insure the
34 disposition of the proceeds from the sale of such stock in the manner
35 and for the purposes provided in the permit.

1 **Sec. 489.** RCW 33.48.240 and 1982 c 3 s 106 are each amended to
2 read as follows:

3 The ((~~supervisor~~)) director may amend, alter, suspend, or revoke
4 any permit issued under RCW 33.48.150 if there is a violation of the
5 terms and conditions of the permit or if the ((~~supervisor~~)) director
6 determines that the subscription or proposed issue and sale is no
7 longer fair, just, and equitable.

8 **Sec. 490.** RCW 33.48.250 and 1985 c 239 s 3 are each amended to
9 read as follows:

10 An association may purchase stock issued by it in an amount not to
11 exceed the amount of earned surplus or undivided profits available for
12 dividends on its stock if: The stock so purchased is included for
13 federal estate tax purposes in determining the gross estate of a
14 decedent, and the amount paid for such purchase is entitled to be
15 treated under section 303 of the Internal Revenue Code of 1954 (68A
16 Stat. 3; 26 U.S.C. Sec. 1), or other applicable federal statute or the
17 corresponding provision of any future federal revenue law, as a
18 distribution in full payment in exchange for the stock so purchased, or
19 such purchase is with the prior consent of the ((~~supervisor~~)) director,
20 or such purchase is pursuant to a put option contained in a plan which
21 has been approved by the ((~~supervisor~~)) director establishing an
22 employee stock ownership plan for the association and its employees
23 pursuant to the provisions of the act of congress entitled "Employee
24 Retirement Income Security Act of 1974", as now constituted or
25 hereafter amended, or Section 409 of the Internal Revenue Code of 1954,
26 as now constituted or hereafter amended. Stock so purchased until sold
27 shall be carried as treasury stock. Upon the purchase of any stock
28 issued by the association, an amount equal to the purchase price shall
29 be set aside from earned surplus or undivided profits available for
30 dividends to a specific reserve account established for this purpose.
31 Upon sale of any of such stock, the amount relating thereto in the
32 specific reserve account shall be returned to the surplus or undivided
33 profits account (as the case may be) and shall be available for
34 dividends. Reacquired stock shall not be resold at less than its
35 reacquisition cost, without the specific approval of the ((~~supervisor~~))
36 director, and shall not be resold or reissued except in accordance with
37 RCW 33.48.220 through 33.48.240.

1 **Sec. 491.** RCW 33.48.260 and 1982 c 3 s 108 are each amended to
2 read as follows:

3 With the prior consent of the ((~~supervisor~~)) director, the stock of
4 an association may be reduced by resolution of the board of directors
5 approved by the vote or written consent of the holders of a majority in
6 amount of the outstanding stock of the association to such amount as
7 the ((~~supervisor~~)) director approves.

8 **Sec. 492.** RCW 33.48.280 and 1982 c 3 s 110 are each amended to
9 read as follows:

10 An association may, by action of its board of directors and with
11 the prior approval of the ((~~supervisor~~)) director, apply any part or
12 all of any paid-in or contributed surplus or any surplus created by
13 reduction of stock to the reduction or writing off of any deficit
14 arising from losses or diminution in value of its assets, or may
15 transfer to or designate as a part of its federal insurance account or
16 any other reserve account irrevocably established for the sole purpose
17 of absorbing losses, any part or all of any paid-in or contributed
18 surplus or any surplus created by reduction of stock.

19 **Sec. 493.** RCW 33.48.320 and 1982 c 3 s 112 are each amended to
20 read as follows:

21 If, in the opinion of the ((~~supervisor~~)) director, it is necessary
22 for any of the requirements of this chapter to be waived in order to
23 permit an association which is in danger of failing to convert its
24 charter from a mutual association to a stock association or from a
25 stock association to a mutual association so that the association may
26 be acquired by an association or a savings and loan holding company,
27 then the ((~~supervisor~~)) director may waive any such requirement.

28 **Sec. 494.** RCW 39.58.010 and 1984 c 177 s 10 are each amended to
29 read as follows:

30 In this chapter, unless the context otherwise requires:

31 (1) "Public funds" means moneys under the control of a treasurer or
32 custodian belonging to, or held for the benefit of, the state or any of
33 its political subdivisions, municipal corporations, agencies, courts,
34 boards, commissions, or committees, including moneys held as trustee,
35 agent, or bailee;

1 (2) "Qualified public depository," "public depository," or
2 "depository" means a financial institution which does not claim
3 exemption from the payment of any sales or compensating use or ad
4 valorem taxes under the laws of this state, which has been approved by
5 the commission to hold public deposits, and which has segregated for
6 the benefit of the commission eligible collateral having a value of not
7 less than its maximum liability. Addition of the word "bank" denotes
8 a bank, trust company, or national banking association and the word
9 "thrift" denotes a savings and loan association, mutual savings bank,
10 or stock savings bank;

11 (3) "Loss" means the issuance of an order by a regulatory or
12 supervisory authority or a court of competent jurisdiction (a)
13 restraining a qualified public depository from making payments of
14 deposit liabilities or (b) appointing a receiver for a qualified public
15 depository;

16 (4) "Commission" means the Washington public deposit protection
17 commission created under RCW 39.58.030;

18 (5) "Eligible collateral" means securities which are enumerated in
19 RCW 39.58.050(5) and (6) as eligible collateral for public deposits;

20 (6) The "maximum liability" of a qualified public depository on any
21 given date means a sum equal to ten percent of (a) all public deposits
22 held by the qualified public depository on the then most recent
23 commission report date, or (b) the average of the balances of said
24 public deposits on the last four immediately preceding reports required
25 pursuant to RCW 39.58.100, whichever amount is greater, less any
26 assessments paid to the commission pursuant to this chapter since the
27 then most recent commission report date;

28 (7) "Public funds available for investment" means such public funds
29 as are in excess of the anticipated cash needs throughout the duration
30 of the contemplated investment period;

31 (8) "Investment deposits" means time deposits and savings deposits
32 of public funds available for investment;

33 (9) "Treasurer" shall mean the state treasurer, a county treasurer,
34 a city treasurer, a treasurer of any other municipal corporation, and
35 the custodian of any other public funds;

36 (10) "Financial institution" means a branch of a bank engaged in
37 banking in this state in accordance with RCW 30.04.300, and any state
38 bank or trust company, national banking association, stock savings

1 bank, mutual savings bank, or savings and loan association located in
2 this state and lawfully engaged in business;

3 (11) "Commission report" means a formal accounting rendered by all
4 qualified public depositaries to the commission in response to a demand
5 for specific information made upon all depositaries by the commission
6 detailing pertinent affairs of each depositary as of the close of
7 business on a specified date, which is the "commission report date."
8 "Commission report due date" is the last day for the timely filing of
9 a commission report;

10 (12) (~~("Supervisor" means either the supervisor of banks or the~~
11 ~~supervisor of savings and loan associations or both depending upon~~
12 ~~context and usage in accordance with applicable statutory authority))~~
13 "Director" means the director of financial institutions;

14 (13) "Net worth" of a depositary means (a) for a bank depositary,
15 the aggregate of capital, surplus, undivided profits and all capital
16 notes and debentures which are subordinate to the interest of
17 depositors, and (b) for a thrift depositary, the aggregate of such
18 capital stock, guaranty fund, general reserves, surplus, undivided
19 profits, and capital notes and debentures which are subordinate to the
20 interest of depositors, as are eligible for inclusion in otherwise
21 determining the net worth of a mutual savings bank, stock savings bank,
22 or savings and loan association.

23 **Sec. 495.** RCW 43.19.015 and 1984 c 29 s 2 are each amended to read
24 as follows:

25 The director of (~~general administration~~) financial institutions
26 shall have the power and duties of the director of public institutions
27 contained in the following chapters of RCW: Chapter 33.04 RCW
28 concerning savings and loan associations; and chapter 39.32 RCW
29 concerning purchase of federal property.

30 **Sec. 496.** RCW 43.24.020 and 1989 1st ex.s. c 9 s 314 are each
31 amended to read as follows:

32 The director of licensing shall administer all laws with respect to
33 the examination of applicants for, and the issuance of, licenses to
34 persons to engage in any business, profession, trade, occupation, or
35 activity except for health professions.

36 (~~This shall include the administration of all laws pertaining to~~
37 ~~the regulation of securities and speculative investments.))~~

1 **Sec. 497.** RCW 43.24.024 and 1979 c 158 s 96 are each amended to
2 read as follows:

3 The director of licensing may delegate to the assistant director of
4 the business and professions administration in the department of
5 licensing authority to promulgate rules and regulations relating to the
6 licensing of persons engaged in businesses and professions (~~and to the~~
7 ~~administration of laws pertaining to the regulation of securities~~).
8 The director may delegate the authority to issue and sign licenses,
9 certificates, permits and renewals thereof pertaining to those
10 activities transferred to the business and professions administration
11 in the department of licensing pursuant to RCW 46.01.050.

12 **Sec. 498.** RCW 43.163.010 and 1989 c 279 s 2 are each amended to
13 read as follows:

14 As used in this chapter, the following words and terms have the
15 following meanings, unless the context requires otherwise:

16 (1) "Authority" means the Washington economic development finance
17 authority created under RCW 43.163.020 or any board, body, commission,
18 department or officer succeeding to the principal functions of the
19 authority or to whom the powers conferred upon the authority shall be
20 given by law;

21 (2) "Bonds" means any bonds, notes, debentures, interim
22 certificates, conditional sales or lease financing agreements, lines of
23 credit, forward purchase agreements, investment agreements, and other
24 banking or financial arrangements, guaranties, or other obligations
25 issued by or entered into by the authority. Such bonds may be issued
26 on either a tax-exempt or taxable basis;

27 (3) "Borrower" means one or more public or private persons or
28 entities acting as lessee, purchaser, mortgagor, or borrower who has
29 obtained or is seeking to obtain financing either from the authority or
30 from an eligible banking organization that has obtained or is seeking
31 to obtain funds from the authority to finance a project. A borrower
32 may include a party who transfers the right of use and occupancy to
33 another party by lease, sublease or otherwise, or a party who is
34 seeking or has obtained a financial guaranty from the authority;

35 (4) "Eligible banking organization" means any organization subject
36 to regulation by the (~~state supervisor of banking or the state~~
37 ~~supervisor of savings and loans~~) director of financial institutions,

1 any national bank, federal savings and loan association, and federal
2 credit union located within this state;

3 (5) "Eligible export transaction" means any preexport or export
4 activity by a person or entity located in the state of Washington
5 involving a sale for export and product sale which, in the judgment of
6 the authority: (a) Will create or maintain employment in the state of
7 Washington, (b) will obtain a material percent of its value from
8 manufactured goods or services made, processed or occurring in
9 Washington, and (c) could not otherwise obtain financing on reasonable
10 terms from an eligible banking organization;

11 (6) "Eligible farmer" means any person who is a resident of the
12 state of Washington and whose specific acreage qualifying for receipts
13 from the federal department of agriculture under its conservation
14 reserve program is within the state of Washington;

15 (7) "Financing document" means an instrument executed by the
16 authority and one or more persons or entities pertaining to the
17 issuance of or security for bonds, or the application of the proceeds
18 of bonds or other funds of, or payable to, the authority. A financing
19 document may include, but need not be limited to, a lease, installment
20 sale agreement, conditional sale agreement, mortgage, loan agreement,
21 trust agreement or indenture, security agreement, letter or line of
22 credit, reimbursement agreement, insurance policy, guaranty agreement,
23 or currency or interest rate swap agreement. A financing document also
24 may be an agreement between the authority and an eligible banking
25 organization which has agreed to make a loan to a borrower;

26 (8) "Plan" means the general plan of economic development finance
27 objectives developed and adopted by the authority, and updated from
28 time to time, as required under RCW 43.163.090.

29 **Sec. 499.** RCW 43.163.110 and 1989 c 279 s 12 are each amended to
30 read as follows:

31 Notwithstanding any other provision of this chapter, the authority
32 shall not:

33 (1) Give any state money or property or loan any state money or
34 credit to or in aid of any individual, association, company, or
35 corporation, or become directly or indirectly the owner of any stock in
36 or bonds of any association, company, or corporation;

37 (2) Issue bills of credit or accept deposits of money for time or
38 demand deposit, administer trusts, engage in any form or manner in, or

1 in the conduct of, any private or commercial banking business, or act
2 as a savings bank or savings and loan association other than as
3 provided in this chapter;

4 (3) Be or constitute a bank or trust company within the
5 jurisdiction or under the control of the (~~division of banking of the~~
6 ~~state~~) director of financial institutions, the comptroller of the
7 currency of the United States of America or the treasury department
8 thereof;

9 (4) Be or constitute a bank, broker or dealer in securities within
10 the meaning of, or subject to the provisions of, any securities,
11 securities exchange or securities dealers' law of the United States of
12 America or the state;

13 (5) Engage in the financing of housing as provided for in chapter
14 43.180 RCW;

15 (6) Engage in the financing of health care facilities as provided
16 for in chapter 70.37 RCW; or

17 (7) Engage in financing higher education facilities as provided for
18 in chapter 28B.07 RCW.

19 **Sec. 500.** RCW 46.01.011 and 1979 c 158 s 113 are each amended to
20 read as follows:

21 The legislature finds that the department of licensing administers
22 laws relating to the licensing and regulation of professions,
23 businesses, (~~securities~~) gambling, and other activities in addition
24 to administering laws relating to the licensing and regulation of
25 vehicles and vehicle operators, dealers, and manufacturers. The laws
26 administered by the department have the common denominator of licensing
27 and regulation and are directed toward protecting and enhancing the
28 well-being of the residents of the state.

29 **Sec. 501.** RCW 46.01.050 and 1979 c 158 s 116 are each amended to
30 read as follows:

31 All powers, functions and duties vested by law in the division of
32 professional licensing in the department of licensing on August 9,
33 1969, other than those enumerated in RCW 46.01.040, shall be
34 transferred to the business and professions administration hereby
35 created consisting of the divisions of (~~securities~~) real estate(~~)~~
36 and professional licensing, within the department of licensing.

1 **Sec. 502.** RCW 48.18A.060 and 1973 1st ex.s. c 163 s 7 are each
2 amended to read as follows:

3 No person shall be or act as an agent for the solicitation or sale
4 of variable contracts except while duly appointed and licensed under
5 the insurance code as a life insurance agent with respect to the
6 insurer, and while duly licensed as a security salesman or securities
7 broker under a license issued by the ((~~administrator of securities~~))
8 director of financial institutions pursuant to the securities act of
9 this state; except that any person who participates only in the sale or
10 offering for sale of variable contracts which fund corporate plans
11 meeting the requirements for qualification under sections 401 or 403 of
12 the United States internal revenue code need not be licensed pursuant
13 to the securities act of this state.

14 **Sec. 503.** RCW 48.18A.070 and 1969 c 104 s 7 are each amended to
15 read as follows:

16 Notwithstanding any other provision of law, the commissioner shall
17 have sole and exclusive authority to regulate the issuance and sale of
18 variable contracts; except for the examination, issuance or renewal,
19 suspension or revocation, of a security salesman's license issued to
20 persons selling variable contracts. To carry out the purposes and
21 provisions of this chapter he or she may independently, and in concert
22 with the ((~~state securities administrator~~)) director of financial
23 institutions, issue such reasonable rules and regulations as may be
24 appropriate.

25 **Sec. 504.** RCW 58.19.030 and 1979 c 158 s 209 are each amended to
26 read as follows:

27 (1) Unless the method of disposition is adopted for the purpose of
28 evasion of this chapter, the provisions of this chapter shall not apply
29 to land and offers or dispositions:

30 (a) By a purchaser of developed lands for his or her own account in
31 a single or isolated transaction;

32 (b) If fewer than ten separate lots, parcels, units, or interests
33 in developed lands are offered by a person in a period of twelve
34 months;

35 (c) If each lot offered in the development is five acres or more;

36 (d) On which there is a residential, commercial, or industrial
37 building, or as to which there is a legal obligation on the part of the

1 seller to construct such a building within two years from date of
2 disposition;

3 (e) To any person who acquires such lot, parcel, unit or interest
4 therein for the purpose of engaging in the business of constructing
5 residential, commercial, or industrial buildings or for the purpose of
6 resale or lease or other disposition of such lots to persons engaged in
7 such business or businesses;

8 (f) Any lot, parcel, unit or interest if the development is located
9 within an area incorporated prior to January 1, 1974;

10 (g) Pursuant to court order; or

11 (h) As cemetery lots or interests.

12 (2) Unless the method of disposition is adopted for the purpose of
13 evasion of this chapter, the provisions of this chapter shall not apply
14 to:

15 (a) Offers or dispositions of evidence of indebtedness secured by
16 a mortgage or deed of trust of real estate;

17 (b) Offers or dispositions of securities or units of interest
18 issued by a real estate investment trust regulated under any state or
19 federal statute;

20 (c) A development as to which the director has waived the
21 provisions of this chapter (~~(as provided in RCW 58.19.040)~~);

22 (d) Offers or dispositions of securities currently registered with
23 the (~~(business and professions administration in the)~~) department of
24 (~~(licensing)~~) financial institutions;

25 (e) Offers or dispositions of any interest in oil, gas, or other
26 minerals or any royalty interest therein if the offers or dispositions
27 of such interests are regulated as securities by the United States or
28 by the (~~(business and professions administration in the)~~) department of
29 (~~(licensing)~~) financial institutions.

30 **Sec. 505.** RCW 70.37.020 and 1989 c 65 s 1 are each amended to read
31 as follows:

32 As used in this chapter, the following words and terms have the
33 following meanings, unless the context indicates or requires another or
34 different meaning or intent and the singular of any term shall
35 encompass the plural and the plural the singular unless the context
36 indicates otherwise:

37 (1) "Authority" means the Washington health care facilities
38 authority created by RCW 70.37.030 or any board, body, commission,

1 department or officer succeeding to the principal functions thereof or
2 to whom the powers conferred upon the authority shall be given by law.

3 (2) "Bonds" mean bonds, notes or other evidences of indebtedness of
4 the authority issued pursuant hereto.

5 (3) "Health care facility" means any land, structure, system,
6 machinery, equipment or other real or personal property or
7 appurtenances useful for or associated with delivery of inpatient or
8 outpatient health care service or support for such care or any
9 combination thereof which is operated or undertaken in connection with
10 hospital, clinic, health maintenance organization, diagnostic or
11 treatment center, extended care facility, or any facility providing or
12 designed to provide therapeutic, convalescent or preventive health care
13 services, and shall include research and support facilities of a
14 comprehensive cancer center, but excluding, however, any facility which
15 is maintained by a participant primarily for rental or lease to self-
16 employed health care professionals or as an independent nursing home or
17 other facility primarily offering domiciliary care.

18 (4) "Participant" means any city, county or other municipal
19 corporation or agency or political subdivision of the state or any
20 corporation, hospital, comprehensive cancer center, or health
21 maintenance organization authorized by law to operate nonprofit health
22 care facilities, or any affiliate, as defined by regulations
23 promulgated by the director of the department of (~~licensing~~)
24 financial institutions pursuant to RCW 21.20.450, which is a nonprofit
25 corporation acting for the benefit of any entity described in this
26 subsection.

27 (5) "Project" means a specific health care facility or any
28 combination of health care facilities, constructed, purchased,
29 acquired, leased, used, owned or operated by a participant, and
30 alterations, additions to, renovations, enlargements, betterments and
31 reconstructions thereof.

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