
SENATE BILL 5803

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By Senators Moore, Prince, Wojahn, Sutherland, Vognild, Sellar, Prentice, McAuliffe, McCaslin, A. Smith, Cantu, Drew, Moyer, Hargrove, Loveland, Deccio, West, Bauer and Franklin

Read first time 02/15/93. Referred to Committee on Labor & Commerce.

1 AN ACT Relating to regulation of bank branching; amending RCW
2 30.40.020; adding a new chapter to Title 30 RCW; and creating a new
3 section.

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

5 NEW SECTION. **Sec. 1.** The purpose of this act is to establish a
6 legal and regulatory framework for interstate state bank branching that
7 will:

8 (1) Permit Washington state banks to establish branches in other
9 states, and permit banks chartered in certain other states to establish
10 branches in Washington; and

11 (2) Contribute to a well-regulated and supervised financial system.

12 **Sec. 2.** RCW 30.40.020 and 1986 c 279 s 39 are each amended to read
13 as follows:

14 A bank or trust company may, with the approval of the supervisor,
15 establish and operate branches anywhere within the state or in any
16 state other than this state, subject to the laws of that state. A bank
17 having a paid-in capital of not less than one million dollars may, with
18 the approval of the supervisor, establish and operate branches in any

1 foreign country. The supervisor's approval of a branch within this
2 state shall be conditioned on a finding that the resources in the
3 neighborhood of the proposed location and in the surrounding country
4 offer a reasonable promise of adequate support for the proposed branch
5 and that the proposed branch is not being formed for other than the
6 legitimate objects covered by this title. The supervisor's approval of
7 a branch in another state or in a foreign country shall be conditioned
8 on a finding that the proposed location offers a reasonable promise of
9 adequate support for the proposed branch, (~~{and}~~) and that the
10 proposed branch is not being formed for other than the legitimate
11 objects covered by this title. A bank or trust company that
12 establishes and operates one or more branches outside this state may
13 exercise such powers at such branch or branches as would be permitted
14 at such place or places to the institution with the type of charter
15 that most nearly corresponds to the charter of the institution, unless
16 the supervisor determines that the exercise of any such powers would be
17 contrary to the public interest or would endanger the institution.

18 NEW SECTION. Sec. 3. The definitions set forth in this section
19 apply throughout this chapter.

20 (1) "Acquisition transaction" means a merger, consolidation, or
21 purchase of assets and assumption of liabilities.

22 (2) "Appropriate state supervisor" means the home state supervisor
23 with supervisory and regulatory jurisdiction over a non-Washington
24 depository institution in its home state.

25 (3) "Bank" has the meaning defined in RCW 30.04.010 and includes a
26 trust company that has the power to accept deposits.

27 (4) "Home state" means, with respect to a non-Washington depository
28 institution, the state under the laws of which it is incorporated or
29 otherwise organized.

30 (5) "Non-Washington depository institution" means a state bank as
31 that term is defined in Section 3(a)(2) of the Federal Deposit
32 Insurance Act (12 U.S.C. Sec. 1813(a)(2)) and the state bank is
33 organized under the laws of the state of Alaska, Arizona, California,
34 Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, or Wyoming.
35 The term does not include a bank chartered in Washington.

36 NEW SECTION. Sec. 4. (1) Subject to this chapter, a non-
37 Washington depository institution may engage in an acquisition

1 transaction with a bank if the transaction is permitted by the laws of
2 the home state of the non-Washington depository institution. The non-
3 Washington depository institution may maintain and operate the branch
4 or branches that it has received as a result of an acquisition
5 transaction.

6 (2) A bank shall comply with chapter 30.49 RCW as applied to a
7 merger to a resulting state bank, in the case of a merger, or chapter
8 30.44 RCW, in the case of a sale of assets, and a non-Washington
9 financial institution shall comply with the applicable provisions of
10 the law of its home state.

11 (3) Notwithstanding subsection (1) of this section, a non-
12 Washington depository institution may not engage in an acquisition
13 transaction with a bank and thereafter maintain as a branch of the non-
14 Washington depository institution a former office or branch of the bank
15 unless:

16 (a) The bank has been operating for not less than three years; and

17 (b) If the non-Washington depository institution is owned by an
18 out-of-state bank holding company, the terms and conditions of RCW
19 30.04.230 or 30.04.232 are fulfilled; and

20 (c) The supervisor finds that the laws of the home state of the
21 non-Washington depository institution:

22 (i) Authorize a bank to engage in an acquisition transaction of the
23 same type with the non-Washington depository institution and then to
24 maintain the former offices and branches of the non-Washington
25 depository institution in the home state of the non-Washington
26 depository institution as branches of the bank; and

27 (ii) Do not impose conditions on the powers or privileges that may
28 be exercised at a branch of a bank in the home state of the non-
29 Washington depository institution that are materially more restrictive
30 than those imposed on the powers or privileges that may be exercised by
31 such non-Washington depository institution in its home state; and

32 (d) The appropriate state supervisor has agreed with the supervisor
33 as to the matters described in section 6 of this act; and

34 (e) The non-Washington depository institution has filed with the
35 supervisor such other information as may be required by rule adopted by
36 the supervisor.

37 NEW SECTION. **Sec. 5.** The resulting corporation of a merger
38 permitted under this chapter shall be the same business and corporate

1 entity as each merging institution with all property, rights, powers,
2 and duties of each merging institution, except as affected by state law
3 and by the charter and bylaws of the resulting corporation.

4 The resulting corporation may use the name of any merging
5 institution whenever it can do any act under that name more
6 conveniently.

7 A reference to a merging institution in a writing, whether executed
8 or taking effect before or after the merger, is deemed a reference to
9 the resulting corporation if not inconsistent with the other provisions
10 of the writing.

11 NEW SECTION. **Sec. 6.** (1) A non-Washington depository institution
12 that is operating one or more branches in Washington under an
13 acquisition transaction under this chapter may thereafter establish and
14 operate one or more additional de novo branches in this state with the
15 prior approval of the supervisor. An application for approval
16 submitted under this section must contain such information as required
17 by the supervisor. The supervisor shall approve or disapprove the
18 application in accordance with the standards of RCW 30.40.020 as
19 applied to a bank.

20 (2) Notwithstanding subsection (1) of this section, a non-
21 Washington depository institution may not establish or operate an
22 additional branch or branches under subsection (1) of this section
23 unless the supervisor finds that the laws of the home state of the non-
24 Washington depository institution authorize a bank that operates one or
25 more branches in that state, either under a merger or a purchase and
26 assumption transaction, to thereafter establish and operate one or more
27 additional de novo branches in that state, with no more restrictive
28 limitations on the location of the additional branch or branches than
29 would be applicable to the non-Washington depository institution.

30 NEW SECTION. **Sec. 7.** Notwithstanding any provision of RCW
31 30.04.290, a non-Washington depository institution that operates a
32 branch in accordance with the requirements of this chapter has in this
33 state the same powers as a bank.

34 NEW SECTION. **Sec. 8.** (1) The supervisor may examine every branch
35 located in this state of a non-Washington depository institution for
36 the same purposes and to the same extent as provided under this title

1 for banks and may collect the estimated actual cost of the
2 examinations. The supervisor shall, to the fullest extent possible,
3 coordinate with the appropriate state supervisor as to the examination
4 or the sharing of information in lieu thereof.

5 The supervisor may enter into cooperative and reciprocal agreements
6 with the appropriate state supervisor for the purpose of sharing or
7 obtaining examination reports, reports of condition, personnel, and
8 costs for carrying out the supervisor's responsibilities under this
9 chapter and the responsibilities of the appropriate state supervisor.
10 Without limiting the generality of this authorization, the supervisor
11 may obtain such examination reports and reports of condition as the
12 supervisor deems sufficient to allow the supervisor to ascertain on a
13 current basis the financial condition of the non-Washington depository
14 institution.

15 (2) The supervisor may, upon notice and an opportunity to be heard,
16 suspend or revoke the authority of a non-Washington depository
17 institution to establish or operate a branch or branches in this state
18 if the supervisor finds that the non-Washington depository institution:

- 19 (a) Has violated any law;
- 20 (b) Is conducting its business in an unauthorized or unsafe manner;
- 21 (c) Is in an unsafe or unsound condition to transact its business;
- 22 (d) Cannot with safety and expediency continue business;
- 23 (e) Has neglected or refused to comply with the terms of an order
24 issued by the supervisor;
- 25 (f) Has refused, upon proper demand, to submit its records and
26 affairs for inspection to an examiner for the division;
- 27 (g) Has refused to be examined upon oath regarding its affairs; or
- 28 (h) Has as its home state a state the laws of which no longer
29 permit a bank to establish and maintain a branch in that state under
30 the circumstances under which the non-Washington depository institution
31 was permitted to open, occupy, or maintain a branch or branches in this
32 state.

33 NEW SECTION. **Sec. 9.** No branch of a non-Washington depository
34 institution established under this chapter may be converted to a branch
35 of a national bank until the earlier of (1) five years after the
36 effective date of the acquisition transaction that established the
37 first branch of the non-Washington depository institution in this state
38 or (2) the date on which federal law permits a national bank, other

1 than a state bank that converts to national bank, to establish or
2 maintain branches in a state other than the state in which its head
3 office is located.

4 NEW SECTION. **Sec. 10.** The supervisor may adopt rules consistent
5 with the purposes of this chapter, including but not limited to rules
6 necessary or appropriate to interpret, implement, or enforce this
7 chapter.

8 NEW SECTION. **Sec. 11.** Sections 3 through 10 of this act
9 constitute a new chapter in Title 30 RCW.

10 NEW SECTION. **Sec. 12.** If any provision of this act or its
11 application to any person or circumstance is held invalid, the
12 remainder of the act or the application of the provision to other
13 persons or circumstances is not affected.

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