

# FINAL BILL REPORT

## ESSB 5997

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Synopsis as Enacted

**Brief Description:** Regulating out-of-state banks, savings banks, and mutual savings banks branches.

**Sponsors:** Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Spanel and Benton).

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

**Background:** In 1994, Congress passed an interstate bank branching act (Riegle-Neal Act), giving states five choices on how to handle interstate bank branching. Washington State chose to permit interstate branching by allowing acquisition of an entire domestic (Washington) bank, provided that the domestic bank has been in business for at least five years.

Another federally-allowable choice, taken by approximately 16 states, is called "reciprocal de novo branching." Under that approach, an out-of-state financial institution would be permitted to form branches in Washington State without having to first acquire a bank, provided that the other state has laws permitting branching by a Washington State bank or savings bank on equally favorable terms and conditions as Washington offers.

**Summary:** Both commercial banks (under Title 30) and savings banks (under Title 32) are allowed to engage in reciprocal de novo bank branching. Out-of-state banks can open branches in Washington State, if they allow Washington State commercial and savings banks to open branches in their states, with equally favorable terms and conditions. The requirement that a financial institution acquire a mature domestic bank before engaging in branching is removed. Mergers are allowed between domestic stock savings banks and certain out-of-state national banks, if the application is submitted on or before the effective date of the act.

**Votes on Final Passage:**

Senate	47	0	
House	95	0	(House amended)
Senate	41	0	(Senate concurred)

**Effective:** May 9, 2005