

CERTIFICATION OF ENROLLMENT

**SUBSTITUTE SENATE BILL 5270**

53rd Legislature  
1993 Regular Session

Passed by the Senate April 20, 1993  
YEAS 46 NAYS 0

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**President of the Senate**

Passed by the House April 9, 1993  
YEAS 77 NAYS 21

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**Speaker of the  
House of Representatives**

Approved

CERTIFICATE

I, Marty Brown, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SUBSTITUTE SENATE BILL 5270** as passed by the Senate and the House of Representatives on the dates hereon set forth.

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**Secretary**

FILED

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Governor of the State of Washington

**Secretary of State  
State of Washington**

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**SUBSTITUTE SENATE BILL 5270**

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AS AMENDED BY THE HOUSE

Passed Legislature - 1993 Regular Session

**State of Washington                      53rd Legislature                      1993 Regular Session**

**By** Senate Committee on Labor & Commerce (originally sponsored by  
Senators Moore, Prentice and Amondson)

Read first time 02/11/93.

1            AN ACT Relating to the creation of the department of financial  
2 institutions; amending RCW 21.20.005, 21.20.450, 21.20.720, 43.17.010,  
3 43.17.020, 43.19.010, 43.19.020, 43.19.030, 43.19.050, 43.19.080,  
4 43.19.090, 43.19.095, and 43.19.112; adding a new chapter to Title 43  
5 RCW; creating new sections; recodifying RCW 43.19.020, 43.19.030,  
6 43.19.050, 43.19.080, 43.19.090, 43.19.095, and 43.19.112; repealing  
7 RCW 43.19.040, 43.19.100, and 43.19.110; and providing an effective  
8 date.

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

10            NEW SECTION.    **Sec. 1.**    The legislature finds that, given the  
11 overlap of powers and products in the companies regulated, the  
12 consolidation of the agencies regulating financial institutions and  
13 securities into one department will better serve the public interest  
14 through more effective use of staff expertise.    Therefore, for the  
15 convenience of administration and the centralization of control and the  
16 more effective use of state resources and expertise, the state desires  
17 to combine the regulation of financial institutions and securities into  
18 one department.

1        NEW SECTION.        **Sec. 2.**        A state department of financial  
2 institutions, headed by the director of financial institutions, is  
3 created. The department shall be organized and operated in a manner  
4 that to the fullest extent permissible under applicable law protects  
5 the public interest, protects the safety and soundness of depository  
6 institutions and entities under the jurisdiction of the department,  
7 ensures access to the regulatory process for all concerned parties, and  
8 protects the interests of investors. The department of financial  
9 institutions shall be structured to reflect the unique differences in  
10 the types of institutions and areas it regulates.

11        NEW SECTION.        **Sec. 3.**        The director of financial institutions shall  
12 be appointed by the governor and shall exercise all powers and perform  
13 all of the duties and functions transferred under section 6 of this  
14 act, and such other powers and duties as may be authorized by law. The  
15 director may deputize, appoint, and employ examiners and other such  
16 assistants and personnel as may be necessary to carry on the work of  
17 the department. The director of financial institutions shall receive  
18 a salary in an amount fixed by the governor.

19        NEW SECTION.        **Sec. 4.**        A person is not eligible for appointment as  
20 director of financial institutions unless he or she is, and for the  
21 last two years before his or her appointment has been, a citizen of the  
22 United States. A person is not eligible for appointment as director of  
23 financial institutions if he or she has an interest at the time of  
24 appointment, as a director, trustee, officer, or stockholder in any  
25 bank, savings bank, savings and loan association, credit union,  
26 consumer loan company, trust company, securities broker-dealer or  
27 investment advisor, or other institution regulated by the department.

28        NEW SECTION.        **Sec. 5.**        The director of financial institutions may  
29 adopt any rules, under chapter 34.05 RCW, necessary to implement the  
30 powers and duties of the director under this chapter.

31        NEW SECTION.        **Sec. 6.**        (1) All powers, duties, and functions of the  
32 department of general administration under Titles 30, 31, 32, 33, and  
33 43 RCW and any other title pertaining to duties relating to banks,  
34 savings banks, foreign bank branches, savings and loan associations,  
35 credit unions, consumer loan companies, check cashers and sellers,

1 trust companies and departments, and other similar institutions are  
2 transferred to the department of financial institutions. All  
3 references to the director of general administration, supervisor of  
4 banking, or the supervisor of savings and loan associations in the  
5 Revised Code of Washington are construed to mean the director of the  
6 department of financial institutions when referring to the functions  
7 transferred in this section. All references to the department of  
8 general administration in the Revised Code of Washington are construed  
9 to mean the department of financial institutions when referring to the  
10 functions transferred in this subsection.

11 (2) All powers, duties, and functions of the department of  
12 licensing under chapters 19.100, 19.110, 21.20, 21.30, and 48.18A RCW  
13 and any other statute pertaining to the regulation of securities,  
14 franchises, business opportunities, commodities, and any other  
15 speculative investments are transferred to the department of financial  
16 institutions. All references to the director or department of  
17 licensing in the Revised Code of Washington are construed to mean the  
18 director or department of financial institutions when referring to the  
19 functions transferred in this subsection.

20 NEW SECTION. **Sec. 7.** All reports, documents, surveys, books,  
21 records, files, papers, or other written or electronically stored  
22 material in the possession of the department of general administration  
23 or the department of licensing and pertaining to the powers, functions,  
24 and duties transferred by section 6 of this act shall be delivered to  
25 the custody of the department of financial institutions. All cabinets,  
26 furniture, office equipment, motor vehicles, and other tangible  
27 property purchased by the division of banking and the division of  
28 savings and loan in carrying out the powers, functions, and duties  
29 transferred by section 6 of this act shall be transferred to the  
30 department of financial institutions. All cabinets, furniture, office  
31 equipment, motor vehicles, and other tangible property employed by the  
32 department of licensing in carrying out the powers, functions, and  
33 duties transferred by section 6 of this act shall be made available to  
34 the department of financial institutions. All funds, credits, or other  
35 assets held by the department of general administration or the  
36 department of licensing in connection with the powers, functions, and  
37 duties transferred by section 6 of this act shall be assigned to the  
38 department of financial institutions.

1 Any appropriations made to the department of general administration  
2 or the department of licensing for carrying out the powers, functions,  
3 and duties transferred by section 6 of this act shall, on the effective  
4 date of this act, be transferred and credited to the department of  
5 financial institutions.

6 If a dispute arises as to the transfer of any personnel, funds,  
7 books, documents, records, papers, files, equipment, or other tangible  
8 property used or held in the exercise of the powers and the performance  
9 of the duties and functions transferred, the director of financial  
10 management shall make a determination as to the proper allocation and  
11 certify the same to the state agencies concerned.

12 NEW SECTION. **Sec. 8.** The director of financial institutions may  
13 appoint assistant directors for each of the divisions of the department  
14 and delegate to them the power to perform any act or duty conferred  
15 upon the director. The director is responsible for the official acts  
16 of these assistant directors.

17 The department of financial institutions shall consist of at least  
18 the following four divisions: The division of FDIC insured  
19 institutions, with regulatory authority over all state-chartered FDIC  
20 insured institutions; the division of credit unions, with regulatory  
21 authority over all state-chartered credit unions; the division of  
22 consumer affairs, with regulatory authority over state-licensed  
23 nondepository lending institutions and other regulated entities; and  
24 the division of securities, with regulatory authority over securities,  
25 franchises, business opportunities, and commodities. The director of  
26 financial institutions is granted broad administrative authority to add  
27 additional responsibilities to these divisions as necessary and  
28 consistent with applicable law.

29 For purposes of this section, "FDIC" means the Federal Deposit  
30 Insurance Corporation.

31 NEW SECTION. **Sec. 9.** All employees classified under chapter 41.06  
32 RCW, the state civil service law, who are employees of the department  
33 of general administration or the department of licensing engaged in  
34 performing the powers, functions, and duties transferred by section 6  
35 of this act are transferred to the department of financial  
36 institutions. All such employees are assigned to the department of  
37 financial institutions to perform their usual duties upon the same

1 terms as formerly, without any loss of rights, subject to any action  
2 that may be appropriate thereafter in accordance with the laws and  
3 rules governing state civil service.

4 NEW SECTION. **Sec. 10.** All rules and all pending business before  
5 the department of general administration or the department of licensing  
6 pertaining to the powers, functions, and duties transferred by section  
7 6 of this act shall be continued and acted upon by the department of  
8 financial institutions. All existing contracts and obligations shall  
9 remain in full force and shall be performed by the department of  
10 financial institutions.

11 NEW SECTION. **Sec. 11.** The transfer of the powers, duties,  
12 functions, and personnel of the department of general administration or  
13 the department of licensing under sections 6, 7, 9, and 10 of this act  
14 does not affect the validity of any act performed by such an employee  
15 before the effective date of this act.

16 NEW SECTION. **Sec. 12.** If apportionments of budgeted funds are  
17 required because of the transfers directed by sections 6 through 11 of  
18 this act, the director of financial management shall certify the  
19 apportionments to the agencies affected, to the state auditor, and to  
20 the state treasurer. Each of these shall make the appropriate transfer  
21 and adjustments in funds and appropriation accounts and equipment  
22 records in accordance with the certification.

23 NEW SECTION. **Sec. 13.** Nothing contained in sections 6 through 11  
24 of this act may be construed to alter any existing collective  
25 bargaining unit or the provisions of any existing collective bargaining  
26 agreement until the expiration date of the current agreement or until  
27 the bargaining unit has been modified by action of the personnel board  
28 as provided by law.

29 **Sec. 14.** RCW 21.20.005 and 1989 c 391 s 1 are each amended to read  
30 as follows:

31 The definitions set forth in this section shall apply throughout  
32 this chapter, unless the context otherwise requires:

33 (1) "Director" means the director of (~~licensing~~) financial  
34 institutions of this state.

1 (2) "Salesperson" means any individual other than a broker-dealer  
2 who represents a broker-dealer or issuer in effecting or attempting to  
3 effect sales of securities, but "salesperson" does not include an  
4 individual who represents an issuer in (a) effecting a transaction in  
5 a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), (10),  
6 (11), (12), or (13), (~~as now or hereafter amended,~~) (b) effecting  
7 transactions exempted by RCW 21.20.320, or (c) effecting transactions  
8 with existing employees, partners, or directors of the issuer if no  
9 commission or other remuneration is paid or given directly or  
10 indirectly for soliciting any person in this state.

11 (3) "Broker-dealer" means any person engaged in the business of  
12 effecting transactions in securities for the account of others or for  
13 that person's own account. "Broker-dealer" does not include (a) a  
14 salesperson, issuer, bank, savings institution, or trust company, (b)  
15 a person who has no place of business in this state if the person  
16 effects transactions in this state exclusively with or through the  
17 issuers of the securities involved in the transactions, other broker-  
18 dealers, or banks, savings institutions, trust companies, insurance  
19 companies, investment companies as defined in the investment company  
20 act of 1940, pension or profit-sharing trusts, or other financial  
21 institutions or institutional buyers, whether acting for themselves or  
22 as trustees, or (c) a person who has no place of business in this state  
23 if during any period of twelve consecutive months that person does not  
24 direct more than fifteen offers to sell or to buy into this state in  
25 any manner to persons other than those specified in subsection (b)  
26 above.

27 (4) "Guaranteed" means guaranteed as to payment of principal,  
28 interest, or dividends.

29 (5) "Full business day" means all calendar days, excluding  
30 therefrom Saturdays, Sundays, and all legal holidays, as defined by  
31 statute.

32 (6) "Investment adviser" means any person who, for compensation,  
33 engages in the business of advising others, either directly or through  
34 publications or writings, as to the value of securities or as to the  
35 advisability of investing in, purchasing, or selling securities, or  
36 who, for compensation and as a part of a regular business, issues or  
37 promulgates analyses or reports concerning securities. "Investment  
38 adviser" also includes financial planners and other persons who, as an  
39 integral component of other financially related services, (a) provide

1 the foregoing investment advisory services to others for compensation  
2 as part of a business or (b) hold themselves out as providing the  
3 foregoing investment advisory services to others for compensation.  
4 Investment adviser shall also include any person who holds himself out  
5 as a financial planner.

6 "Investment adviser" does not include (a) a bank, savings  
7 institution, or trust company, (b) a lawyer, accountant, certified  
8 public accountant licensed under chapter 18.04 RCW, engineer, or  
9 teacher whose performance of these services is solely incidental to the  
10 practice of his or her profession, (c) a broker-dealer, (d) a publisher  
11 of any bona fide newspaper, news magazine, or business or financial  
12 publication of general, regular, and paid circulation, (e) a radio or  
13 television station, (f) a person whose advice, analyses, or reports  
14 relate only to securities exempted by RCW 21.20.310(1), (g) a person  
15 who has no place of business in this state if (i) that person's only  
16 clients in this state are other investment advisers, broker-dealers,  
17 banks, savings institutions, trust companies, insurance companies,  
18 investment companies as defined in the investment company act of 1940,  
19 pension or profit-sharing trust, or other financial institutions or  
20 institutional buyers, whether acting for themselves or as trustees, or  
21 (ii) during any period of twelve consecutive months that person does  
22 not direct business communications into this state in any manner to  
23 more than five clients other than those specified in clause (i) above,  
24 or (h) such other persons not within the intent of this paragraph as  
25 the director may by rule or order designate.

26 (7) "Issuer" means any person who issues or proposes to issue any  
27 security, except that with respect to certificates of deposit, voting  
28 trust certificates, or collateral-trust certificates, or with respect  
29 to certificates of interest or shares in an unincorporated investment  
30 trust not having a board of directors (or persons performing similar  
31 functions) or of the fixed, restricted management, or unit type; the  
32 term "issuer" means the person or persons performing the acts and  
33 assuming the duties of depositor or manager pursuant to the provisions  
34 of the trust or other agreement or instrument under which the security  
35 is issued.

36 (8) "Nonissuer" means not directly or indirectly for the benefit of  
37 the issuer.

38 (9) "Person" means an individual, a corporation, a partnership, an  
39 association, a joint-stock company, a trust where the interest of the



1 beneficiaries are evidenced by a security, an unincorporated  
2 organization, a government, or a political subdivision of a government.

3 (10) "Sale" or "sell" includes every contract of sale of, contract  
4 to sell, or disposition of, a security or interest in a security for  
5 value. "Offer" or "offer to sell" includes every attempt or offer to  
6 dispose of, or solicitation of an offer to buy, a security or interest  
7 in a security for value.

8 Any security given or delivered with, or as a bonus on account of,  
9 any purchase of securities or any other thing is considered to  
10 constitute part of the subject of the purchase and to have been offered  
11 and sold for value. A purported gift of assessable stock is considered  
12 to involve an offer and sale. Every sale or offer of a warrant or  
13 right to purchase or subscribe to another security of the same or  
14 another issuer, as well as every sale or offer of a security which  
15 gives the holder a present or future right or privilege to convert into  
16 another security of the same or another issuer, is considered to  
17 include an offer of the other security.

18 (11) "Securities Act of 1933((#))," "Securities Exchange Act of  
19 1934((#))," "Public Utility Holding Company Act of 1935((#))," and  
20 "Investment Company Act of 1940" means the federal statutes of those  
21 names as amended before or after June 10, 1959.

22 (12) "Security" means any note; stock; treasury stock; bond;  
23 debenture; evidence of indebtedness; certificate of interest or  
24 participation in any profit-sharing agreement; collateral-trust  
25 certificate; preorganization certificate or subscription; transferable  
26 share; investment contract; investment of money or other consideration  
27 in the risk capital of a venture with the expectation of some valuable  
28 benefit to the investor where the investor does not receive the right  
29 to exercise practical and actual control over the managerial decisions  
30 of the venture; voting-trust certificate; certificate of deposit for  
31 a security; certificate of interest or participation in an oil, gas or  
32 mining title or lease or in payments out of production under such a  
33 title or lease; charitable gift annuity; or, in general, any interest  
34 or instrument commonly known as a "security((#))," or any certificate  
35 of interest or participation in, temporary or interim certificate for,  
36 receipt for, guarantee of, or warrant or right to subscribe to or  
37 purchase, any of the foregoing; or any sale of or indenture, bond or  
38 contract for the conveyance of land or any interest therein where such  
39 land is situated outside of the state of Washington and such sale or

1 its offering is not conducted by a real estate broker licensed by the  
2 state of Washington. "Security" does not include any insurance or  
3 endowment policy or annuity contract under which an insurance company  
4 promises to pay money either in a lump sum or periodically for life or  
5 some other specified period.

6 (13) "State" means any state, territory, or possession of the  
7 United States, as well as the District of Columbia and Puerto Rico.

8 (14) "Investment adviser salesperson" means a person retained or  
9 employed by an investment adviser to solicit clients or offer the  
10 services of the investment adviser or manage the accounts of said  
11 clients.

12 (15) "Relatives(~~((#))~~)," as used in RCW 21.20.310(11) (~~((as now or~~  
13 ~~hereafter amended, shall))~~) includes:

14 (a) A member's spouse;

15 (b) Parents of the member or the member's spouse;

16 (c) Grandparents of the member or the member's spouse;

17 (d) Natural or adopted children of the member or the member's  
18 spouse;

19 (e) Aunts and uncles of the member or the member's spouse; and

20 (f) First cousins of the member or the member's spouse.

21 **Sec. 15.** RCW 21.20.450 and 1979 ex.s. c 68 s 33 are each amended  
22 to read as follows:

23 The administration of the provisions of this chapter shall be under  
24 the department of (~~(licensing))~~) financial institutions. The director  
25 may from time to time make, amend, and (~~(repeal))~~) repeal such rules  
26 and forms as are necessary to carry out the provisions of this chapter,  
27 including rules defining any term, whether or not such term is used in  
28 the Washington securities law. The director may classify securities,  
29 persons, and matters within the director's jurisdiction, and prescribe  
30 different requirements for different classes. No rule or form(~~((7))~~) may  
31 be made unless the director finds that the action is necessary or  
32 appropriate in the public interest or for the protection of investors  
33 and consistent with the purposes fairly intended by the policy and  
34 provisions of this chapter. In prescribing rules and forms the  
35 director may cooperate with the securities administrators of the other  
36 states and the securities and exchange commission with a view to  
37 effectuating the policy of this statute to achieve maximum uniformity  
38 in the form and content of registration statements, applications, and

1 reports wherever practicable. All rules and forms of the director  
2 shall be published.

3 **Sec. 16.** RCW 21.20.720 and 1987 c 421 s 4 are each amended to read  
4 as follows:

5 (1) A director, officer, or controlling person of a debenture  
6 company shall not:

7 (a) Have any interest, direct or indirect, in the gains or profits  
8 of the debenture company, except to receive dividends upon the amounts  
9 contributed by him or her, the same as any other investor or  
10 shareholder and under the same regulations and conditions: PROVIDED,  
11 That nothing in this subsection shall be construed to prohibit salaries  
12 as may be approved by the debenture company's board of directors;

13 (b) Become a member of the board of directors or a controlling  
14 shareholder of another debenture company or a bank, trust company, or  
15 national banking association, of which board enough other directors or  
16 officers of the debenture company are members so as to constitute with  
17 him or her a majority of the board of directors.

18 (2) A director, an officer, or controlling person shall not:

19 (a) For himself or herself or as agent or partner of another,  
20 directly or indirectly use any of the funds held by the debenture  
21 company, except to make such current and necessary payments as are  
22 authorized by the board of directors;

23 (b) Receive directly or indirectly and retain for his or her own  
24 use any commission on or benefit from any loan made by the debenture  
25 company, or any pay or emolument for services rendered to any borrower  
26 from the debenture company in connection with such loan;

27 (c) Become an indorser, surety, or guarantor, or in any manner an  
28 obligor, for any loan made from the debenture company and except when  
29 approval has been given by the director of (~~licensing~~) financial  
30 institutions or the director's administrator of securities upon  
31 recommendation by the company's board of directors.

32 (d) For himself or herself or as agent or partner of another,  
33 directly or indirectly borrow any of the funds held by the debenture  
34 company, or become the owner of real or personal property upon which  
35 the debenture company holds a mortgage, deed of trust, or property  
36 contract. A loan to or a purchase by a corporation in which he or she  
37 is a stockholder to the amount of fifteen percent of the total  
38 outstanding stock, or in which he or she and other directors, officers,

1 or controlling persons of the debenture company hold stock to the  
2 amount of twenty-five percent of the total outstanding stock, shall be  
3 deemed a loan to or a purchase by such director or officer within the  
4 meaning of this section, except when the loan to or purchase by such  
5 corporation occurred without his or her knowledge or against his or her  
6 protest.

7 **Sec. 17.** RCW 43.17.010 and 1989 1st ex.s. c 9 s 810 are each  
8 amended to read as follows:

9 There shall be departments of the state government which shall be  
10 known as (1) the department of social and health services, (2) the  
11 department of ecology, (3) the department of labor and industries, (4)  
12 the department of agriculture, (5) the department of fisheries, (6) the  
13 department of wildlife, (7) the department of transportation, (8) the  
14 department of licensing, (9) the department of general administration,  
15 (10) the department of trade and economic development, (11) the  
16 department of veterans affairs, (12) the department of revenue, (13)  
17 the department of retirement systems, (14) the department of  
18 corrections, (15) the department of community development, (~~and~~) (16)  
19 the department of health, and (17) the department of financial  
20 institutions, which shall be charged with the execution, enforcement,  
21 and administration of such laws, and invested with such powers and  
22 required to perform such duties, as the legislature may provide.

23 **Sec. 18.** RCW 43.17.020 and 1989 1st ex.s. c 9 s 811 are each  
24 amended to read as follows:

25 There shall be a chief executive officer of each department to be  
26 known as: (1) The secretary of social and health services, (2) the  
27 director of ecology, (3) the director of labor and industries, (4) the  
28 director of agriculture, (5) the director of fisheries, (6) the  
29 director of wildlife, (7) the secretary of transportation, (8) the  
30 director of licensing, (9) the director of general administration, (10)  
31 the director of trade and economic development, (11) the director of  
32 veterans affairs, (12) the director of revenue, (13) the director of  
33 retirement systems, (14) the secretary of corrections, (15) the  
34 director of community development, (~~and~~) (16) the secretary of  
35 health, and (17) the director of financial institutions.

36 Such officers, except the secretary of transportation, shall be  
37 appointed by the governor, with the consent of the senate, and hold

1 office at the pleasure of the governor. The director of wildlife,  
2 however, shall be appointed according to the provisions of RCW  
3 77.04.080. If a vacancy occurs while the senate is not in session, the  
4 governor shall make a temporary appointment until the next meeting of  
5 the senate. A temporary director of wildlife shall not serve more than  
6 one year. The secretary of transportation shall be appointed by the  
7 transportation commission as prescribed by RCW 47.01.041.

8 **Sec. 19.** RCW 43.19.010 and 1988 c 25 s 10 are each amended to read  
9 as follows:

10 The department of general administration shall be organized into  
11 divisions, which shall include (1) ~~((the division of banking, (2) the~~  
12 ~~division of savings and loan associations, (3))~~ the division of  
13 capitol buildings, ~~((4))~~ (2) the division of purchasing, ~~((5))~~ (3)  
14 the division of engineering and architecture, and ~~((6))~~ (4) the  
15 division of motor vehicle transportation service.

16 The director of general administration shall have charge and  
17 general supervision of the department. He or she may appoint and  
18 deputize such clerical and other assistants as may be necessary for the  
19 general administration of the department. The director of general  
20 administration shall receive a salary in an amount fixed by the  
21 governor.

22 **Sec. 20.** RCW 43.19.020 and 1977 ex.s. c 185 s 1 are each amended  
23 to read as follows:

24 The director of ~~((general administration))~~ financial institutions  
25 shall appoint ~~((and))~~ and deputize ~~((an assistant director to be known as~~  
26 ~~the supervisor of banking, who shall have charge and supervision of the~~  
27 ~~division of banking. With the approval of the director, he may~~  
28 ~~appoint))~~ and employ ~~((bank))~~ examiners and such other assistants and  
29 personnel as may be necessary to carry on the work of the ~~((division.~~

30 ~~No person shall be eligible for appointment as supervisor of~~  
31 ~~banking unless he is, and for the last two years prior to his~~  
32 ~~appointment has been, a citizen of the United States and a resident of~~  
33 ~~this state; nor if he is interested in any bank or trust company as~~  
34 ~~director, officer, or stockholder))~~ department of financial  
35 institutions.

36 In the event of the ~~((supervisor's))~~ director's absence the  
37 director ~~((of general administration))~~ shall have the power to deputize

1 one of the assistants of the (~~supervisor~~) director to exercise all  
2 the powers and perform all the duties prescribed by law with respect to  
3 banks (~~and~~), savings banks, foreign bank branches, savings and loan  
4 associations, credit unions, consumer loan companies, check cashers and  
5 sellers, trust companies(~~, mutual savings banks, loan agencies~~) and  
6 departments, securities, franchises, business opportunities,  
7 commodities, and other similar institutions or areas that are performed  
8 by the (~~supervisor~~) director so long as the (~~supervisor~~) director  
9 is absent: PROVIDED, That such deputized (~~supervisor~~) assistant  
10 shall not have the power to approve or disapprove new charters,  
11 licenses, branches, and satellite facilities, unless such action has  
12 received the prior written approval of the (~~supervisor~~) director.  
13 Any person so deputized shall possess the same qualifications as those  
14 set out in this section for the (~~supervisor~~) director.

15 **Sec. 21.** RCW 43.19.030 and 1977 ex.s. c 270 s 8 are each amended  
16 to read as follows:

17 Before entering (~~upon his~~) office each (~~bank~~) examiner shall  
18 take and subscribe an oath faithfully to discharge the duties of  
19 (~~his~~) the office.

20 Oaths shall be filed with the secretary of state.

21 Neither the (~~supervisor of banking~~) director of financial  
22 institutions, any (~~deputy supervisor~~) deputized assistant of the  
23 director, nor any (~~bank~~) examiner or employee shall be personally  
24 liable for any act done (~~by him~~) in good faith in the performance of  
25 his or her duties.

26 **Sec. 22.** RCW 43.19.050 and 1965 c 8 s 43.19.050 are each amended  
27 to read as follows:

28 The (~~supervisor of banking~~) director of financial institutions  
29 shall maintain an office at the state capitol, but may with the consent  
30 of the governor also maintain (~~an office~~) branch offices at (~~some~~)  
31 other convenient (~~banking center~~) business centers in this state.  
32 (~~He~~) The director shall keep books of record of all moneys received  
33 or disbursed by (~~him~~) the director into or from the banking  
34 examination fund, the credit union examination fund, the securities  
35 regulation fund, and any other accounts maintained by the department of  
36 financial institutions. (~~He shall adopt an official seal.~~)

1       **Sec. 23.** RCW 43.19.080 and 1965 c 8 s 43.19.080 are each amended  
2 to read as follows:

3       (1) It shall be unlawful for the (~~supervisor or any deputy or~~  
4 ~~employee of his division~~) director of financial institutions, any  
5 deputized assistant of the director, or any employee of the department  
6 of financial institutions to borrow money from any bank (~~or trust~~  
7 ~~company under his jurisdiction~~), consumer loan company, credit union,  
8 foreign bank branch, savings bank, savings and loan association, or  
9 trust company or department, securities broker-dealer or investment  
10 advisor, or similar lending institution under the department's direct  
11 jurisdiction unless the extension of credit:

12       (a) Is made on substantially the same terms (including interest  
13 rates and collateral) as, and following credit underwriting procedures  
14 that are not less stringent than, those prevailing at the time for  
15 comparable transactions by the financial institution with other persons  
16 that are not employed by either the department or the institution; and

17       (b) Does not involve more than the normal risk of repayment or  
18 present other unfavorable features.

19       (2) The director of the office of financial management shall adopt  
20 rules, policies, and procedures interpreting and implementing this  
21 section.

22       (3) Every person who knowingly violates this section shall forfeit  
23 his or her office or employment and be guilty of a gross misdemeanor.

24       **Sec. 24.** RCW 43.19.090 and 1977 c 75 s 43 are each amended to read  
25 as follows:

26       The (~~supervisor~~) director of financial institutions shall file in  
27 his or her office all reports required to be made to (~~him~~) the  
28 director, prepare and furnish to banks (and), savings banks, foreign  
29 bank branches, savings and loan associations, credit unions, consumer  
30 loan companies, check cashers and sellers, and trust companies and  
31 departments blank forms for such reports as are required of them, and  
32 each year make a report to the governor showing:

33       (1) A summary of the conditions of the banks, savings banks,  
34 foreign bank branches, savings and loan associations, credit unions,  
35 consumer loan companies, check cashers and sellers, and trust companies  
36 and departments at the date of their last report; and

37       (2) A list of those organized or closed during the year.

1 ((He)) The director may publish such other statements, reports, and  
2 pamphlets as he or she deems advisable.

3 **Sec. 25.** RCW 43.19.095 and 1981 c 241 s 1 are each amended to read  
4 as follows:

5 There is created a local fund known as the "banking examination  
6 fund" which shall consist of all moneys received by the ~~((division of  
7 banking))~~ department of financial institutions from banks, savings  
8 banks, foreign bank branches, savings and loan associations, consumer  
9 loan companies, check cashers and sellers, and trust companies and  
10 departments, and which shall be used for the purchase of supplies and  
11 necessary equipment and the payment of salaries, wages, utilities, and  
12 other incidental costs required for the proper ~~((maintenance of the  
13 division))~~ regulation of these companies. The state treasurer shall be  
14 the custodian of the fund. Disbursements from the fund shall be on  
15 authorization of the director of ~~((general administration or the  
16 supervisor of banking))~~ financial institutions or the director's ~~((or  
17 supervisor's))~~ designee. In order to maintain an effective expenditure  
18 and revenue control, the fund shall be subject in all respects to  
19 chapter 43.88 RCW, but no appropriation is required to permit  
20 expenditures and payment of obligations from the fund.

21 **Sec. 26.** RCW 43.19.112 and 1981 c 241 s 2 are each amended to read  
22 as follows:

23 There is created a local fund known as the "~~((savings and loan  
24 associations and))~~ credit unions examination fund" which shall consist  
25 of all moneys received by the ~~((division of savings and loan  
26 associations))~~ department of financial institutions from credit unions  
27 and which shall be used for the purchase of supplies and necessary  
28 equipment and the payment of salaries, wages, utilities, and other  
29 incidental costs required for the ~~((proper maintenance of the  
30 division))~~ regulation of these institutions. The state treasurer shall  
31 be the custodian of the fund. Disbursements from the fund shall be on  
32 authorization of the director of ~~((general administration or the  
33 supervisor of savings and loan associations))~~ financial institutions or  
34 the director's ~~((or supervisor's))~~ designee. In order to maintain an  
35 effective expenditure and revenue control, the fund shall be subject in  
36 all respects to chapter 43.88 RCW, but no appropriation is required to  
37 permit expenditures and payment of obligations from the fund.



1        NEW SECTION.    **Sec. 27.**    There is created in the state treasury a  
2 fund known as the "securities regulation fund" that shall consist of  
3 thirteen percent of all moneys received by the division of securities  
4 of the department of financial institutions.    Expenditures from the  
5 account may be used only for the purchase of supplies and necessary  
6 equipment and the payment of salaries, wages, utilities, and other  
7 incidental costs required for the regulation of securities, franchises,  
8 business opportunities, commodities, and other similar areas regulated  
9 by the division.    Moneys in the account may be spent only after  
10 appropriation.

11        NEW SECTION.    **Sec. 28.**    The following acts or parts of acts are  
12 each repealed:

13            (1) RCW 43.19.040 and 1965 c 8 s 43.19.040;

14            (2) RCW 43.19.100 and 1982 c 3 s 113, 1977 ex.s. c 185 s 2, & 1965  
15 c 8 s 43.19.100; and

16            (3) RCW 43.19.110 and 1965 c 8 s 43.19.110.

17        NEW SECTION.    **Sec. 29.**    Sections 1 through 13 and 27 of this act  
18 shall constitute a new chapter in Title 43 RCW.

19        NEW SECTION.    **Sec. 30.**    RCW 43.19.020, 43.19.030, 43.19.050,  
20 43.19.080, 43.19.090, 43.19.095, and 43.19.112 are recodified as  
21 sections in chapter 43.\_\_\_\_ RCW (sections 1 through 13 and 27 of this  
22 act).

23        NEW SECTION.    **Sec. 31.**    This act takes effect October 1, 1993.

24        NEW SECTION.    **Sec. 32.**    The directors of the department of general  
25 administration and the department of licensing shall take such steps as  
26 are necessary to ensure that this act is implemented on October 1,  
27 1993.

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