

CERTIFICATION OF ENROLLMENT

SENATE BILL 5107

Chapter 389, Laws of 2019

66th Legislature
2019 Regular Session

TRUST INSTITUTIONS--VARIOUS PROVISIONS

EFFECTIVE DATE: July 28, 2019

Passed by the Senate April 22, 2019
Yeas 48 Nays 0

CYRUS HABIB

President of the Senate

Passed by the House April 12, 2019
Yeas 98 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Approved May 13, 2019 4:29 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Brad Hendrickson, Secretary of the Senate of the State of Washington, do hereby certify that the attached is **SENATE BILL 5107** as passed by the Senate and the House of Representatives on the dates hereon set forth.

BRAD HENDRICKSON

Secretary

FILED

May 16, 2019

**Secretary of State
State of Washington**

SENATE BILL 5107

AS AMENDED BY THE HOUSE

Passed Legislature - 2019 Regular Session

State of Washington 66th Legislature 2019 Regular Session

By Senators Das and Mullet; by request of Department of Financial Institutions

Prefiled 01/09/19. Read first time 01/14/19. Referred to Committee on Financial Institutions, Economic Development & Trade.

1 AN ACT Relating to trust institutions; amending RCW 30B.04.005,
2 30B.04.010, 30B.04.040, 30B.04.110, 30B.08.020, 30B.08.030,
3 30B.08.040, 30B.08.070, 30B.08.080, 30B.08.090, 30B.10.005,
4 30B.10.040, 30B.10.050, 30B.10.060, 30B.10.070, 30B.10.080,
5 30B.10.100, 30B.10.110, 30B.12.020, 30B.12.040, 30B.12.060,
6 30B.12.090, 30B.12.100, 30B.20.020, 30B.24.005, 30B.24.020,
7 30B.38.005, 30B.38.020, 30B.38.030, 30B.38.040, 30B.38.070,
8 30B.38.080, 30B.38.090, 30B.44A.005, 30B.44A.010, 30B.44A.020,
9 30B.44A.030, 30B.44A.040, 30B.44A.050, 30B.53.002, 30B.53.005,
10 30B.53.010, 30B.53.020, 30B.53.030, 30B.53.040, 30B.53.060, and
11 30B.72.010; reenacting and amending RCW 7.60.025 and 42.56.400;
12 adding new sections to chapter 30B.10 RCW; adding a new section to
13 chapter 30B.12 RCW; adding new sections to chapter 30B.24 RCW; adding
14 a new section to chapter 30B.38 RCW; adding new sections to chapter
15 30B.44A RCW; adding new sections to chapter 30B.44B RCW; adding new
16 sections to chapter 30B.46 RCW; adding new sections to chapter 30B.53
17 RCW; repealing RCW 30A.08.160, 30A.08.170, 30B.04.150, 30B.44B.020,
18 30B.46.005, and 30B.46.010; and prescribing penalties.

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

20 **Sec. 1.** RCW 7.60.025 and 2011 c 214 s 27 and 2011 c 34 s 1 are
21 each reenacted and amended to read as follows:

1 (1) A receiver may be appointed by the superior court of this
2 state in the following instances, but except in any case in which a
3 receiver's appointment is expressly required by statute, or any case
4 in which a receiver's appointment is sought by a state agent whose
5 authority to seek the appointment of a receiver is expressly
6 conferred by statute, or any case in which a receiver's appointment
7 with respect to real property is sought under (b)(ii) of this
8 subsection, a receiver shall be appointed only if the court
9 additionally determines that the appointment of a receiver is
10 reasonably necessary and that other available remedies either are not
11 available or are inadequate:

12 (a) On application of any party, when the party is determined to
13 have a probable right to or interest in property that is a subject of
14 the action and in the possession of an adverse party, or when the
15 property or its revenue-producing potential is in danger of being
16 lost or materially injured or impaired. A receiver may be appointed
17 under this subsection (1)(a) whether or not the application for
18 appointment of a receiver is combined with, or is ancillary to, an
19 action seeking a money judgment or other relief;

20 (b) Provisionally, after commencement of any judicial action or
21 nonjudicial proceeding to foreclose upon any lien against or for
22 forfeiture of any interest in real or personal property, on
23 application of any person, when the interest in the property that is
24 the subject of such an action or proceeding of the person seeking the
25 receiver's appointment is determined to be probable and either:

26 (i) The property or its revenue-producing potential is in danger
27 of being lost or materially injured or impaired; or

28 (ii) The appointment of a receiver with respect to the real or
29 personal property that is the subject of the action or proceeding is
30 provided for by agreement or is reasonably necessary to effectuate or
31 enforce an assignment of rents or other revenues from the property.
32 For purposes of this subsection (1)(b), a judicial action is
33 commenced as provided in superior court civil rule 3(a), a
34 nonjudicial proceeding is commenced under chapter 61.24 RCW upon the
35 service of notice of default described in RCW 61.24.030(8), and a
36 proceeding for forfeiture is commenced under chapter 61.30 RCW upon
37 the recording of the notice of intent to forfeit described in RCW
38 61.30.060;

39 (c) After judgment, in order to give effect to the judgment;

1 (d) To dispose of property according to provisions of a judgment
2 dealing with its disposition;

3 (e) To the extent that property is not exempt from execution, at
4 the instance of a judgment creditor either before or after the
5 issuance of any execution, to preserve or protect it, or prevent its
6 transfer;

7 (f) If and to the extent that property is subject to execution to
8 satisfy a judgment, to preserve the property during the pendency of
9 an appeal, or when an execution has been returned unsatisfied, or
10 when an order requiring a judgment debtor to appear for proceedings
11 supplemental to judgment has been issued and the judgment debtor
12 fails to submit to examination as ordered;

13 (g) Upon an attachment of real or personal property when the
14 property attached is of a perishable nature or is otherwise in danger
15 of waste, impairment, or destruction, or where the abandoned
16 property's owner has absconded with, secreted, or abandoned the
17 property, and it is necessary to collect, conserve, manage, control,
18 or protect it, or to dispose of it promptly, or when the court
19 determines that the nature of the property or the exigency of the
20 case otherwise provides cause for the appointment of a receiver;

21 (h) In an action by a transferor of real or personal property to
22 avoid or rescind the transfer on the basis of fraud, or in an action
23 to subject property or a fund to the payment of a debt;

24 (i) In an action against any person who is not an individual if
25 the object of the action is the dissolution of that person, or if
26 that person has been dissolved, or if that person is insolvent or is
27 not generally paying the person's debts as those debts become due
28 unless they are the subject of bona fide dispute, or if that person
29 is in imminent danger of insolvency;

30 (j) In accordance with RCW 7.08.030 (4) and (6), in cases in
31 which a general assignment for the benefit of creditors has been
32 made;

33 (k) In quo warranto proceedings under chapter 7.56 RCW;

34 (l) As provided under RCW 11.64.022;

35 (m) In an action by the department of licensing under RCW
36 18.35.220(3) with respect to persons engaged in the business of
37 dispensing of hearing aids, RCW 18.85.430 in the case of persons
38 engaged in the business of a real estate broker, associate real
39 estate broker, or real estate salesperson, or RCW 19.105.470 with
40 respect to persons engaged in the business of camping resorts;

1 (n) In an action under RCW 18.44.470 or 18.44.490 in the case of
2 persons engaged in the business of escrow agents;

3 (o) Upon a petition with respect to a nursing home in accordance
4 with and subject to receivership provisions under chapter 18.51 RCW;

5 (p) (~~Under RCW 19.40.071(3),~~) In connection with a proceeding
6 for relief with respect to a voidable transfer (~~(fraudulent)~~) as to a
7 present or future creditor (~~(or creditors)~~) under RCW 19.40.041 or a
8 present creditor under RCW 19.40.051;

9 (q) Under RCW 19.100.210(1), in an action by the attorney general
10 or director of financial institutions to restrain any actual or
11 threatened violation of the franchise investment protection act;

12 (r) In an action by the attorney general or by a prosecuting
13 attorney under RCW 19.110.160 with respect to a seller of business
14 opportunities;

15 (s) In an action by the director of financial institutions under
16 RCW 21.20.390 in cases involving actual or threatened violations of
17 the securities act of Washington or under RCW 21.30.120 in cases
18 involving actual or threatened violations of chapter 21.30 RCW with
19 respect to certain businesses and transactions involving commodities;

20 (t) In an action for or relating to dissolution of a business
21 corporation under RCW 23B.14.065, 23B.14.300, 23B.14.310, or
22 23B.14.320, for dissolution of a nonprofit corporation under RCW
23 24.03.271, for dissolution of a mutual corporation under RCW
24 24.06.305, or in any other action for the dissolution or winding up
25 of any other entity provided for by Title 23, 23B, 24, or 25 RCW;

26 (u) In any action in which the dissolution of any public or
27 private entity is sought, in any action involving any dispute with
28 respect to the ownership or governance of such an entity, or upon the
29 application of a person having an interest in such an entity when the
30 appointment is reasonably necessary to protect the property of the
31 entity or its business or other interests;

32 (v) Under RCW 25.05.215, in aid of a charging order with respect
33 to a partner's interest in a partnership;

34 (w) Under and subject to RCW (~~(30.44.100, 30.44.270, and~~
35 ~~30.56.030)~~) 30A.44.100, 30A.44.270, and 30A.56.030, in the case of a
36 state commercial bank, section 71 of this act, in the case of a
37 (~~bank or~~) state trust company (~~(or, under and subject to)~~), RCW
38 32.24.070 (~~(through)~~), 32.24.073, 32.24.080, and 32.24.090, in the
39 case of a (~~(mutual)~~) state savings bank;

1 (x) Under and subject to RCW 31.12.637 and 31.12.671 through
2 31.12.724, in the case of credit unions;

3 (y) Upon the application of the director of financial
4 institutions under RCW 31.35.090 in actions to enforce chapter 31.35
5 RCW applicable to agricultural lenders, under RCW 31.40.120 in
6 actions to enforce chapter 31.40 RCW applicable to entities engaged
7 in federally guaranteed small business loans, under RCW 31.45.160 in
8 actions to enforce chapter 31.45 RCW applicable to persons licensed
9 as check cashers or check sellers, or under RCW 19.230.230 in actions
10 to enforce chapter 19.230 RCW applicable to persons licensed under
11 the uniform money services act;

12 (z) Under RCW 35.82.090 or 35.82.180, with respect to a housing
13 project;

14 (aa) Under RCW 39.84.160 or 43.180.360, in proceedings to enforce
15 rights under any revenue bonds issued for the purpose of financing
16 industrial development facilities or bonds of the Washington state
17 housing finance commission, or any financing document securing any
18 such bonds;

19 (bb) Under and subject to RCW 43.70.195, in an action by the
20 secretary of health or by a local health officer with respect to a
21 public water system;

22 (cc) As contemplated by RCW 61.24.030, with respect to real
23 property that is the subject of nonjudicial foreclosure proceedings
24 under chapter 61.24 RCW;

25 (dd) As contemplated by RCW 61.30.030(3), with respect to real
26 property that is the subject of judicial or nonjudicial forfeiture
27 proceedings under chapter 61.30 RCW;

28 (ee) Under RCW 64.32.200(2), in an action or proceeding commenced
29 under chapter 61.12 or 61.24 RCW to foreclose upon a lien for common
30 expenses against a dwelling unit subject to the horizontal property
31 regimes act, chapter 64.32 RCW. For purposes of this subsection
32 (1)(ee), a judicial action is commenced as provided in superior court
33 civil rule 3(a) and a nonjudicial proceeding is commenced under
34 chapter 61.24 RCW upon the service of notice of default described in
35 RCW 61.24.030(8);

36 (ff) Under RCW 64.34.364(10), in an action or proceeding
37 commenced under chapter 61.12 or 61.24 RCW by a unit owners'
38 association to foreclose a lien for nonpayment of delinquent
39 assessments against condominium units. For purposes of this
40 subsection (1)(ff), a judicial action is commenced as provided in

1 superior court civil rule (3)(a) and a nonjudicial proceeding is
2 commenced under chapter 61.24 RCW upon the service of notice of
3 default described in RCW 61.24.030(8);

4 (gg) Upon application of the attorney general under RCW
5 64.36.220(3), in aid of any writ or order restraining or enjoining
6 violations of chapter 64.36 RCW applicable to timeshares;

7 (hh) Under RCW 70.95A.050(3), in aid of the enforcement of
8 payment or performance of municipal bonds issued with respect to
9 facilities used to abate, control, or prevent pollution;

10 (ii) Upon the application of the department of social and health
11 services under RCW 74.42.580, in cases involving nursing homes;

12 (jj) Upon the application of the utilities and transportation
13 commission under RCW 80.28.040, with respect to a water company or
14 wastewater company that has failed to comply with an order of such
15 commission within the time deadline specified therein;

16 (kk) Under RCW 87.56.065, in connection with the dissolution of
17 an irrigation district;

18 (ll) Upon application of the attorney general or the department
19 of licensing, in any proceeding that either of them are authorized by
20 statute to bring to enforce Title 18 or 19 RCW; the securities act of
21 Washington, chapter 21.20 RCW; the Washington commodities act,
22 chapter 21.30 RCW; the land development act, chapter 58.19 RCW; or
23 under chapter 64.36 RCW relating to the regulation of timeshares;

24 (mm) Upon application of the director of financial institutions
25 in any proceeding that the director of financial institutions is
26 authorized to bring to enforce chapters 31.35, 31.40, and 31.45 RCW;
27 or

28 (nn) In such other cases as may be provided for by law, or when,
29 in the discretion of the court, it may be necessary to secure ample
30 justice to the parties.

31 (2) The superior courts of this state shall appoint as receiver
32 of property located in this state a person who has been appointed by
33 a federal or state court located elsewhere as receiver with respect
34 to the property specifically or with respect to the owner's property
35 generally, upon the application of the person or of any party to that
36 foreign proceeding, and following the appointment shall give effect
37 to orders, judgments, and decrees of the foreign court affecting the
38 property in this state held by the receiver, unless the court
39 determines that to do so would be manifestly unjust or inequitable.
40 The venue of such a proceeding may be any county in which the person

1 resides or maintains any office, or any county in which any property
2 over which the receiver is to be appointed is located at the time the
3 proceeding is commenced.

4 (3) At least seven days' notice of any application for the
5 appointment of a receiver must be given to the owner of property to
6 be subject thereto and to all other parties in the action, and to
7 other parties in interest as the court may require. If any execution
8 by a judgment creditor under Title 6 RCW or any application by a
9 judgment creditor for the appointment of a receiver, with respect to
10 property over which the receiver's appointment is sought, is pending
11 in any other action at the time the application is made, then notice
12 of the application for the receiver's appointment also must be given
13 to the judgment creditor in the other action. The court may shorten
14 or expand the period for notice of an application for the appointment
15 of a receiver upon good cause shown.

16 (4) The order appointing a receiver in all cases must reasonably
17 describe the property over which the receiver is to take charge, by
18 category, individual items, or both if the receiver is to take charge
19 of less than all of the owner's property. If the order appointing a
20 receiver does not expressly limit the receiver's authority to
21 designated property or categories of property of the owner, the
22 receiver is a general receiver with the authority to take charge over
23 all of the owner's property, wherever located.

24 (5) The court may condition the appointment of a receiver upon
25 the giving of security by the person seeking the receiver's
26 appointment, in such amount as the court may specify, for the payment
27 of costs and damages incurred or suffered by any person should it
28 later be determined that the appointment of the receiver was
29 wrongfully obtained.

30 **Sec. 2.** RCW 30B.04.005 and 2014 c 37 s 302 are each amended to
31 read as follows:

32 Unless the context clearly requires otherwise, the definitions in
33 this section apply throughout this title.

34 The definitions in this section shall be liberally construed to
35 accomplish the purposes of this title. Additional definitions, as
36 applicable, are contained elsewhere in this title. The department may
37 adopt by rule other definitions to accomplish the purposes of this
38 title.

1 (1) "Account" means the client relationship established with a
2 trust company involving the transfer of funds or property to the
3 trust company, including a relationship in which the trust company
4 acts as trustee, executor, administrator, guardian, custodian,
5 conservator, bailee, receiver, registrar, or agent, but excluding a
6 relationship in which the trust company acts solely in an advisory
7 capacity.

8 (2) "Administer" with respect to real or tangible personal
9 property means, as an agent or in another representative capacity, to
10 possess, purchase, sell, lease, insure, safekeep, or otherwise manage
11 the property.

12 (3) "Affiliate" means a company that (~~directly or indirectly~~)
13 controls, is controlled by, or is under common control with a trust
14 institution (~~or other company~~).

15 (4) "Authorized trust institution" means a trust institution with
16 authority to engage in trust business in Washington state pursuant to
17 (~~statute~~) federal or state law.

18 (5) "Bank" has the meaning set forth in 12 U.S.C. Sec. 1813(h);
19 provided that the term "bank" does not include any "foreign bank" as
20 defined in 12 U.S.C. Sec. 3101(7), except for any such foreign bank
21 organized under the laws of a territory of the United States, Puerto
22 Rico, Guam, American Samoa, or the Virgin Islands, the deposits of
23 which are insured by the federal deposit insurance corporation.

24 (6) "Bank supervisory agency" means:

25 (a) Any agency of another state with primary responsibility for
26 chartering and supervising a trust institution; and

27 (b) The office of the comptroller of the currency, the federal
28 deposit insurance corporation, the board of governors of the federal
29 reserve system, and any successor to these agencies.

30 (7) "Capital" has the meaning ascribed to that term by generally
31 accepted accounting principles and applicable rules of the financial
32 accounting standards board, and includes surplus and undivided
33 profits.

34 (8) "Charter," (~~means~~) "chartered," and "chartering" mean a
35 charter or other certificate of authority issued by (the director
36 or) a (bank) financial services supervisory agency of an applicable
37 governmental entity authorizing a trust institution to engage in
38 business in its home state or other jurisdiction, or the act of
39 granting or having had granted such a charter.

1 (9) "Client" means a person to whom a trust institution owes a
2 duty or obligation under a trust or other account administered by the
3 trust institution or as an advisor or agent, regardless of whether
4 the trust institution owes a fiduciary duty to the person. The term
5 includes the noncontingent beneficiaries of an account.

6 (10) "Company" includes a bank, trust company, corporation,
7 limited liability company, partnership, association, business trust,
8 or another trust.

9 (11) "Conservator" means the director or an agent of the director
10 exercising the powers and duties provided ~~((by RCW 30B.46.010))~~ in
11 section 85 of this act.

12 (12) "Control," ~~((means))~~ "controls," "controlled," and
13 "controlling," except as defined in RCW 30B.53.005 and as used in RCW
14 30B.04.040(12), 30B.08.030, 30B.12.020 (1) and (2), and
15 30B.38.080(1), mean and refer to:

16 (a) The ownership of or ability or power to vote, directly,
17 acting through one or more other persons, or otherwise indirectly,
18 more than ~~((twenty-five))~~ fifty percent of the outstanding shares of a
19 class of voting securities of a state trust company or other company;

20 (b) The ability to control the election of a majority of the
21 board of a state trust company or other company;

22 (c) The power to exercise, directly or indirectly, a controlling
23 influence over the management or policies of the state trust company
24 or other company as determined by the director after notice and an
25 opportunity for hearing; or

26 (d) The conditioning of the transfer of more than ~~((twenty-~~
27 ~~five))~~ fifty percent of the outstanding shares or participation shares
28 of a class of voting securities of a state trust company or other
29 company on the transfer of more than ~~((twenty-five))~~ fifty percent of
30 the outstanding shares of a class of voting securities of another
31 state trust company or other company.

32 (13) "Custodial account" means an account, established by a
33 person with a bank as defined in 26 U.S.C. Sec. 408(n), or with
34 another person approved by the internal revenue service as satisfying
35 the requirements to be a nonbank trustee or a nonbank passive trustee
36 set forth in United States treasury regulations under 26 U.S.C. Sec.
37 408, that is governed by an instrument concerning the establishment
38 or maintenance, or both, of an individual retirement account,
39 qualified retirement plan, Archer medical savings account, health
40 savings account, Coverdell education savings account, any similar

1 retirement or savings vehicle permitted under the internal revenue
2 code of 1986, or as otherwise defined by the director by rule.

3 (14) "Department" means the Washington state department of
4 financial institutions.

5 (15) "Depository institution" means any company chartered to act
6 as a fiduciary and included for any purpose within any of the
7 definitions of "insured depository institution" as set forth in 12
8 U.S.C. Sec. 1813(c) (2) and (3).

9 (16) "Director" means the director of the Washington state
10 department of financial institutions.

11 (17) "Fiduciary record" means a matter written, transcribed,
12 recorded, received, or otherwise in the possession or control of a
13 trust company, whether in physical or electronic form, that is
14 necessary to preserve information concerning an act or event relevant
15 to an account or a client of a trust company.

16 (18) "Foreign bank" means a foreign bank, as defined in section
17 1(b) (7) of the international banking act of 1978, chartered to act as
18 a fiduciary in a state other than Washington state. As used in this
19 title, "foreign bank" excludes an alien bank authorized to do
20 business in (~~this~~) Washington state under chapter 30A.42 RCW.

21 (19) "Home state" means:

22 (a) With respect to a federally chartered trust institution and a
23 foreign bank, the state in which such institution maintains its
24 principal office; and

25 (b) With respect to any other trust institution, the state which
26 chartered such institution.

27 (20) "Home state regulator" means the trust institutions
28 supervisory agency with primary responsibility for chartering and
29 supervising an out-of-state trust institution.

30 (21) "Host state" means a state, other than the home state of a
31 trust institution, or a foreign country in which the trust
32 institution maintains or seeks to acquire or establish an office.

33 (22) "Insolvent" means a circumstance or condition in which a
34 state trust company:

35 (a) Has actual cash market value of its assets which are
36 insufficient to pay its liabilities to its creditors;

37 (b) Is unable or lacks the means to meet its current obligations
38 as they come due in the regular and ordinary course of business, even
39 if the value of its assets exceeds its liabilities;

1 (c) Sells or attempts to sell substantially all of its assets
2 other than as provided in RCW 30B.44A.050 or merges or attempts to
3 merge substantially all of its assets or business with another entity
4 other than as provided by chapter 30B.53 RCW; or

5 (d) Attempts to dissolve or liquidate without approval of the
6 director under chapter 30B.44A RCW;

7 (e) After demand in writing by the director, fails to cure any
8 deficiency in its reserves as required by statute or rule;

9 (f) After written demand by the director, the stockholders fail
10 to cure within the time prescribed by the director an impairment of
11 the state trust company's capital or surplus; or

12 (g) Is insolvent within the meaning of the United States
13 bankruptcy code.

14 (23) "Instrument" means a revocable or irrevocable trust document
15 created inter vivos or testamentary or any custodial account
16 agreement.

17 (24) "Internet trust business" means a trust business that holds
18 itself out as a trustee or fiduciary to the general public of
19 ~~((this))~~ Washington state by means of the internet or other electronic
20 means.

21 (25) "Law firm" means a professional service corporation,
22 professional limited liability company, or limited liability
23 partnership, that is duly organized under the laws of
24 ~~((this))~~ Washington state and whose shareholders, members, or
25 partners, respectively, are exclusively attorneys.

26 (26) "Limited liability trust company" means an entity organized
27 or reorganized under the ~~((limited liability company act of this~~
28 ~~state that is chartered as a trust company under this~~
29 ~~title))~~ provisions of RCW 30B.08.020 to operate as a state trust
30 company in limited liability company form pursuant to the authority
31 of the director under chapter 30B.08 RCW.

32 (27) "Loans and extensions of credit" means direct or indirect
33 advances of funds by a state trust company to a person that are
34 conditioned on the obligation of the person to repay the funds or
35 that are repayable from specific property pledged by or on behalf of
36 the person.

37 (28) "Manager" means a person elected to the board of a limited
38 liability trust company.

39 (29) "Officer" means the presiding officer of the board, the
40 principal executive officer, or another officer appointed by the

1 board of a state trust company or other company, or a person or group
2 of persons acting in a comparable capacity for the state trust
3 company or other company.

4 (30) "Out-of-state trust institution" means a trust institution
5 that is not a state trust company under this title.

6 (31) "Person" means an individual, a company, or any other legal
7 entity.

8 (32) "Principal shareholder" means a person who owns or has the
9 ability or power to vote, directly, acting through one or more other
10 persons, or otherwise indirectly, ten percent or more of the
11 outstanding shares or participation shares of any class of voting
12 securities of a state trust company or other company.

13 (33) "Private trust" has the meaning set forth in RCW 30B.64.005.

14 (34) "Private trust company" has the meaning set forth in RCW
15 30B.64.005.

16 (35) (~~"Savings association" means a depository institution,~~
17 ~~other than a credit union, that is not a bank.~~

18 ~~(36))~~ "Share((s))" means ~~((the))~~a unit~~((s))~~ into which ~~((the))~~a
19 proprietary interest((s)) of a ((state)) trust ((company
20 are))institution is divided or subdivided by means of class~~((es))~~,
21 series, relative rights, or preferences, and includes beneficial
22 interests in a state trust company organized as a corporation or
23 limited liability company.

24 ~~((37))~~(36) "State" means a state of the United States, the
25 District of Columbia, a territory of the United States, Puerto Rico,
26 Guam, American Samoa, the Trust Territory of the Pacific Islands, the
27 Virgin Islands, and the Northern Mariana Islands.

28 ~~((38))~~(37) "State bank" means a bank authorized under Title 30A
29 or 32 RCW to engage in trust business or an alien bank chartered or
30 authorized under chapter 30A.42 RCW to ~~((engage in))~~exercise trust
31 ~~((business))~~powers in ~~((this))~~Washington state.

32 ~~((39) "State savings association" means a savings association~~
33 ~~chartered or otherwise authorized under Title 33 RCW to act as a~~
34 ~~fiduciary by Washington state.~~

35 ~~(40))~~(38) "State trust company" means a corporation or a limited
36 liability company organized or reorganized under this title,
37 including a trust company organized under the laws of Washington
38 state before January 5, 2015.

1 ~~((41))~~ (39) "State trust institution," as used in chapter 30B.10
2 RCW, means a state trust company or an out-of-state trust institution
3 engaged in trust business in ~~((this))~~ Washington state.

4 ~~((42))~~ "Subsidiary" means a company that is controlled by another
5 person. ~~Subsidiary includes a subsidiary of a subsidiary and a lower~~
6 ~~tier subsidiary.~~

7 ~~(43))~~ (40) "Trust business" means the performance of, or holding
8 out by a person to the public by advertisement, solicitation, or
9 other means that the person is available to perform ~~((the powers of a~~
10 ~~state trust company))~~ one or more of the essential functions of trust
11 business set forth in RCW 30B.08.080(1) ~~((b) through (k), together~~
12 ~~with any other activity authorized for a state trust company by the~~
13 ~~director pursuant to RCW 30B.08.080(1)(q) that the director~~
14 ~~designates as trust business)).~~

15 ~~((44))~~ (41) "Trust company" means a state trust company or any
16 other company chartered to act as a fiduciary that is neither a
17 depository institution nor a foreign bank.

18 ~~((45))~~ (42) "Trust department" means ~~((that))~~ a division,
19 subdivision, department, or group ~~((or groups))~~ of officers and
20 employees of a ~~((trust company organized under the supervision of~~
21 ~~officers or employees to whom are designated))~~ state bank authorized
22 by the board of directors ~~((the performance of the fiduciary~~
23 ~~responsibilities of the trust company, whether or not the group or~~
24 ~~groups are so named))~~ of the state bank to exercise trust powers
25 pursuant to authority of the director granted pursuant to RCW
26 30A.08.150 or 32.08.210, as applicable.

27 ~~((46))~~ (43) "Trust deposits" means the client funds held by a
28 state trust company and authorized to be deposited with itself
29 pending investment, distribution, or payment of debts on behalf of
30 the client.

31 ~~((47))~~ (44) "Trust institution" means a depository
32 institution ~~((r))~~ or foreign bank engaged in trust business, or a trust
33 company.

34 ~~((48))~~ (45) "Unauthorized trust activity" means to engage in
35 trust business in ~~((this))~~ Washington state without authority or
36 exemption under this title.

37 (46) "Agent" has the same meaning as an agent at common law.

38 (47) "Federal trust institution" means a special purpose national
39 banking association authorized by the office of the comptroller of
40 the currency, pursuant to the national bank act, 12 U.S.C. Sec. 92a,

1 whose charter is granted for the purpose of it engaging primarily or
2 solely in trust or other fiduciary activities.

3 (48) "Shareholder" means the holder of a share as defined in this
4 section.

5 (49) "Third-party service provider" includes an independent
6 contractor or other person, which a trust institution has engaged to
7 perform services to facilitate the conduct of its business as a trust
8 institution or affiliate, to perform the following functions:

9 (a) Noninternet-based data storage;

10 (b) Internet-related services, mobile applications, system and
11 software development and maintenance, and security architecture,
12 maintenance, and monitoring;

13 (c) Data processing services;

14 (d) Fiduciary activities or other contracted-for services
15 constituting "trust business" under RCW 30B.04.005;

16 (e) Activities related to the trading of securities, derivatives,
17 and other commodities;

18 (f) Bookkeeping, accounting, or similar functions; or

19 (g) Data analytics with respect to customers or prospective
20 customers, or use of algorithmic technology by the trust institution
21 in the conduct of fiduciary management.

22 **Sec. 3.** RCW 30B.04.010 and 2014 c 37 s 303 are each amended to
23 read as follows:

24 (1) A state trust company or out-of-state trust institution may
25 register any name with the department in connection with establishing
26 an office or otherwise engaged in trust business in
27 ~~((this))~~Washington state pursuant to this title, except that the
28 director may determine that a name proposed to be registered is
29 potentially misleading to the public and require the registrant to
30 select a name which is not potentially misleading.

31 (2) Use of "trust" as part of a person's name or fictitious trade
32 name, or as part of a trademark((r)) or service mark in connection
33 with transacting business with the public, or as part of advertising
34 by any person to the public, is subject to the prohibitions and
35 restrictions under RCW 30A.04.020.

36 **Sec. 4.** RCW 30B.04.040 and 2014 c 37 s 306 are each amended to
37 read as follows:

1 (~~Notwithstanding any other provision of this title,~~) A person is
2 exempt from the requirement of a certificate of authority or approval
3 under this title (~~, or from regulation by the director pursuant to~~
4 ~~this title,~~) if the person is:

5 (1) An individual, sole proprietor, or general partnership or
6 joint venture composed of individuals;

7 (2) Engaging in business in (~~this~~) Washington state (a) as a
8 national banking association or (b) as a federal mutual savings bank,
9 federal stock savings bank, or federal savings and loan association
10 under authority of the office of the comptroller of the currency;

11 (3) Acting in a manner otherwise authorized by law and within the
12 scope of authority as an agent of a trust institution with respect to
13 an activity which is not an unauthorized trust activity;

14 (4) Acting as a fiduciary solely by reason of being appointed by
15 a court to perform the duties of a trustee, guardian, conservator, or
16 receiver;

17 (5) While holding oneself out to the public as an attorney-at-
18 law, law firm, or limited license legal technician, performing a
19 service customarily performed as an attorney-at-law, law firm, or
20 limited license legal technician in a manner approved and authorized
21 by the supreme court of the state of Washington;

22 (6) Acting as an escrow agent pursuant to the escrow agent
23 registration act, chapter 18.44 RCW, or in one's capacity as an
24 authorized title agent under Title 48 RCW;

25 (7) Acting as trustee under a deed of trust delivered only as
26 security for the payment of money or for the performance of another
27 act;

28 (8) Receiving and distributing rents and proceeds of sale as a
29 licensed real estate broker on behalf of a principal in a manner
30 authorized by the Washington department of licensing;

31 (9) Engaging in a commodities or securities transaction or
32 providing an investment advisory service in the capacity of a
33 (~~licensed and~~) registered broker-dealer, investment advisor, or
34 registered representative thereof, provided the activity is regulated
35 by the department, the United States commodities futures trading
36 commission, or the United States securities and exchange commission;

37 (10) Engaging in the sale and administration of an insurance
38 product by an insurance company or agent licensed by the office of
39 the insurance commissioner to the extent that the activity is
40 regulated by the office of the insurance commissioner;

1 (11) Acting as trustee under a voting trust as provided by
2 Washington state law;

3 (12) Acting as trustee by a public, private, or independent
4 institution of higher education or a university system authorized
5 under Washington state law, including its affiliated foundations or
6 corporations, with respect to endowment funds or other funds owned,
7 controlled, provided to, or otherwise made available to such
8 institution with respect to its educational or research purposes;

9 (13) Acting as a private trust or private trust company to the
10 extent exempt from regulation of the department as set forth in
11 chapter 30B.64 RCW; or

12 (14) Engaging in other activities expressly excluded from the
13 application of this title by rule of the director.

14 **Sec. 5.** RCW 30B.04.110 and 2014 c 37 s 313 are each amended to
15 read as follows:

16 A state trust company may not pledge or create a lien on any of
17 its assets except to secure the repayment of money borrowed or as
18 ~~((otherwise))~~ specifically authorized ~~((or required by rules adopted~~
19 ~~under this chapter))~~ by RCW 30B.20.010, or by rule, or by a finding of
20 the director that such conduct does not violate any other applicable
21 law and serves the convenience of the state trust company and the
22 public. An act, deed, conveyance, pledge, or contract in violation of
23 this section is void.

24 **Sec. 6.** RCW 30B.08.020 and 2014 c 37 s 323 are each amended to
25 read as follows:

26 (1) ~~((The provisions of RCW 30A.08.025 shall govern the~~
27 ~~organization, conversion, approval of the director, and other matters~~
28 ~~incidental to the formation and operation of a state trust company as~~
29 ~~a limited liability company.~~

30 ~~(2) The director may adopt rules necessary to clarify, interpret,~~
31 ~~and implement this section.))~~ If the conditions of this section are
32 met, an applicant to become a state trust company may organize as a
33 limited liability trust company pursuant to this chapter. An
34 applicant to become a state trust company, which is already organized
35 as a limited liability company pursuant to chapter 25.15 RCW, may
36 reorganize as and convert to a limited liability trust company under
37 this title and be granted a certificate of authority pursuant to this

1 chapter to operate as a state trust company if all conditions of this
2 title are met.

3 (2) (a) Before a state trust company organized as a corporation
4 may reorganize and convert to a limited liability trust company, the
5 state trust company must obtain approval of the director.

6 (b) (i) To obtain approval under this subsection from the
7 director, the state trust company must file a request for approval
8 with the director at least sixty days before the day on which the
9 state trust company becomes a limited liability trust company.

10 (ii) If the director does not disapprove the request for approval
11 within sixty days from the day on which the director receives the
12 request, the request is considered approved.

13 (iii) When taking action on a request for approval filed pursuant
14 to this subsection, the director may:

15 (A) Approve the request;

16 (B) Approve the request subject to terms and conditions the
17 director considers necessary; or

18 (C) Disapprove the request.

19 (3) To approve a request, the director must find that:

20 (a) The state trust company will operate in a safe and sound
21 manner under a limited liability trust company structure; and

22 (b) The state trust company as a limited liability trust company
23 has the characteristics set forth in subsections (4) and (5) of this
24 section.

25 (4) Notwithstanding any provision to the contrary contained in
26 chapter 25.15 RCW, a state trust company organized as or reorganized
27 and converted to a limited liability trust company must be perpetual.

28 (5) (a) All rights, privileges, powers, duties, and obligations of
29 a state trust company, which is organized as a limited liability
30 trust company, and its members and managers shall be consistent with
31 chapter 25.15 RCW, except the following:

32 (i) Permitting automatic dissolution or suspension of a limited
33 liability company as set forth in RCW 25.15.265(1), pursuant to a
34 statement of limited duration in a certificate of formation;

35 (ii) Permitting automatic dissolution or suspension of a limited
36 liability company, pursuant to the limited liability company
37 agreement, as set forth in RCW 25.15.265(2);

38 (iii) Permitting dissolution of the limited liability company
39 agreement based upon agreement of all the members, as set forth in
40 RCW 25.15.265(3);

1 (iv) Permitting dissociation of all the members of the limited
2 liability company, as set forth in RCW 25.15.265(4); and

3 (v) Permitting automatic dissolution or suspension of a limited
4 liability company, pursuant to operation of law, as otherwise set
5 forth in chapter 25.15 RCW.

6 (b) Notwithstanding (a) of this subsection:

7 (i) For purposes of transferring a member's interests in the
8 state trust company, a member's interest is treated like a share of
9 stock in a corporation; and

10 (ii) If a member's interest is transferred voluntarily or
11 involuntarily to another person, the person who receives the member's
12 interest obtains the member's entire rights associated with the
13 member's interest, including all economic rights and all voting
14 rights.

15 (6)(a) Notwithstanding any provision of chapter 25.15 RCW or this
16 section to the contrary, all voting members remain liable and
17 responsible as fiduciaries of the limited liability trust company,
18 regardless of resignation, dissociation, or disqualification, to the
19 same extent that directors of a state trust company organized as a
20 corporation would be or remain liable or responsible to the
21 department.

22 (b) If death, incapacity, or disqualification of all members of
23 the limited liability trust company would result in a complete
24 dissociation of all members, then the state trust company is deemed
25 nonetheless to remain in existence for purposes of the department
26 having standing under chapter 30B.44B RCW to exercise the powers and
27 authorities of a liquidating agent for the state trust company.

28 **Sec. 7.** RCW 30B.08.030 and 2014 c 37 s 324 are each amended to
29 read as follows:

30 (1) An application ((to organize)) for a certificate of authority
31 to become a state trust company ((charter)) must be made under oath
32 and in the form required by the director and must be supported by
33 information, data, records, and opinions of counsel that the director
34 requires including, without limitation and as requested by the
35 department, authorizations by the incorporators and any proposed
36 officer, director, manager, or managing participant to perform third-
37 party background checks on them, plus fingerprints of these persons
38 obtained from acceptable fingerprinting authorities.

1 (2) Consistent with RCW 30B.12.020(1), the application to
2 organize a state trust company must propose as members of the board
3 of directors not less than five directors, managers, or managing
4 participants, at least two of whom shall not be officers, employees,
5 or agents of the state trust company, or otherwise in control of the
6 state trust company, either as a principal or in a representative
7 capacity, as "control" is defined in RCW 30B.53.005.

8 (3) Prior to issuance of a certificate of authority by the
9 department, the proposed members of the board of directors, as
10 approved by the department, must each submit a declaration in
11 conformity with RCW 30B.12.020(5).

12 (4) The application must be accompanied by all fees and deposits
13 required by statute or by rule of the director.

14 ~~((3))~~ (5) The director shall issue a certificate of authority to
15 a state trust company (~~charter~~) only on proof that one or more
16 viable markets exist within or outside of (~~this~~) Washington state
17 that may be served in a profitable manner by the establishment of the
18 proposed state trust company. In making such a determination, the
19 director shall:

20 (a) Examine the business plan which shall be submitted as part of
21 the application for a certificate of authority to become a state
22 trust company (~~charter~~); and

23 (b) Consider:

24 (i) The market or markets to be served;

25 (ii) Whether the proposed organizational and capital structure
26 and amount of initial capitalization is adequate for the proposed
27 business and location;

28 (iii) Whether the anticipated volume and nature of business
29 indicates a reasonable probability of success and profitability based
30 on the market sought to be served;

31 (iv) Whether the proposed officers, directors, and managers, or
32 managing participants, as a group, have sufficient fiduciary
33 experience, ability, standing, competence, trustworthiness, and
34 integrity to justify a belief that the proposed state trust company
35 will operate in compliance with law and that success of the proposed
36 state trust company is probable;

37 (v) Whether each principal shareholder or participant has
38 sufficient experience, ability, standing, competence,
39 trustworthiness, and integrity to justify a belief that the proposed
40 state trust company will be free from improper or unlawful influence

1 or interference with respect to the state trust company's operation
2 in compliance with law; and

3 (vi) Whether the organizers are acting in good faith.

4 ~~((4))~~ (6) The failure of an applicant to furnish required
5 information, data, opinions of counsel, other material, or the
6 required fee is considered an abandonment of the application.

7 **Sec. 8.** RCW 30B.08.040 and 2014 c 37 s 325 are each amended to
8 read as follows:

9 (1) The director shall notify the organizers when the application
10 is complete and accepted for filing and all required fees and
11 deposits have been paid. ~~((Promptly after this notification, the
12 organizers shall publish notice of the application and solicit
13 comments in a form specified by the director at locations reasonably
14 necessary to solicit the views of potentially affected persons
15 specified by the director by rule.))~~

16 (2) At the expense of the organizers, the director shall
17 investigate the application and inquire into the identity and
18 character of each proposed director, manager, officer, managing
19 participant, and principal shareholder or participant. ~~((The director
20 shall prepare a written report of the investigation, and any person
21 may request a copy of the nonconfidential portions of the application
22 and written report under chapter 42.56 RCW.))~~

23 (3) ~~((Rules adopted under this chapter may specify the
24 confidential or nonconfidential character of information obtained by
25 the department under this section.~~

26 ~~(4))~~ The financial statement of a proposed officer, director,
27 manager, or managing participant is confidential and not subject to
28 public disclosure under chapter 42.56 RCW.

29 **Sec. 9.** RCW 30B.08.070 and 2014 c 37 s 328 are each amended to
30 read as follows:

31 (1) ~~((Notwithstanding any other provision of this title,))~~ A state
32 trust company shall be deemed a distinct ~~((species))~~ type of
33 corporation or limited liability trust company whose
34 ~~((charter))~~ certificate of authority may be granted, conditioned,
35 canceled, or revoked only by the department.

36 (2) Title 23B RCW applies to a state trust company in corporation
37 form and chapter 25.15 RCW in limited liability company form to the

1 extent not inconsistent with this title or the business of a state
2 trust company, except that:

3 (a) Any reference to the secretary of state means the director
4 unless the context requires otherwise; and

5 (b) The right of shareholders or participants to cumulative
6 voting in the election of directors or managers exists only if
7 granted by the state trust company's articles of
8 ~~((association))~~incorporation or limited liability company agreement.

9 (3) Unless expressly authorized by this title or a rule of the
10 department, a state trust company may not take an action authorized
11 by Title 23B RCW or chapter 25.15 RCW regarding its corporate status,
12 capital structure, or a matter of corporate governance, of the type
13 for which Title 23B RCW or chapter 25.15 RCW would require a filing
14 with the secretary of state if the state trust company were a
15 business corporation, without first submitting the filing to the
16 director for the same purposes for which it otherwise would be
17 required to be submitted to the secretary of state.

18 (4) The department may adopt rules to limit or refine the
19 applicability of subsection (2) of this section to a state trust
20 company or to alter or supplement the procedures and requirements of
21 Title 23B RCW or chapter 25.15 RCW applicable to an action taken
22 under this chapter.

23 **Sec. 10.** RCW 30B.08.080 and 2014 c 37 s 329 are each amended to
24 read as follows:

25 (1) Upon the issuance of a certificate of authority to a state
26 trust company as prescribed in this chapter and its commencement of
27 business pursuant to such certificate of authority, ~~((the persons~~
28 ~~named in the articles of incorporation and their successors))~~it shall
29 ~~((thereupon become))~~be a corporation or limited liability company
30 ~~((and may engage in trust business and other business, including~~
31 ~~without limitation;~~

32 ~~(a) Subject to RCW 30B.08.070, exercising the powers of a~~
33 ~~Washington business corporation under Title 23B RCW or a Washington~~
34 ~~limited liability company under chapter 25.15 RCW reasonably~~
35 ~~necessary or helpful to enable exercise of its specific powers under~~
36 ~~this title;~~

37 ~~(b) Receiving for safekeeping personal property of every~~
38 ~~description;~~

1 ~~(c) Acting as assignee, bailee, conservator, custodian,~~
2 ~~recordkeeper, escrow agent, registrar, receiver, or transfer agent;~~
3 ~~(d) Acting as financial advisor, investment advisor or manager,~~
4 ~~agent, or attorney-in-fact in any agreed upon capacity;~~
5 ~~(e) Accepting or executing trusts, including:~~
6 ~~(i) Acting as trustee under a written agreement;~~
7 ~~(ii) Receiving money or other property in its capacity as trustee~~
8 ~~for investment in real or personal property;~~
9 ~~(iii) Acting as trustee and performing the fiduciary duties~~
10 ~~committed or transferred to it by a valid and applicable court order;~~
11 ~~(iv) Acting as trustee of the estate of a deceased person;~~
12 ~~(v) Acting as trustee for a minor or incapacitated person;~~
13 ~~(vi) Acting as a trustee of collective investment funds or common~~
14 ~~trust funds; or~~
15 ~~(vii) Acting as a trustee of statutory or similar trusts;~~
16 ~~(f) Administering in any other fiduciary capacity real or~~
17 ~~tangible personal property;~~
18 ~~(g) Acting as an executor, administrator, guardian, or~~
19 ~~conservator;~~
20 ~~(h) Acting as an assignee, receiver, agent, or custodian;~~
21 ~~(i) Acting pursuant to valid and applicable court order as~~
22 ~~executor or administrator of the estate of a deceased person or as a~~
23 ~~guardian or conservator for a minor or incapacitated person;~~
24 ~~(j) Acting in any capacity in which one exercises investment~~
25 ~~discretion on behalf of another;~~
26 ~~(k) Exercising any incidental power or ancillary that is~~
27 ~~reasonably necessary to enable it to fully exercise, according to~~
28 ~~commonly accepted fiduciary customs and usages, the trust powers~~
29 ~~authorized by this title;~~
30 ~~(l) Acting as a manager of a limited liability company, limited~~
31 ~~liability partnership, or similar entity;~~
32 ~~(m) Acting as the registrar of stocks and bonds;~~
33 ~~(n) Acting as an escrow agent, escrow holder, or managing agent;~~
34 ~~(o) Acting as a corporate bond and transfer paying agent;~~
35 ~~(p) Acting as a sponsoring or other member of any clearing~~
36 ~~corporation with respect to securities or other property; or~~
37 ~~(q) Acting in any other capacity or for any other activity as~~
38 ~~determined or approved by the director))~~ for the purpose of engaging
39 in trust business under this title, including:
40 (a) Accepting or executing trusts, including:

1 (i) Acting as trustee under a written agreement;
2 (ii) Receiving money or other property in its capacity as trustee
3 for investment in real or personal property;
4 (iii) Acting as trustee and performing the fiduciary duties
5 committed or transferred to it by a valid and applicable court order;
6 (iv) Acting as trustee of the estate of a deceased person;
7 (v) Acting as trustee for a minor or incapacitated person;
8 (vi) Acting as a trustee of collective investment funds or
9 common trust funds; or
10 (vii) Acting as a trustee of statutory or similar trusts;
11 (b) Acting as an attorney-in-fact in any agreed upon capacity;
12 (c) Acting pursuant to court order as executor, administrator,
13 guardian, or conservator of an estate; or
14 (d) Regularly engaging in any other activity that the director
15 determines by rule to be an essential function of a trust business in
16 Washington state upon his or her finding that (i) the proposed
17 activity of the applicant is closely akin to acting as a fiduciary,
18 (ii) the proposed activity cannot be more effectively regulated under
19 a statute of Washington state other than this title, and (iii) the
20 exercise of such powers by the applicant in Washington state (A)
21 would serve the convenience and advantage of trustors and
22 beneficiaries, or the general public, and (B) would maintain the
23 fairness of competition and parity between state trust companies and,
24 as applicable, federal trust institutions or out-of-state trust
25 institutions.

26 (2) The state trust company also shall be a corporation or
27 limited liability company for the purposes of engaging in trust
28 business under this title if the director otherwise issues a written
29 finding, pursuant to a specific application for a certificate of
30 authority to do business as a state trust institution in Washington
31 state pursuant to this chapter or chapter 30B.38 RCW, that all of the
32 criteria set forth in subsection (1)(d) of this section exist in
33 relation to the applicant.

34 (3) Pursuant to such certificate of authority, a state trust
35 company may also perform incidental activities, other than trust
36 business, which include:

37 (a) Acting as a bailee or receiving for safekeeping personal
38 property;

39 (b) Acting as a custodian for money or its equivalent, or for
40 other personal property, which conduct has not otherwise been

1 determined by rule to be trust business pursuant to subsection (1)(d)
2 of this section;

3 (c) Acting as a recordkeeper for a retirement plan;

4 (d) Acting as the registrar of or transfer agent for stocks and
5 bonds;

6 (e) Acting as a sponsoring or other member of any clearing
7 corporation with respect to securities or other property;

8 (f) Acting as an escrow agent, escrow holder, or managing agent;

9 (g) Acting as a receiver;

10 (h) Acting as a manager of a limited liability company, limited
11 liability partnership, or similar entity; or

12 (i) Conducting such other incidental activities permissible for a
13 state trust company as the director shall prescribe by rule.

14 (4) The director may prescribe rules for the safe and sound
15 exercise of the powers enumerated in subsections (1) and (3) of this
16 section.

17 ~~((3))~~ (5) A trust department of a state commercial bank, to the
18 extent authorized under ((Title 30A or 32)) RCW 30A.08.150, ((as
19 applicable,)) or a trust department of a state savings
20 ((association))bank, to the extent authorized under ((Title 33)) RCW
21 32.08.210, may exercise all of the powers and authorities of a state
22 trust company under this title ((, including in relation to corporate
23 governance matters)).

24 (6) A state trust company, when acting in a fiduciary capacity,
25 either alone or jointly with an individual or individuals, may, with
26 the consent of such individual or individuals, who are hereby
27 authorized to give such consent, cause any stocks, securities, or
28 other property held or acquired to be registered and held in the name
29 of a nominee or nominees of the state trust company without mention
30 of the fiduciary relationship. Any such fiduciary shall be liable for
31 any loss occasioned by the acts of any of its nominees with respect
32 to such stocks, securities, or other property so registered.

33 **Sec. 11.** RCW 30B.08.090 and 2014 c 37 s 330 are each amended to
34 read as follows:

35 (1) Notwithstanding any restrictions, limitations, and
36 requirements of law, in addition to all powers, express or implied,
37 that a state trust company has under the laws of ((this)) Washington
38 state, a state trust company has the powers and authorities conferred
39 as of ((January 5, 2015)) the effective date of this section, upon a

1 (~~federally chartered trust company doing business in this~~
2 ~~state~~) federal trust institution. A state trust company may exercise
3 the powers and authorities conferred on a (~~federally chartered trust~~
4 ~~company~~) federal trust institution after this date only if the
5 director finds that the exercise of such powers and authorities:

6 (a) Serves the convenience and advantage of trustors and
7 beneficiaries, or the general public; and

8 (b) Maintains the fairness of competition and parity between
9 state trust companies and federally chartered trust companies.

10 (2) Notwithstanding any other provisions of law, a state trust
11 company has the trust-related and fiduciary-related powers and
12 authorities of an out-of-state trust institution (~~approved by the~~
13 ~~director under chapter 30B.38 RCW~~) that is not a functionally
14 unregulated out-of-state institution under RCW 30B.38.090.

15 (3) As used in this section, "powers and authorities" include
16 without limitation powers and authorities in corporate governance and
17 operational matters.

18 (4) The restrictions, limitations, and requirements applicable to
19 specific powers and authorities of federally chartered trust
20 companies and out-of-state (~~state~~) trust institutions, as
21 applicable, shall apply to state trust companies exercising those
22 powers or authorities permitted under this section but only insofar
23 as the restrictions, limitations, and requirements relate to
24 exercising the powers or authorities granted trust companies solely
25 under this section.

26 (5) Notwithstanding any other provisions of law, in addition to
27 all powers enumerated by this title, and those necessarily implied
28 therefrom, a state trust company may engage in other business
29 activities that have been determined by the board of governors of the
30 federal reserve system or by the United States congress to be closely
31 related to the business of banking, as of (~~January 5, 2015~~) the
32 effective date of this section.

33 (6) A state trust company that desires to perform an activity
34 that is not authorized by subsection (5) of this section shall first
35 apply to the director for authorization to conduct such activity.
36 Within thirty days of the receipt of this application, the director
37 shall determine whether the activity is closely related to the
38 business of banking, whether the public convenience and advantage
39 will be promoted, whether the activity is apt to create an unsafe and
40 unsound practice by the state trust company, and whether the

1 applicant is capable of performing such an activity. If the director
2 finds the activity to be closely related to the business of banking
3 and the state trust company is otherwise qualified, he or she shall
4 immediately inform the applicant that the activity is authorized. If
5 the director determines that such activity is not closely related to
6 the business of banking or that the state trust company is not
7 otherwise qualified, he or she shall promptly inform the applicant in
8 writing. The applicant shall have the right to appeal from an
9 unfavorable determination in accordance with the procedures of the
10 administrative procedure act, chapter 34.05 RCW. In determining
11 whether a particular activity is closely related to the business of
12 banking, the director shall ~~((be guided))~~ consider but is not bound by
13 the rulings of the board of governors of the federal reserve system
14 and the comptroller of the currency ~~((in making determinations in
15 connection with the powers exercisable by bank holding companies, and
16 the activities performed by other commercial banks or their holding
17 companies))~~.

18 (7) Notwithstanding any of the powers and authorities granted to
19 a state trust company under this section, the director may, upon
20 written notice to a state trust company, disallow any such power or
21 authority if the director finds that such power and authority cannot
22 be exercised by the state trust company in a safe or sound manner.

23 NEW SECTION. Sec. 12. A new section is added to chapter 30B.10
24 RCW to read as follows:

25 SCOPE OF CHAPTER—NONEXCLUSIVE REMEDIES. (1) This chapter sets
26 forth the authority of the department to supervise and examine state
27 trust institutions and to seek adjudicative enforcement remedies
28 against persons, and their affiliates, officers, directors, managers,
29 employees, and agents, engaged in authorized or nonauthorized and
30 nonexempt trust business in Washington state.

31 (2) None of the provisions in this chapter shall be deemed to be
32 an exclusive remedy of the department, and the department may, as
33 applicable, exercise other remedies set forth elsewhere in this title
34 and in other Washington law including, without limitation:

35 (a) The issuance of a supervisory directive, nonadjudicative
36 corrective action order, or nonadjudicative order of conservatorship
37 pursuant to chapter 30B.46 RCW; and

1 (b) The issuance of nonadjudicative orders for involuntary
2 dissolution and liquidation of a state trust company pursuant to
3 chapter 30B.44B RCW.

4 NEW SECTION. **Sec. 13.** A new section is added to chapter 30B.10
5 RCW to read as follows:

6 DEFINITIONS. As used in this chapter, unless the context clearly
7 appears otherwise, the terms in this section mean:

8 (1) "Affiliate" means the same as defined in RCW 30B.04.005.

9 (2) "Agent" means the same as defined in RCW 30B.04.005.

10 (3) "Cause of action" means any of the acts or omissions giving
11 rise to a violation under this chapter for which the department can
12 pursue administrative remedies.

13 (4) "Presiding officer" means a person who qualifies as a
14 presiding officer under RCW 34.05.425 and has been authorized to act
15 as presiding officer in an administrative proceeding under this
16 chapter.

17 (5) "Respondent" means a person against whom the director has
18 issued a notice and statement of charges pursuant to this chapter.

19 (6) "Third-party service provider" means the same as in RCW
20 30B.04.005.

21 **Sec. 14.** RCW 30B.10.005 and 2014 c 37 s 333 are each amended to
22 read as follows:

23 (1) (~~In addition to his or her supervision authority over the~~
24 ~~trust business of state banks and state savings associations,)~~The
25 director shall exercise supervision authority over state trust
26 companies and also over out-of-state trust institutions as set forth
27 in this chapter or to the extent provided for in cooperative
28 agreements made by the director with the home states of out-of-state
29 trust institutions pursuant to RCW 30B.38.060.

30 (2) The director shall execute and enforce through the department
31 and such other agents as exist on or after January 5, 2015, all laws
32 which exist on or after January 5, 2015, relating to state trust
33 companies and out-of-state trust institutions engaged in trust
34 business in (~~this~~)Washington state.

35 (3) For the more complete and thorough enforcement of the
36 provisions of this title, the department is authorized to adopt rules
37 not inconsistent with the provisions of this title, as may, in its
38 opinion, be necessary to carry out the provisions of this title and

1 as may be further necessary to insure safe and sound management of
2 trust institutions under its supervision taking into consideration
3 the appropriate interest of the creditors, stockholders,
4 participants, and the public in their relations with such trust
5 institutions.

6 (4) A state trust company shall conduct its business in a manner
7 consistent with all laws relating to trust companies, and all rules,
8 regulations, and instructions that may be adopted or issued by the
9 department.

10 NEW SECTION. **Sec. 15.** A new section is added to chapter 30B.10
11 RCW to read as follows:

12 EXAMINATIONS—REQUIREMENTS FOR DIRECT EXAMINATION OF THIRD-PARTY
13 SERVICE PROVIDERS. (1) The director shall visit each state trust
14 company at least once every twenty-four months, and more often as
15 determined by the director, for the purpose of making a full
16 investigation into the condition of such state trust company.

17 (2) The director may make such other full or partial examinations
18 as deemed necessary and may visit and examine any affiliate of a
19 state trust company, obtain reports of condition for any such
20 affiliate, and shall have full access to all the books, records,
21 papers, securities, correspondence, bank accounts, and other papers
22 of such business for such purposes.

23 (3) Before the director may issue notice of its intent to visit
24 and directly examine a third-party service provider without a
25 subpoena pursuant to RCW 30B.10.120, the director must find:

26 (a) That the third-party service provider either:

27 (i) Performs services for the state trust company that appear to
28 be necessary for the state trust company to meet its fiduciary duty,
29 operate in a safe and sound manner, or otherwise comply with this
30 title and other applicable law; or

31 (ii) Appears that the state trust company cannot extricate itself
32 from its client-vendor relationship without adverse material
33 consequences or prolonged delay, including inability to timely find a
34 replacement vendor as third-party service provider;

35 (b) That either:

36 (i) The information sought by the director cannot be otherwise
37 accessed or verified by the records of the state trust company
38 without direct examination of the records of the third-party service
39 provider that relate to the state trust company; or

1 (ii) The third-party service provider manages an application,
2 process, or system for the benefit of the state trust company, the
3 integrity of which cannot be evaluated without direct examination;
4 and

5 (c) That it appears prior to direct examination of the third-
6 party service provider that an act or omission of the third-party
7 service provider sought to be examined has resulted in a significant
8 heightened risk of the state trust company not meeting its fiduciary
9 duty, committing an unsafe practice or operating in an unsafe or
10 unsound manner, or otherwise violating a provision of this title or
11 other applicable law.

12 (4) Subject to notice to a state trust company and its third-
13 party service provider accompanied by a written finding by the
14 director that the conditions of subsection (3) of this section have
15 been met, the director may visit and directly examine a third-party
16 service provider of a state trust company in order to determine
17 whether the state trust company, on account of an act or omission of
18 the third-party service provider, is in compliance with this title
19 and other applicable law including, without limitation, the
20 provisions of chapter 30B.24 RCW. If prerequisites for direct
21 examination of such third-party service provider conform to this
22 subsection, then a subpoena pursuant to RCW 30B.10.120 shall not be
23 required prior to a visitation and examination of such third-party
24 service provider.

25 (5) Any willful false swearing in any examination is perjury in
26 the second degree.

27 (6) The director may enter into cooperative and reciprocal
28 agreements with the trust institution regulatory authorities of the
29 United States and other states and United States territories, for the
30 periodic examination of state trust institutions and their
31 affiliates. The director may accept reports of examination and other
32 records from such authorities in lieu of conducting his or her own
33 examinations. The director may enter into joint actions with other
34 regulatory bodies having concurrent jurisdiction or may enter into
35 such actions independently to carry out his or her responsibilities
36 under this title and assure compliance with the laws of Washington
37 state.

38 (7) Copies from the records, books, and accounts of a state trust
39 institution or its affiliate shall be competent evidence in all
40 cases, equal with originals thereof, if there is attached to such

1 copies (~~(an affidavit taken before a notary public or clerk of a~~
2 ~~court under seal,~~)a declaration under penalty of perjury stating
3 that the (~~(affiant)~~)declarant is the officer of the state trust
4 institution or its affiliate having charge of the original records,
5 and that the copy is true and correct and is full so far as the same
6 relates to the subject matter therein mentioned.

7 **Sec. 16.** RCW 30B.10.040 and 2014 c 37 s 337 are each amended to
8 read as follows:

9 (1) The director is authorized to adopt rules governing the
10 examination standards for a state trust (~~(companies)~~)company, trust
11 department, third-party service provider, and other persons subject
12 to investigation and examination under this title, including the
13 application by rule of examination standards of other federal and
14 state financial institutions regulators and standards adopted
15 (~~(incident to)~~)from cooperative agreements made by the director under
16 RCW 30B.38.060.

17 (2) Subject to subsection (3) of this section, such rules shall
18 not be inconsistent with the uniform interagency trust rating system,
19 or its equivalent, of the federal financial institutions examination
20 council or its successor agency; and subject to subsection (3) of
21 this section, the director shall apply the standards of the uniform
22 interagency trust rating system, or its equivalent, in its
23 examination and rating of state trust companies and other persons
24 subject to investigation and examination under this title to the
25 extent that the department has not adopted applicable rules.

26 (3) Notwithstanding subsection (2) of this section, the director
27 may, in lieu of or in addition to applicable rules, prescribe special
28 conditions for a new state trust company or an out-of-state trust
29 company doing business in Washington state, to the extent that such
30 special conditions contain standards of examination and rating for
31 the state trust company or out-of-state trust company that the
32 director deems necessary to address circumstances including, without
33 limitation, an emerging business model, which do not appear to the
34 director to be contemplated or adequately addressed by the uniform
35 interagency trust rating system, or its equivalent, of the federal
36 financial institutions examination council or its successor agency.

37 **Sec. 17.** RCW 30B.10.050 and 2014 c 37 s 338 are each amended to
38 read as follows:

1 (1) Each person subject to the requirement of a certificate of
2 authority ~~((of))~~ or approval from the director ~~((, — its~~
3 ~~subsidiaries,))~~ pursuant to RCW 30B.04.050, and ~~((their~~
4 ~~respective))~~ any director ~~((s)),~~ officer ~~((s)),~~ manager, employee ~~((s)),~~
5 ~~((and))~~ or agent ~~((s))~~ of such person, shall not engage in any
6 unauthorized trust activity and shall comply with:

7 (a) This title and Title 11 RCW;

8 (b) The rules adopted by the director pertaining to this title
9 and compliance with Title 11 RCW;

10 (c) Any condition in the department's certificate of authority of
11 a state trust company or in the department's approval of an out-of-
12 state trust company doing business in Washington state including,
13 without limitation, any condition of certificate of authority or
14 approval made pursuant to RCW 30B.10.040(3);

15 (d) Any lawful ~~((directive or))~~ order of the director;

16 ~~((d))~~ (e) Any lawful supervisory agreement with the director or
17 supervisory directive of the director; and

18 ~~((e))~~ (f) All applicable federal laws and regulations affecting
19 trust institutions subject to the authority of the director.

20 (2) Each ~~((holding company))~~ affiliate of a person subject to the
21 authority of the director under this title, and ~~((its))~~ any
22 director ~~((s)),~~ officer ~~((s)),~~ manager, employee ~~((s)),~~ ~~((and))~~ or
23 agent ~~((s))~~ of such affiliate, shall not engage in any unauthorized
24 trust activity and shall comply with:

25 (a) The provisions of this title ~~((that are applicable to each of~~
26 ~~them))~~ and Title 11 RCW, to the extent that any act or omission of the
27 affiliate, or a director, officer, manager, employee, or agent of
28 such affiliate, affects the safety and soundness and compliance with
29 the law of a person subject to the authority of this title;

30 (b) The rules adopted by the director with respect to such
31 ~~((holding companies))~~ affiliate;

32 (c) Any lawful ~~((direction or))~~ order of the director;

33 (d) Any lawful supervisory agreement with the director or
34 supervisory directive of the director; and

35 (e) All applicable federal laws and regulations affecting a trust
36 institution ~~((s))~~ or its affiliate subject to the authority of the
37 director.

38 (3) The violation of any supervisory agreement, supervisory
39 directive, order, statute, rule, or regulation referenced in this
40 section, in addition to any other penalty provided in this title,

1 shall, at the option of the director, subject the offender to a
2 penalty of up to ten thousand dollars for each offense, payable upon
3 issuance of any order or directive of the director, which may be
4 recovered by the attorney general in a civil action in the name of
5 the department.

6 **Sec. 18.** RCW 30B.10.060 and 2014 c 37 s 339 are each amended to
7 read as follows:

8 The powers and duties of the director and required practices and
9 procedures of the department with respect to all enforcement
10 authority conferred by this title shall be subject to the Washington
11 administrative procedure act, chapter 34.05 RCW, consistent with the
12 administrative procedures applicable to ~~((enforcement actions against
13 banks, their holding companies, and their officers, directors,
14 employees, and agents, as set forth in Title 30A RCW, including but
15 not limited to the following:~~

16 ~~(1) Notice of administrative charges under RCW 30A.04.450;~~

17 ~~(2) The provisions relating to grounds for, procedure for
18 obtaining, and the effective date of emergency temporary orders under
19 RCW 30A.04.455 through 30A.04.465, inclusive;~~

20 ~~(3) Enforcement of department orders under RCW 30A.04.470 and
21 30A.04.475;~~

22 ~~(4) Grounds for removal of officers, directors, and employees
23 under RCW 30A.12.040;~~

24 ~~(5) Procedure for suspension of an officer, director, or employee
25 under RCW 30A.12.0401; and~~

26 ~~(6) Notice of charges for removal of officers, directors, and
27 employees under RCW 30A.04.042)) this chapter.~~

28 **Sec. 19.** RCW 30B.10.070 and 2014 c 37 s 340 are each amended to
29 read as follows:

30 In addition to any other powers conferred by this title, the
31 director shall have the power, consistent with the requirements of
32 ~~((RCW 30B.10.060)) this chapter, to order:~~

33 ~~(1) ((Order)) Any person ((under authority of the director under
34 this title)), its ((holding company, its subsidiary)) affiliate, or
35 any ((of their)) director((s)), officer((s)), manager, employee((s)),
36 or agent((s)) of such person or its affiliate, subject to the
37 authority of RCW 30B.10.050, to cease and desist engaging in any~~

1 unauthorized trust activity or violating any provision of this title
2 or any lawful rule;

3 (2) ~~((Order))~~Any ~~((authorized))~~state trust institution, its
4 ~~((holding company, its subsidiary))~~affiliate, or any ~~((of their))~~
5 director~~((s))~~, officer~~((s))~~, manager, employee~~((s))~~, or agent~~((s))~~of
6 the state trust institution or its affiliate to cease and desist from
7 a course of conduct that is unsafe or unsound ~~((and))~~or which is
8 likely to cause insolvency or dissipation of assets or is likely to
9 jeopardize or otherwise seriously prejudice the interests of the
10 public in their relationship with the ~~((authorized))~~state trust
11 institution;

12 (3) ~~((Order any person to cease engaging in an unauthorized trust~~
13 ~~activity; and~~

14 ~~(4) Enter any order pursuant to RCW 30B.38.070.)~~Any person, its
15 affiliate, or any director, officer, manager, employee, or agent of
16 such person or its affiliate, subject to the authority of RCW
17 30B.10.050, to take affirmative action to avoid or refrain from
18 unauthorized trust activity, an unsafe or unsound practice, or other
19 violation of this title;

20 (4) The imposition of fines;

21 (5) Restitution to beneficiaries, trustors, or other aggrieved
22 persons;

23 (6) Costs and expenses related to investigation and enforcement,
24 including attorney fees; and

25 (7) Other remedies authorized by law.

26 NEW SECTION. Sec. 20. A new section is added to chapter 30B.10
27 RCW to read as follows:

28 HEARING—WHO MAY CONDUCT—AUTHORITY. (1) A hearing pursuant to a
29 notice of charges under this chapter must be conducted in accordance
30 with chapter 34.05 RCW, except to the extent otherwise provided in
31 this chapter.

32 (2) Such hearing may be held at a place designated by the
33 director and, at the option of the director, may be conducted by a
34 delegated presiding officer whom the director appoints without
35 referral to the office of administrative hearings.

36 (3) The hearing shall be conducted in accordance with this
37 chapter, chapter 34.05 RCW, and chapters 10-08 and 208-08 WAC.

38 (4) If the department elects to conduct a hearing as permitted by
39 subsection (2) of this section, the director must appoint a presiding

1 officer from outside the division of banks, who may be either an
2 employee from another division, an independent contractor, or an
3 administrative law judge of the office of administrative hearings.

4 (5) Such hearing shall be private unless the director determines
5 that a public hearing is necessary to protect the public interest
6 upon good cause shown in a motion by the respondent, if any, to make
7 the hearing public.

8 (6) The director may elect to either retain authority to issue a
9 final order or may delegate such authority to the presiding officer
10 appointed pursuant to subsection (2) of this section.

11 NEW SECTION. **Sec. 21.** A new section is added to chapter 30B.10
12 RCW to read as follows:

13 NOTICE OF CHARGES—REASONS FOR ISSUANCE—GROUNDS—CONTENTS OF
14 NOTICE. (1) The director may issue and serve a notice of charges
15 upon:

- 16 (a) A state trust institution;
17 (b) An affiliate of a state trust institution;
18 (c) A director, officer, manager, employee, or agent of a state
19 trust institution or its affiliate; or
20 (d) Any other person subject to the jurisdiction of the
21 department under this title including, without limitation, a person
22 engaged in unauthorized trust activity.

23 (2) Such notice of charges may be issued to and served upon any
24 person or entity described in subsection (1) of this section whenever
25 such person or entity:

- 26 (a) Has engaged in an unsafe or unsound practice;
27 (b) Has violated any provision of RCW 30B.10.050; or
28 (c) Is planning, attempting, or currently conducting any act
29 prohibited in (a) or (b) of this subsection.

30 (3) The notice shall contain a statement of the facts
31 constituting the acts or omissions specified in subsection (2) of
32 this section.

33 (4) The notice shall set a time and place at which a hearing will
34 be held to determine whether the following remedies should be
35 granted:

- 36 (a) An order to cease and desist any of the acts or omissions
37 specified in subsection (2) of this section;
38 (b) An order compelling affirmative action to redress any of the
39 acts or omissions specified in subsection (2) of this section;

1 (c) An order imposing fines as authorized by RCW 30B.10.070;

2 (d) Restitution to beneficiaries, trustors, or other aggrieved
3 persons;

4 (e) Costs and expenses related to investigation and enforcement,
5 including attorney fees; and

6 (f) Other remedies authorized by law.

7 NEW SECTION. **Sec. 22.** A new section is added to chapter 30B.10
8 RCW to read as follows:

9 TIME FOR HEARING—DEFAULT. (1) The hearing shall be held not
10 earlier than ten days or later than thirty days after service of the
11 notice set forth in section 21 of this act, unless a later date is
12 set by the director for good cause as requested by the respondent.

13 (2) Unless the respondent appears at the hearing set forth in
14 subsection (1) of this section, a default order granting any of the
15 remedies or sanctions set forth in the notice and statement of
16 charges may be issued by the presiding officer, consistent with RCW
17 34.05.440(2).

18 (3) A respondent may file with the presiding officer, within
19 seven days of service of the default order, a motion to set aside a
20 default order consistent with RCW 34.05.440(3). If the presiding
21 officer does not issue a ruling within five business days of the
22 motion being filed, then the motion to set aside is denied.

23 NEW SECTION. **Sec. 23.** A new section is added to chapter 30B.10
24 RCW to read as follows:

25 ADMINISTRATIVE HEARING—PROCEDURE—ORDER—NO STAY ON JUDICIAL
26 REVIEW. (1) The presiding officer shall have sixty days after the
27 hearing to issue an order, including findings of fact and conclusions
28 of law, consistent with RCW 34.05.461(3).

29 (2) If the director has not delegated his or her authority to a
30 presiding officer to issue a final order, a party may bring a
31 petition for review of the presiding officer's initial order before
32 the director, consistent with RCW 34.05.464.

33 (3) If the director has previously delegated his or her authority
34 for the presiding officer to issue a final order, then the order of
35 such presiding officer shall be final and may be appealable to the
36 superior court of Washington, consistent with RCW 34.05.514.

1 (4) The commencement of proceedings for judicial review shall not
2 operate as a stay of any order issued by the director unless
3 specifically ordered by the court.

4 **Sec. 24.** RCW 30B.10.080 and 2014 c 37 s 341 are each amended to
5 read as follows:

6 ~~((The director has the power to require the suspension and
7 removal from office of any officer, director, or employee of any
8 trust institution subject to the director's authority, its holding
9 company, or its subsidiary, who shall be found to be dishonest,
10 incompetent, or reckless in the management of the affairs of the
11 institution, or who persistently violates the laws of this state or
12 the lawful orders, instructions, and rules issued or adopted by the
13 department.))~~ (1) In addition to the remedies set forth in RCW
14 30B.10.070, the director may, as applicable, issue and serve a
15 current or former director, officer, manager, or employee of a state
16 trust company or its affiliate with written notice of intent to
17 remove such person from office or employment, or to prohibit such
18 person from participating in the conduct of the affairs of the state
19 trust company, its affiliate, or any depository institution, trust
20 company, or affiliate of such depository institution or trust
21 company, doing business in Washington state, whenever:

22 (a) Such person has committed an unsafe or unsound practice or a
23 violation or practice involving a breach of fiduciary duty, personal
24 dishonesty, recklessness, or incompetence; and

25 (b) (i) The state trust company has suffered or is likely to
26 suffer substantial financial loss or other damage as a result of the
27 person's acts or omissions as set forth in (a) of this subsection; or

28 (ii) The interests of beneficiaries, trustors, shareholders, or
29 the general public could be seriously prejudiced by reason of the
30 person's acts or omissions as set forth in (a) of this subsection.

31 (2) The director may also serve upon the same respondent a
32 written notice and order suspending the respondent from further
33 participation in any manner in the conduct of the affairs of the
34 state trust company, its affiliate, or any depository institution,
35 trust company, or affiliate of such depository institution or trust
36 company, doing business in Washington state, pending resolution of
37 the charges made pursuant to subsection (1) of this section, if the
38 director determines that such an action is necessary for the
39 protection of: The state trust company or its affiliate; the

1 interests of beneficiaries, trustors, or shareholders of the state
2 trust company or its affiliate; the interests of any depository
3 institution or its depositors, trust beneficiaries, borrowers, or
4 shareholders; or the general public.

5 (3) A suspension order issued by the director is effective upon
6 service and, unless the superior court issues a stay of such order,
7 such order shall remain in effect and enforceable until:

8 (a) The director dismisses the charges contained in the notice
9 served on the person; or

10 (b) The effective date of a final order for removal of such
11 person.

12 NEW SECTION. Sec. 25. A new section is added to chapter 30B.10
13 RCW to read as follows:

14 EMERGENCY ORDER—ISSUANCE—DIRECT JUDICIAL REVIEW ONLY—LIMITATION
15 OR TIME—STANDARD OF JUDICIAL REVIEW. (1) When the director finds it
16 necessary for one or more of the purposes set forth in subsection (2)
17 of this section, the director may issue and serve an emergency order
18 upon:

19 (a) A state trust institution, its affiliate, a director,
20 officer, manager, employee, or agent of such state trust institution
21 or its affiliate, or any person subject to the authority of this
22 title, requiring the respondent to take immediate affirmative action
23 or immediately cease and desist from any act, practice, or omission
24 or failure to act; or

25 (b) A director, officer, manager, or employee of a state trust
26 company or its affiliate to suspend or remove such person from his or
27 her office or employment with the state trust company or its
28 affiliate pursuant to RCW 30B.10.080.

29 (2) Such emergency order may be issued to:

30 (a) Ensure the safety or soundness of the authorized trust
31 institution;

32 (b) Prevent the state trust institution's insolvency or inability
33 to pay its obligations in the ordinary course of business;

34 (c) Prevent significant or critical undercapitalization or
35 substantial dissipation of assets;

36 (d) Compel timely compliance with a supervisory agreement,
37 supervisory directive, or order of the director;

1 (e) Compel production of or access to its books, papers, records,
2 or affairs as directed by the department or other applicable
3 financial services regulator;

4 (f) Prevent immediate and irreparable harm to the public
5 interest, interests of the trustors or beneficiaries, or condition of
6 the state trust institution; or

7 (g) Prevent fraudulent activity.

8 (3) The emergency order must:

9 (a) Be served upon each entity or person subject to the order by
10 personal delivery or registered or certified mail, return receipt
11 requested, to the entity or person's last known address;

12 (b) State the specific acts or omissions at issue and require the
13 entity or person to immediately comply with the order; and

14 (c) Contain a notice that a request for hearing may be filed by
15 the respondent within ten days of service with the superior court, as
16 set forth in subsection (5) of this section.

17 (4) Unless a respondent against whom the order is directed files
18 a petition for judicial review with the court within ten days after
19 the order is served under this section, the order is nonappealable
20 and any right to a hearing is deemed conclusively waived as to that
21 respondent.

22 (5) A petition for judicial review must:

23 (a) Be filed with the superior court of the county of the
24 principal place of business of the respondent or, in the case of the
25 respondent not being domiciled in Washington state, the Thurston
26 county superior court;

27 (b) State the specific respondents seeking review of the order;
28 and

29 (c) State the specific grounds and authority to set aside or
30 modify the order.

31 (6) Upon receipt of a timely filed petition for review, the court
32 shall set the time and place of a hearing, no later than ten business
33 days after the petition for review is filed, unless otherwise agreed
34 by the parties.

35 (7) The department shall bear the burden of proof by a
36 preponderance of evidence.

37 (8) Pending judicial review, the emergency order shall continue
38 in full force and effect unless the order is stayed by the
39 department.

1 NEW SECTION. **Sec. 26.** A new section is added to chapter 30B.10
2 RCW to read as follows:

3 ORDER OF PROHIBITION AGAINST THIRD-PARTY SERVICE PROVIDERS—
4 GROUNDS—NOTICE. (1) The director may issue and serve a state trust
5 institution, or its affiliate, with written notice of intent to
6 prohibit it from permitting a third-party service provider of such
7 state trust institution or affiliate from participating in the
8 conduct of the affairs of the state trust institution, whenever:

9 (a) The third-party service provider commits an unsafe or unsound
10 practice, or a violation or practice involving a breach of fiduciary
11 duty, personal dishonesty, recklessness, or incompetence; and

12 (b) (i) The state trust institution or its affiliate has suffered
13 or is likely to suffer substantial financial loss or other damage; or

14 (ii) The interests of the state trust institution, or its
15 affiliate, or their beneficiaries, trustors, shareholders, or the
16 general public in Washington state could be seriously prejudiced by
17 reason of the violation or practice of the third-party service
18 provider.

19 (2) The director shall also serve any affected third-party
20 service provider with the notice described in subsection (1) of this
21 section, and such third-party service provider shall be deemed a real
22 party in interest with the same right to notice and right to
23 intervene in the administrative action and defend against it as if
24 the third-party service provider were the respondent.

25 NEW SECTION. **Sec. 27.** A new section is added to chapter 30B.10
26 RCW to read as follows:

27 NOTICE OF INTENTION TO REMOVE OR PROHIBIT PARTICIPATION IN
28 CONDUCT OF AFFAIRS—HEARING—ORDER OF REMOVAL AND/OR PROHIBITION. (1)
29 A notice pursuant to RCW 30B.10.080 or section 26 of this act shall:

30 (a) Contain a statement of the facts that constitute grounds for
31 removal or prohibition; and

32 (b) Set a time and place at which a hearing will be held.

33 (2) The hearing shall be set not earlier than ten days or later
34 than thirty days after the date of service of the notice unless an
35 earlier or later date is set by the director at the request of the
36 board trustee or director, officer, or employee for good cause shown
37 or at the request of the attorney general of the state.

1 (3) Unless the respondent appears at the hearing personally or by
2 a representative authorized under WAC 208-08-030, the respondent
3 shall be deemed to have consented to the issuance of an order of
4 removal or prohibition or both. In the event of such consent or if
5 upon the record made at the hearing the director finds that any of
6 the grounds specified in the notice have been established, the
7 director may issue such order of removal or prohibition from
8 participation in the conduct of the affairs of the state trust
9 company, out-of-state trust company doing business in Washington
10 state, or affiliate, as the director may consider appropriate.

11 (4) Any order under this section shall become effective at the
12 expiration of ten days after service upon the respondent, except that
13 an order issued upon consent shall become effective at the time
14 specified in the order.

15 (5) An order shall remain effective except to the extent it is
16 stayed, modified, terminated, or set aside by the director or a
17 reviewing court.

18 NEW SECTION. **Sec. 28.** A new section is added to chapter 30B.10
19 RCW to read as follows:

20 AUTHORITY OF DIRECTOR TO SEEK REMOVAL BY THE BOARD OF A STATE
21 TRUST COMPANY. (1) In addition to any other remedy set forth in this
22 chapter, the director may notify, in writing, the board of directors
23 of any state trust company that the director has information that any
24 member of the board of directors, officer, manager, employee, or
25 agent of the state trust company or affiliate of the state trust
26 company is dishonest, reckless, or incompetent, or is failing to
27 perform any duty required of the state trust company or such
28 affiliate.

29 (2) The board shall then meet to consider such matter as soon as
30 reasonably feasible, but no later than thirty calendar days of the
31 director's notice.

32 (3) The director shall have notice of the time and place of such
33 meeting and an opportunity to appear at such meeting and address the
34 board of directors concerning the director's information.

35 (4) If the board finds the director's information to be well-
36 founded, and the affected member of the board of directors, officer,
37 employee, or agent of the state trust company or such affiliate is
38 working under an employment contract or independent contractor
39 agreement that prohibits termination without cause, the board shall

1 notify such member of the board of directors, officer, employee, or
2 agent of the board's intent to remove him or her from the position,
3 or to otherwise instruct such affiliate to do so, as applicable. Such
4 notice shall be in writing and include:

5 (a) Notice of the allegations;

6 (b) Specific facts supporting the allegations; and

7 (c) A time and place at which such member of the board of
8 directors, officer, employee, or agent will have an opportunity to be
9 heard before a final action is taken by the board.

10 (5) Pursuant to subsection (4) of this section, the board shall
11 set the time and place of the meeting no sooner than ten business
12 days after such member of the board of directors, officer, employee,
13 or agent receives notice of the board's intent to remove or terminate
14 the contract.

15 (6) If the board finds the director's information to be well-
16 founded, and the affected member of the board of directors, officer,
17 manager, employee, or agent may be terminated without cause, such
18 director, officer, manager, employee, or agent may be removed by the
19 state trust company or such affiliate, or their contract may be
20 terminated, at the option of the board.

21 (7) If the board does not remove such director, officer,
22 employee, or agent, or if the board fails to meet, consider, or act
23 upon the director's information within twenty days after receiving
24 the same, then the director may within twenty days after, or earlier
25 in the case of the necessity of an emergency order under RCW
26 30B.10.070, seek removal of such person by complying with the
27 applicable provisions of this chapter.

28 (8) This section shall not be deemed to be an exclusive remedy of
29 the department. The department may exercise any other remedies
30 available to it under this chapter.

31 NEW SECTION. **Sec. 29.** A new section is added to chapter 30B.10
32 RCW to read as follows:

33 JURISDICTION OF COURTS AS TO THE DEPARTMENT'S ENFORCEMENT ORDERS.

34 (1) The director may apply to a superior court of Washington for the
35 enforcement of any effective and outstanding final order issued
36 pursuant to this chapter, and the superior court shall have
37 jurisdiction to order compliance with such final order.

38 (2) No court shall have jurisdiction to affect by injunction or
39 otherwise the department's issuance or enforcement of any order

1 pursuant to this chapter, or to review, modify, suspend, terminate,
2 or set aside such order, except as provided in this chapter.

3 (3) The venue for enforcement of a final order by the department
4 under this chapter shall be the superior court in the county of the
5 principal place of business of the person upon whom the order is
6 imposed or, in the case of such person not being domiciled in
7 Washington state, the venue shall be Thurston county superior court.

8 **Sec. 30.** RCW 30B.10.100 and 2014 c 37 s 343 are each amended to
9 read as follows:

10 ~~((Any))~~ A present or former director, officer, ~~((or))~~ manager,
11 employee, or agent of a state trust institution or ~~((holding company~~
12 ~~under authority of the director))~~ affiliate, or any other person
13 against whom there is outstanding an effective final order under
14 authority of this chapter which has been duly served ~~((upon the))~~ is
15 guilty of a gross misdemeanor punishable under chapter 9A.20 RCW, if
16 such person ~~((and who))~~ thereafter:

17 (1) Participates in any manner in the conduct of the affairs of a
18 state trust institution ~~((involved, or who))~~ or affiliate;

19 (2) Directly or indirectly solicits or procures, transfers or
20 attempts to transfer, or votes or attempts to vote any proxies,
21 consents, or authorizations with respect to any voting rights in the
22 state trust institution ~~((, or who,))~~ or affiliate;

23 (3) Without the prior approval of the ~~((director))~~ department,
24 votes for a director ~~((or))~~;

25 (4) Serves or acts as a director, officer, manager, employee, or
26 agent of any ~~((bank, savings association))~~ depository institution,
27 trust company, or ~~((holding company shall upon conviction for a~~
28 violation of any order, be guilty of a gross misdemeanor punishable
29 as prescribed under chapter 9A.20 RCW)) affiliate of a depository
30 institution or trust company doing business in Washington state.

31 **Sec. 31.** RCW 30B.10.110 and 2014 c 37 s 344 are each amended to
32 read as follows:

33 (1) Notwithstanding any other provision of this title, the
34 director may by rule or order prohibit any person from engaging in a
35 trust business in ~~((this))~~ Washington state contrary to the
36 requirements of this title if the conduct of the trust business in
37 ~~((this))~~ Washington state by such person harms or is likely to harm

1 the general public, or if it adversely affects the business of state
2 trust institutions.

3 (2) The director may issue (~~(a temporary)~~) an emergency cease and
4 desist order against such person in the manner provided for in (~~(this~~
5 ~~chapter)~~) section 25 of this act if the general public or state trust
6 institutions are likely to be substantially injured by delay in
7 issuing a cease and desist order.

8 (3) An order or rule made by the director pursuant to this
9 section may require that any applicable person obtain a certificate
10 of authority under chapter 30B.08 RCW as a condition of continuing to
11 engage in a trust business in (~~(this)~~) Washington state, subject to
12 meeting all qualifications for grant of a state trust company
13 certificate of authority under this title.

14 (4) This section does not apply to a person conducting business
15 pursuant to RCW 30B.04.040, except for a person identifiable solely
16 by reason of RCW 30B.04.040(1).

17 NEW SECTION. Sec. 32. A new section is added to chapter 30B.10
18 RCW to read as follows:

19 GENERAL PENALTY—EFFECT OF CONVICTION. (1) A person who shall
20 knowingly violate or knowingly aid or abet the violation of any
21 provision of RCW 30B.10.050 shall be guilty of a misdemeanor.

22 (2) A director, officer, manager, employee, or agent of a state
23 trust institution or affiliate who has had imposed upon him or her a
24 criminal conviction for the violation of this title or any other
25 financial services law of this or any other state or of the United
26 States shall not be permitted to engage in or become or remain a
27 board director, officer, manager, employee, or agent of any state
28 trust company or its affiliate doing business in Washington state.

29 NEW SECTION. Sec. 33. A new section is added to chapter 30B.10
30 RCW to read as follows:

31 STATUTE OF LIMITATIONS. (1) An action seeking any remedy under
32 RCW 30B.10.070, 30B.10.080, or section 26 of this act shall commence
33 no later than five years after the cause of action accrued.

34 (2) A cause of action under this section is deemed to have
35 accrued at the later of the following events:

36 (a) The occurrence of the act or omission;

37 (b) When the department discovers or should have discovered that
38 the act or omission has occurred;

1 (c) When the department discovers or should have discovered that
2 the act or omission has negatively impacted the capital status or
3 other element of safety or soundness of a state trust company or out-
4 of-state trust company doing business in Washington state; or

5 (d) Where an act or omission is part of a pattern or practice,
6 upon the occurrence of the most recent act or omission comprising the
7 pattern or practice. A cause of action under this subsection may
8 include all acts or omissions comprising the pattern or practice if
9 the cause of action is timely as to the most recent act or omission.

10 **Sec. 34.** RCW 30B.12.020 and 2014 c 37 s 348 are each amended to
11 read as follows:

12 (1) The board of a state trust company must consist of not fewer
13 than five directors, managers, or managing participants, at least two
14 of whom shall not be officers, managers, employees, or agents of the
15 state trust company, or otherwise in control of the state trust
16 company, either as a principal or in a representative capacity, as
17 "control" is defined in RCW 30B.53.005. Except for a limited
18 liability trust company in which management has been retained by its
19 participants, the principal executive officer of the state trust
20 company is a member of the board. The principal executive officer
21 acting in the capacity of board member is the board's presiding
22 officer unless the board elects a different presiding officer to
23 perform the duties as designated by the board.

24 (2) Unless the director consents otherwise in writing, a person
25 may not serve as director, manager, or managing participant of a
26 state trust company if:

27 (a) The state trust company incurs an unreimbursed loss
28 attributable to a charged-off obligation of or holds a judgment
29 against the person or an entity that was controlled by the person at
30 the time of funding and at the time of default on the loan that gave
31 rise to the judgment or charged-off obligation as determined by the
32 definition of "control" set forth in RCW 30B.53.005;

33 (b) The person has been convicted of a felony or a crime
34 involving personal dishonesty; or

35 (c) The person has violated a provision of Washington state law,
36 relating to loan of trust funds and purchase or sale of trust
37 property by the trustee, and the violation has not been corrected.

38 (3) If a state trust company other than a limited liability trust
39 company operated by managing participants does not elect directors or

1 managers before the sixty-first day after the date of its regular
2 annual meeting, the director may appoint a conservator under this
3 title to operate the state trust company and elect directors or
4 managers, as appropriate. If the conservator is unable to locate or
5 elect persons willing and able to serve as directors or managers, the
6 director may close the state trust company for liquidation.

7 (4) A vacancy on the board that reduces the number of directors,
8 managers, or managing participants to fewer than five must be
9 (~~filed~~)filled not later than the thirtieth day after the date the
10 vacancy occurs. A limited liability trust company with fewer than
11 five managing participants must add one or more new participants or
12 elect a board of managers of not fewer than five persons to resolve
13 the vacancy. After thirty days after the date the vacancy occurs, the
14 director may appoint a conservator under this title to operate the
15 state trust company and elect a board of not fewer than five persons
16 to resolve the vacancy. If the conservator is unable to locate or
17 elect five persons willing and able to serve as directors or
18 managers, the director may close the state trust company for
19 liquidation.

20 (5) Before each term to which a person is elected to serve as a
21 director or manager of a state trust company, or annually for a
22 person who is a managing participant, the person shall submit (~~an~~
23 ~~affidavit~~)a declaration under penalty of perjury for filing in the
24 minutes of the state trust company stating that the person, to the
25 extent applicable:

26 (a) Accepts the position and is not disqualified from serving in
27 the position;

28 (b) Will not violate or knowingly permit an officer, director,
29 manager, managing participant, or employee of the state trust company
30 to violate any law applicable to the conduct of business of the state
31 trust company; and

32 (c) Will diligently perform the duties of the position.

33 (6) An advisory director or manager is not considered a director
34 if the advisory director or manager:

35 (a) Is not elected by the shareholders or participants of the
36 state trust company;

37 (b) Does not vote on matters before the board or a committee of
38 the board and is not counted for purposes of determining a quorum of
39 the board or committee; and

40 (c) Provides solely general policy advice to the board.

1 (7) Notwithstanding any other provision of this section to the
2 contrary, a state trust company shall have directors, managers, or
3 managing participants, and committees or subcommittees composed of
4 such directors, managers, or managing participants, consistent with
5 the requirements of section 42 of this act and in conformity with the
6 contents of the state trust company's written statement of principles
7 of trust management, pursuant to section 43 of this act, as adopted
8 by the board and subject to approval of the department.

9 **Sec. 35.** RCW 30B.12.040 and 2014 c 37 s 350 are each amended to
10 read as follows:

11 (1) The board shall annually appoint the officers of the state
12 trust company, who serve at the pleasure of the board. The state
13 trust company must have a principal executive officer primarily
14 responsible for the execution of board policies and operation of the
15 state trust company and an officer responsible for the maintenance
16 and storage of all corporate books and records of the state trust
17 company and for required attestation of signatures. These positions
18 may not be held by the same person. The board may appoint other
19 officers of the state trust company as the board considers necessary.

20 (2) Unless expressly authorized by a resolution of the board
21 recorded in its minutes, an officer, manager, or employee may not
22 create or dispose of a state trust company asset or create or incur a
23 liability on behalf of the state trust company.

24 (3) Unless otherwise approved by the director, the chief
25 executive officer, the president, the chief operating officer, or the
26 chief financial officer of a state trust company, or an officer of
27 the state trust company with an equivalent function, must be a
28 Washington state resident.

29 (4) Notwithstanding any other provision of this section to the
30 contrary, the board of a state trust company shall designate officers
31 and committees or subcommittees composed of such officers, consistent
32 with the requirements of section 42 of this act and in conformity
33 with the contents of the state trust company's written statement of
34 principles of trust management, pursuant to section 43 of this act,
35 as adopted by the board and subject to approval of the department.

36 **Sec. 36.** RCW 30B.12.060 and 2014 c 37 s 352 are each amended to
37 read as follows:

1 The board of a state trust company is responsible for the proper
2 exercise of fiduciary powers by the state trust company and each
3 matter pertinent to the exercise of fiduciary powers, including:

4 (1) The determination of policies;

5 (2) The investment and disposition of property held in a
6 fiduciary capacity; (~~and~~)

7 (3) The direction and review of the actions of each officer,
8 manager, employee, (~~and~~) committee, and agent used by the state
9 trust company in the exercise of its fiduciary powers; and

10 (4) Every other requirement of the board as set forth in section
11 42 of this act and in conformity with the contents of the state trust
12 company's written statement of principles of trust management,
13 pursuant to section 43 of this act, as adopted by the board and
14 subject to approval of the department.

15 **Sec. 37.** RCW 30B.12.090 and 2014 c 37 s 355 are each amended to
16 read as follows:

17 (1)(a) The board of directors is responsible for the proper
18 exercise of fiduciary powers by the trust company. All matters
19 pertinent thereto, including the determination of policies, the
20 investment and disposition of property held in a fiduciary capacity,
21 and the direction and review of the actions of all officers,
22 employees, and committees utilized by the trust company in the
23 exercise of its fiduciary powers, are the responsibility of the
24 board. In discharging this responsibility, the board of directors may
25 assign, by action duly entered in the minutes, the administration of
26 such of the trust company's fiduciary powers as it may consider
27 proper to assign to such directors, officers, employees, or
28 committees as it may designate.

29 (b) A fiduciary account may not be accepted without the prior
30 approval of the board, or of the directors, officers, or committees
31 to whom the board may have designated the performance of that
32 responsibility.

33 (c) A written record shall be made of such acceptances and of the
34 relinquishment or closing out of all fiduciary accounts. Upon the
35 acceptance of an account for which the trust company has investment
36 responsibilities a prompt review of the assets shall be made. The
37 board shall also ensure that at least once during every calendar year
38 thereafter, all the assets held in or for each fiduciary account

1 where the bank has investment responsibilities are reviewed to
2 determine the advisability of retaining or disposing of such assets.

3 (2) All officers and employees taking part in the operation of
4 the state trust institution shall be adequately bonded.

5 (3) Every qualified fiduciary subject to this section and
6 exercising fiduciary powers in (~~this~~) Washington state shall
7 designate, employ, or retain legal counsel who shall be readily
8 available to pass upon fiduciary matters and to advise the trust
9 company and its state trust institution.

10 (4) (a) The state trust institution may utilize personnel and
11 facilities of other departments of the trust company or its
12 affiliates, and other departments of the trust company may utilize
13 the personnel and facilities of the state trust institution or its
14 affiliates only to the extent not prohibited by law and as long as
15 the separate identity of the state trust institution is preserved.

16 (b) Pursuant to a written agreement, a trust company exercising
17 fiduciary powers may perform services related to the exercise of
18 fiduciary powers for another trust company or other entity, and may
19 purchase services related to the exercise of fiduciary powers from
20 another trust company or other entity.

21 (5) Fiduciary records shall be kept separate and distinct from
22 other records of the trust company and maintained in compliance with
23 RCW 30B.04.130. All fiduciary records shall be kept and retained for
24 such time as to enable the fiduciary to furnish such information or
25 reports with respect thereto as may be required by the director.

26 (6) Every such fiduciary shall keep an adequate record of all
27 pending litigation to which it is a party in connection with its
28 exercise of fiduciary powers.

29 (7) Notwithstanding any other provision of this section to the
30 contrary, a state trust company and its directors, officers,
31 managers, employees, and committees shall exercise administration of
32 fiduciary powers consistent with the requirements of section 42 of
33 this act and in conformity with the contents of the state trust
34 company's written statement of principles of trust management,
35 pursuant to section 43 of this act, as adopted by the board and
36 subject to approval of the department.

37 **Sec. 38.** RCW 30B.12.100 and 2014 c 37 s 356 are each amended to
38 read as follows:

1 (~~(A committee of directors, exclusive of any active officers of~~
2 ~~the trust company, shall at least once during each calendar year make~~
3 ~~suitable audits of the state trust institution or cause suitable~~
4 ~~audits to be made by auditors responsible only to the board of~~
5 ~~directors, and at such time shall ascertain whether the department~~
6 ~~has been administered in accordance with law, this section, and sound~~
7 ~~fiduciary principles. The board of directors may elect, in lieu of~~
8 ~~such periodic audits, to adopt an adequate continuous audit system. A~~
9 ~~report of the audits and examination required under this section,~~
10 ~~together with the action taken thereon, shall be noted in the minutes~~
11 ~~of the board of directors.))~~ (1) A state trust company shall have a
12 fiduciary audit committee, which shall exercise fiduciary
13 responsibilities, administer fiduciary powers, and report to the
14 board of directors consistent with the requirements of this section,
15 section 42 of this act, and in conformity with the contents of the
16 state trust company's written statement of principles of trust
17 management, pursuant to section 43 of this act.

18 (2) At least once during each calendar year, a state trust
19 company shall arrange for a suitable audit by internal or external
20 auditors of all significant fiduciary activities, under the direction
21 of its fiduciary audit committee, unless the state trust company
22 adopts a continuous audit system in accordance with subsection (3) of
23 this section. The state trust company shall note the results of the
24 audit, including significant actions taken as a result of the audit,
25 in the minutes of the board of directors.

26 (3) In lieu of performing annual audits under subsection (2) of
27 this section, a state trust company may adopt a continuous audit
28 system under which the state trust company arranges for a discrete
29 audit by internal or external auditors of each significant fiduciary
30 activity on an activity-by-activity basis, under the direction of its
31 fiduciary audit committee, at an interval commensurate with the
32 nature and risk of that activity. Under such a system, certain
33 fiduciary activities may receive audits at intervals greater or less
34 than one year, as appropriate. A state trust company that adopts a
35 continuous audit system pursuant to this subsection shall note the
36 results of all discrete audits performed since the last audit report,
37 including significant actions taken as a result of the audits, in the
38 minutes of the board of directors at least once during each calendar
39 year.

1 (4) A state trust company's fiduciary audit committee may consist
2 of the entire board of directors, or it may comprise either a
3 committee of the bank's directors or an audit committee of an
4 affiliate of the state trust company. However, in either case, the
5 committee:

6 (a) Must not include any officers of the state trust company or
7 an affiliate who participate significantly in the administration of
8 the state trust company's fiduciary activities; and

9 (b) Must consist of a majority of members who are not also
10 members of any committee to which the board of directors has
11 delegated power to manage and control the fiduciary activities of the
12 state trust company.

13 (5) The requirements of subsections (1) through (4) of this
14 section shall be separate from and in addition to any audits of the
15 nonfiduciary operations of the state trust company, if any.

16 NEW SECTION. Sec. 39. A new section is added to chapter 30B.12
17 RCW to read as follows:

18 FIDELITY BONDS—LIABILITY INSURANCE. (1) Except as otherwise
19 permitted by the director under specified terms and conditions, the
20 board of directors of a state trust company shall direct and require
21 good and sufficient fidelity bonds and liability insurance, issued by
22 a company authorized to engage in the insurance business in the state
23 of Washington, covering the state trust company and all of its active
24 directors, officers, managers, and employees. Bonds or coverage shall
25 provide for indemnity to the state trust company on account of any
26 losses sustained by it as the result of any dishonest, fraudulent, or
27 criminal act or omission committed or omitted by directors, officers,
28 managers, and employees, acting independently or in collusion or
29 combination with any person. Such bonds or coverage may be
30 individual, schedule, or blanket form, and premiums shall be paid by
31 the state trust company.

32 (2) Except as otherwise permitted by the director under specified
33 terms and conditions, the board of directors of a state trust company
34 shall direct and require good and sufficient liability insurance,
35 including errors and omissions coverage, for the negligent or
36 reckless acts and omissions of directors, officers, fiduciary
37 managers, and employees. Such coverage shall be paid by the state
38 trust company.

1 (3) Except as otherwise permitted by the director under specified
2 terms and conditions, the directors shall also direct and require
3 suitable insurance protection to the state trust company, as
4 necessary, against burglary, robbery, theft, and other similar
5 insurance hazards to which the state trust company may be exposed in
6 the operations of its business on the premises or elsewhere.

7 (4) The directors shall be responsible for prescribing at least
8 once in each year the amount of such bonds or policies and the
9 sureties or underwriters to be engaged, after giving due
10 consideration to all known elements and factors constituting known
11 risks or hazards. Such action of the directors shall be recorded in
12 the board minutes.

13 (5) The director may by rule prescribe requirements for bond and
14 insurance coverage that are more specific and derogation of the
15 provision of subsections (1) through (4) of this section if the
16 director determines that such a rule is necessary to conform to the
17 market availability of certain bond and insurance coverages.

18 **Sec. 40.** RCW 30B.20.020 and 2014 c 37 s 362 are each amended to
19 read as follows:

20 (1) Consistent with RCW 11.102.010, a state trust company may
21 establish common trust funds to provide investment to itself as a
22 fiduciary.

23 (2) The director may adopt rules to administer and carry out this
24 section and RCW 11.102.010, including but not limited to rules to
25 establish investment and participation limitations, disclosure of
26 fees, audit requirements, limit or expand investment authority for
27 particular classes or categories of securities or other property,
28 advertising, exemptions, and other requirements that may be necessary
29 to carry out this section.

30 (3) A state trust company that invests in a collective investment
31 fund shall make investments as required by section 42 of this act and
32 in conformity with the contents of the state trust company's written
33 statement of principles of trust management, pursuant to section 43
34 of this act, as adopted by the board and subject to approval of the
35 department. A state trust company shall also comply with RCW
36 30B.24.020 in avoiding conflicts of interest and self-dealing in
37 relation to a collective investment fund.

38 (4) Unless otherwise prescribed by the director by rule, a state
39 trust company shall be required to establish and maintain collective

1 investment funds the same as required for a federally insured state
2 bank with authorized trust powers, taking into account federal rules
3 applicable to a federally insured state bank in relation to a
4 collective trust fund that require a written plan and specific
5 requirements for fund management including, without limitation,
6 provision for proportionate interests, methods and frequency of
7 valuation of all or portions of the fund, admission and withdrawal of
8 accounts, methods of distribution, segregation of investments, audit
9 and financial reports related to the collective investment fund,
10 advertising restrictions, management fees, expenses, and prohibition
11 against certificates.

12 (5) Notwithstanding the general use of the term "affiliate" in
13 this title as defined in RCW 30B.04.005, nothing in this chapter
14 shall be construed as exempting or modifying a requirement of a state
15 trust institution with respect to RCW 11.102.010.

16 **Sec. 41.** RCW 30B.24.005 and 2014 c 37 s 363 are each amended to
17 read as follows:

18 (1) Except to the extent federal preemption of state law is
19 applicable in relation to trusts governed under the federal
20 employment retirement income security act, a state trust company
21 (~~(acting as a trustee or other fiduciary)~~) shall comply with all
22 applicable provisions of this title and with applicable provisions of
23 Title 11 RCW including, without limitation, chapters 11.97, 11.98,
24 11.98A, 11.100, 11.102, 11.104A, 11.106, 11.107, and 11.108 RCW, and
25 with chapter 11.110 RCW, in the case of a charitable trust.

26 (2) The director has broad administrative authority to establish
27 by rule or interpretation principles-based standards for examination,
28 supervision, and enforcement of a state trust company by the
29 department in relation to compliance with this title, including
30 subsection (1) of this section.

31 (3) A state bank, in relation to its trust department and its
32 exercise of trust powers, shall comply with:

33 (a) Title 30A RCW, if a state commercial bank, and Title 32 RCW,
34 if a state savings bank;

35 (b) The applicable provisions of Title 11 RCW including, without
36 limitation, chapters 11.97, 11.98, 11.98A, 11.100, 11.102, 11.104A,
37 11.106, 11.107, and 11.108 RCW, and with chapter 11.110 RCW, in the
38 case of a charitable trust;

1 (c) If the state bank is federally insured, any applicable rules
2 and guidance of the federal deposit insurance corporation or other
3 applicable federal law or regulation related to such state bank's
4 exercise of trust powers; and

5 (d) If the state bank is a member of the federal reserve system,
6 any rules and guidance of the board of governors of the federal
7 reserve system related to such state bank's exercise of trust powers.

8 NEW SECTION. Sec. 42. A new section is added to chapter 30B.24
9 RCW to read as follows:

10 COMPLIANCE WITH FIDUCIARY ACTIVITIES STANDARDS EQUIVALENT TO THAT
11 OF NATIONAL BANKS—STATEMENT OF PRINCIPLES OF TRUST MANAGEMENT—
12 MANAGEMENT OF THIRD-PARTY RISK. (1) Unless the director shall
13 otherwise set forth by rule, a state trust company and, to the extent
14 applicable, its affiliates, and their respective directors, officers,
15 managers, employees, and agents, shall comply with such federal
16 regulations applicable to the fiduciary activities of a federally
17 insured state bank.

18 (2) The requirements of subsection (1) of this section, as
19 applicable to a state trust company, shall be at least partially
20 contained in the state trust company's written statement of
21 principles of trust management, the contents of which shall be
22 subject to examination and approval by the department, and upon which
23 the department may further examine a state trust company as to
24 whether it is in compliance with such statement.

25 (3) A state trust company and, to the extent applicable, its
26 affiliate, shall comply with standards for prudent management of
27 third-party risk under applicable law or as the director may
28 otherwise adopt by rule or by a written interpretive statement
29 including, without limitation, management of third-party risk
30 pursuant to section 46 of this act.

31 NEW SECTION. Sec. 43. A new section is added to chapter 30B.24
32 RCW to read as follows:

33 CONTENTS OF STATEMENT OF PRINCIPLES OF TRUST MANAGEMENT. (1) The
34 board of directors of a state trust company shall adopt a written
35 statement of principles of trust management at its first
36 organizational meeting or at a meeting of the board called for that
37 purpose, which it must annually reaffirm by written vote, whether or
38 not such statement is sought to be amended.

1 (2) The statement of principles of trust management shall set
2 forth the minimum requirements for sound fiduciary management in the
3 operation of a state trust company. Such minimum requirements shall
4 provide for sound fiduciary practices in the operation of a state
5 trust company and provide safeguards for the protection of fiduciary
6 beneficiaries, principals of agency relationships, creditors,
7 stockholders, and the public, and shall provide for:

8 (a) Involvement by the board of directors in providing for the
9 establishment and continuing fiduciary operations;

10 (b) Operation of fiduciary activities separate and apart from
11 every other activity of the state trust company, with trust assets
12 separated from other assets owned by the state trust company, and the
13 assets of each trust account separated from the assets of every other
14 trust account; and

15 (c) Maintenance of separate books and records for the fiduciary
16 business in sufficient detail to properly reflect all fiduciary
17 activities.

18 (3) The statement of principles of trust management shall provide
19 that the board of directors, by resolution included in its minutes:

20 (a) Designate a competent and qualified officer or manager to be
21 responsible for and administer the fiduciary activities of the state
22 trust company;

23 (b) Define such officer's or manager's duties;

24 (c) Name a trust committee consisting of at least three directors
25 to be responsible for and supervise the fiduciary activities of the
26 state trust company or state banking institution, which shall
27 include, if feasible, one or more directors who are not officers of
28 the state trust company or state banking institution;

29 (d) Receive reports from such trust committee and record actions
30 taken in its minutes;

31 (e) Review the examination reports of the state trust company by
32 the department or other applicable financial services regulatory
33 authority having jurisdiction over the state trust company; and

34 (f) Record all actions taken in its minutes.

35 (4) Nothing in this section is intended to prohibit the board of
36 directors from authorizing itself to act as the trust committee, or
37 from authorizing itself to appoint additional committees and officers
38 to oversee account administration and the operation of the state
39 trust company and its fiduciary activities.

1 (5) When such statement provides for delegating duties to a
2 subcommittee or officers, the statement shall indicate that the board
3 and the trust committee remain responsible for the oversight of all
4 trust company and fiduciary activities. Such statement shall also
5 reflect that sufficient reporting and monitoring procedures are
6 required to fulfill this responsibility.

7 (6) The statement of principles of trust management shall provide
8 that the trust committee:

9 (a) Meet at least quarterly, and more frequently if considered
10 necessary and prudent to fulfill its supervisory responsibilities;

11 (b) Approve and document:

12 (i) The opening of all new fiduciary accounts;

13 (ii) Purchases and sales of, and changes in, trust assets; and

14 (iii) The closing of trust and agency relationship accounts;

15 (c) Provide for a comprehensive review of all new accounts, for
16 which the state trust company or trust department has investment
17 responsibility, promptly following acceptance;

18 (d) Provide for a review of each fiduciary and agency account,
19 including collective investment funds, at least once during each
20 calendar year, the scope, frequency, and level of review of which
21 should be addressed in appropriate written policies that give
22 consideration to the state trust company's fiduciary
23 responsibilities, type and size of account, and other relevant
24 factors, including coverage of both administration of the account and
25 suitability of the account's investments, distinguishing as between
26 the scope and components of discretionary and nondiscretionary
27 reviews;

28 (e) Keep comprehensive minutes of meetings held and actions
29 taken; and

30 (f) Make periodic reports to the board of directors of its
31 actions.

32 (7) The statement of principles of trust management shall also
33 require:

34 (a) Comprehensive written policies which address all important
35 areas of the state trust company's fiduciary activities;

36 (b) Competent legal counsel to advise trust officers and the
37 trust committee on legal matters pertaining to fiduciary activities;

38 (c) Adequate internal controls, including appropriate controls
39 over fiduciary assets; and

1 (d) An adequate annual audit of all fiduciary activities by an
2 internal or external auditor, as required by the department, the
3 findings of which, including actions taken as a result of the audit,
4 must be recorded in its minutes.

5 (8) Notwithstanding subsection (7)(d) of this section, the
6 statement of principles of trust management may provide that, if a
7 state trust company adopts a continuous audit process instead of
8 performing annual audits, such audits may be performed, on an
9 activity-by-activity basis, at intervals commensurate with the level
10 of risk associated with that activity. In such case, the statement
11 must reflect that audit intervals are to be supported and reassessed
12 regularly to ensure appropriateness, given the current risk and
13 volume of the activity.

14 **Sec. 44.** RCW 30B.24.020 and 2014 c 37 s 365 are each amended to
15 read as follows:

16 (1) In addition to the provisions set out in RCW 11.98.078, if a
17 conflict of interest may reasonably be expected to have a material
18 adverse impact on the trustee's judgment in its provision of services
19 to such client, the trustee must provide a reasonable disclosure of
20 such conflict to such client.

21 (2) Unless authorized by other law, a state trust company may not
22 invest funds of a fiduciary account over which it has investment
23 discretion in the shares or obligations of, or in assets acquired
24 from: The state trust company or any of its directors, officers,
25 managers, or employees; affiliates of the state trust company or any
26 of their directors, officers, managers, or employees; or individuals
27 or organizations with whom there exists an interest that might affect
28 the exercise of the best judgment of the state trust company.

29 (3) If retention of shares or obligations of the state trust
30 company or its affiliates in a fiduciary account is consistent with
31 applicable law, the state trust company may:

32 (a) Exercise rights to purchase additional shares, or securities
33 convertible into additional shares, when offered pro rata to
34 shareholders; and

35 (b) Purchase fractional shares to complement fractional shares
36 acquired through the exercise of rights or the receipt of a share
37 dividend resulting in fractional share holdings.

38 (4) A state trust company may not lend, sell, or otherwise
39 transfer assets of a fiduciary account for which a state trust

1 company has investment discretion to itself or any of its directors,
2 officers, managers, or employees, or to affiliates of the state trust
3 company or any of their directors, officers, managers, or employees,
4 or to individuals or organizations with whom there exists an interest
5 that might affect the exercise of the best judgment of the state
6 trust company, unless:

7 (a) The transaction is authorized by other applicable law;

8 (b) Legal counsel advises the state trust company in writing that
9 the state trust company has incurred, in its fiduciary capacity, a
10 contingent or potential liability, in which case the state trust
11 company, upon the sale or transfer of assets, shall reimburse the
12 fiduciary account in cash at the greater of book or market value of
13 the assets;

14 (c) In the case of a collective investment fund, the state trust
15 company purchases for its own account any defaulted investment held
16 by the fund if, in the judgment of the state trust company, the cost
17 of segregating the investment is excessive in light of the market
18 value of the investment: PROVIDED, That the state trust company
19 purchases the defaulted investment at the greater of market value or
20 the sum of cost and accrued unpaid interest; or

21 (d) Required in writing by the director.

22 (5) Notwithstanding any other provision of this section, a state
23 trust company may not lend to any of its directors, officers,
24 managers, or employees any funds held in trust, except with respect
25 to employee benefit plans in accordance with the exemptions found in
26 section 408 of the employee retirement income security act of 1974,
27 29 U.S.C. Sec. 1108.

28 (6) A state trust company may make a loan to a fiduciary account
29 and may hold a security interest in assets of the account if the
30 transaction is fair to the account and is not prohibited by
31 applicable law.

32 (7) A state trust company may sell assets between any of its
33 fiduciary accounts if the transaction is fair to both accounts and is
34 not prohibited by applicable law.

35 (8) A state trust company may make a loan between any of its
36 fiduciary accounts if the transaction is fair to both accounts and is
37 not prohibited by applicable law.

38 NEW SECTION. Sec. 45. A new section is added to chapter 30B.24
39 RCW to read as follows:

1 QUARTERLY FILING WITH THE DEPARTMENT OF STATEMENT OF CONDITION—
2 CONFIDENTIALITY. (1) A state trust company shall file no later than
3 forty-five days after the end of each calendar quarter a statement of
4 its financial condition and a summary of the condition of its
5 fiduciary accounts, known as a call report, in a form and content as
6 prescribed by the director by rule or written policy from which at
7 least ninety days' advance written notice has been given.

8 (2) Unless otherwise established by rule, such call report shall
9 be deemed confidential examination information and shall be subject
10 to RCW 30A.04.075.

11 NEW SECTION. **Sec. 46.** A new section is added to chapter 30B.24
12 RCW to read as follows:

13 COMPLIANCE WITH THE BANK SECRECY ACT—MANAGEMENT OF THIRD-PARTY
14 RISK—CYBERSECURITY—EXAMINATION. (1) A state trust institution and
15 its affiliate or third-party service provider, if applicable, shall
16 comply with the federal financial recordkeeping and reporting of
17 currency and foreign transactions act, 31 U.S.C. Sec. 5311 et seq.,
18 also known as the bank secrecy act, and with associated federal
19 regulations including, without limitation, any requirements under 31
20 C.F.R. Part 103.

21 (2) A state trust institution and its affiliate or third-party
22 service provider, if applicable, shall maintain the federal standards
23 for safeguarding customer information, required pursuant to Title V
24 of the federal Gramm-Leach-Bliley act, P.L. 106-10, 113 Stat. 1338,
25 as amended, and shall comply with applicable federal and state laws
26 and rules related to cybersecurity, or written interpretive statement
27 of the department to which the state trust institution, affiliate, or
28 third-party service provider has been furnished notice.

29 (3) A state trust company shall be subject to examination by the
30 department for compliance with subsections (1) and (2) of this
31 section. An affiliate of a state trust company may be subject to
32 examination for compliance with subsections (1) and (2) of this
33 section upon notice to the state trust company and to the applicable
34 affiliate. A third-party service provider may be subject to direct
35 examination in relation to compliance with subsections (1) and (2) of
36 this section as may be required pursuant to section 15 (3) and (4) of
37 this act.

1 **Sec. 47.** RCW 30B.38.005 and 2014 c 37 s 366 are each amended to
2 read as follows:

3 (1) An out-of-state trust institution that meets the requirements
4 of this chapter is not required to maintain a physical trust office
5 in ((this))Washington state.

6 (2) An out-of-state trust institution that does not operate a
7 trust office in ((this))Washington state and that meets the
8 requirements of this chapter may establish and maintain a new trust
9 office in ((this))Washington state.

10 (3) As used in this chapter, "doing business in Washington
11 state," with reference to an out-of-state trust institution, means
12 purposely availing oneself of regularly transacting trust business
13 with the public in Washington state, or otherwise seeking to
14 regularly transact trust business with the public in Washington state
15 by means of solicitation, which the director may so determine if all
16 or part of the administration of any trust or other agreement to
17 conduct trust business is administered or sought to be administered
18 in Washington state, or if a trust or other trust business agreement,
19 with the assent of the out-of-state trust institution, specifies
20 Washington state as the situs of the trust or situs of the tangible
21 or intangible property covered by the trust business agreement.

22 **Sec. 48.** RCW 30B.38.020 and 2014 c 37 s 368 are each amended to
23 read as follows:

24 (1) Except as authorized by federal law ((or)), by another law of
25 ((this))Washington state, or by a written finding of the director
26 waiving some or all of the requirements of this section in the
27 interest of facilitating financial interstate commerce, an
28 out-of-state trust institution shall not be permitted to engage in a
29 trust business in ((this))Washington state ((on more favorable terms
30 and conditions than the terms and conditions on which state trust
31 companies incorporated under this title and savings banks engaged in
32 trust business under RCW 32.08.140, 32.08.142, 32.08.210, and
33 32.08.215 are permitted to engage in trust business in such other
34 state))unless the director has approved an out-of-state trust
35 institution's written application to do business in Washington state
36 in accordance with this section.

37 (2) In order for the director to approve an out-of-state trust
38 institution's written application to do business in Washington state,
39 the director must determine in writing that all of the following

1 conditions have been met, or otherwise in his or her discretion waive
2 or modify one or more of such conditions in writing:

3 (a) That the out-of-state trust institution is authorized to do
4 business in its home state, is in good standing with its home state
5 regulator, is not subject to a supervisory directive, corrective
6 action order, conservatorship, or the equivalent, from its home state
7 regulator, and has not had its authority to do business in its home
8 state, any other state, or a foreign jurisdiction suspended or
9 revoked;

10 (b) That a state trust company with the same activities as the
11 out-of-state trust institution would be able to do business in the
12 home state of the out-of-state trust institution on the same or more
13 favorable terms as in Washington state, when considering such home
14 state's laws and its supervision, examination, or other safety and
15 soundness oversight of a state trust company seeking to do business
16 in such home state;

17 (c) That the out-of-state trust institution has secured or will
18 secure as of the effective date of the department's certificate of
19 authority a fidelity bond or equivalent insurance coverage for
20 directors, officers, managers, or employees satisfactory to the
21 director; and

22 (d) That as long as the out-of-state trust institution maintains
23 a trust office or otherwise conducts trust business in Washington
24 state, it will comply with all laws of Washington state that are
25 applicable to an out-of-state trust institution doing business in
26 Washington state.

27 (3) The director shall deny an application filed under this
28 section or suspend or revoke the approval of an application, if the
29 director finds that the standards of organization, supervision,
30 examination, or other safety and soundness oversight of the out-of-
31 state trust institution do not conform to the standards for a state
32 trust company under this title. In considering the standards of
33 organization, supervision, examination, or other safety and soundness
34 oversight of the out-of-state trust institution, the director may
35 also consider the laws of the state in which the applicant is
36 organized.

37 (4) In implementing this section, the director may cooperate with
38 trust institution regulators in other states and may share with such
39 regulators the information received in the administration of this
40 chapter.

1 (5) The director may enter into supervisory agreements with out-
2 of-state trust institutions or their regulators to prescribe the
3 applicable laws and rules governing the powers and authorities of
4 out-of-state trust institutions seeking to or doing business in
5 Washington state. Such agreements may address, but are not limited
6 to, corporate governance and operational matters. Such agreements may
7 resolve any conflict of laws and further specify the manner in which
8 examination, supervision, and application processes must be
9 coordinated between the home state regulator and host state
10 regulator.

11 (6) The out-of-state trust institution may exercise additional
12 powers and authorities that are authorized under the laws of its home
13 state if the director determines in writing that the exercise of the
14 additional powers and authorities in ((~~this~~))Washington state will
15 not threaten the safety and soundness of trust institutions in
16 ((~~this~~))Washington state and serves the convenience and needs of
17 Washington state consumers.

18 **Sec. 49.** RCW 30B.38.030 and 2014 c 37 s 369 are each amended to
19 read as follows:

20 An out-of-state trust institution desiring to engage in trust
21 business in ((~~this~~))Washington state shall provide, or cause its home
22 state regulator to provide, written notice to the director of its
23 intent to engage in trust business in ((~~this~~))Washington state,
24 accompanied by a written application containing:

25 (1) Satisfactory ((~~written~~)) evidence of a certificate of
26 authority to engage in trust business in its home state, or
27 equivalent, from its home state regulator;

28 (2) A copy of the resolution adopted by the board of directors of
29 such out-of-state trust institution authorizing the out-of-state
30 trust institution to engage in trust business in ((~~this~~))Washington
31 state;

32 (3) ((~~Written~~))Evidence of compliance with the requirements of
33 the director set forth in ((~~subsection (1) of this section~~))RCW
34 30B.38.020 or a request for waiver of certain requirements of RCW
35 30B.38.020 satisfactory to the director; and

36 (4) A filing fee, if any, as prescribed by the director under
37 authority of RCW 30A.04.070.

1 **Sec. 50.** RCW 30B.38.040 and 2014 c 37 s 370 are each amended to
2 read as follows:

3 (1) ~~((Except as authorized by RCW 30B.72.010, an out-of-state~~
4 ~~trust institution may not engage in trust business in this state~~
5 ~~unless:~~

6 ~~(a) The out-of-state trust institution has confirmed in writing~~
7 ~~to the director that for as long as it maintains a trust office in~~
8 ~~this state, it will comply with all applicable laws of this state.~~

9 ~~(b) The out-of-state trust institution has provided satisfactory~~
10 ~~evidence to the director of compliance with (i) any applicable~~
11 ~~requirements of chapter 23B.15 or 25.15 RCW and (ii) the applicable~~
12 ~~requirements of its home state regulator for engaging in trust~~
13 ~~business in both its home state and this state.~~

14 ~~(c))~~ The director must, ~~((acting))~~ within sixty days after
15 receiving ~~((notice))~~ a complete written application under RCW
16 30B.38.030, ~~((has certified to))~~ including any waiver request, notify
17 the home state regulator ~~((that the requirements of this chapter have~~
18 ~~been met and the notice has been approved or, if applicable, that any~~
19 ~~conditions imposed by the director pursuant to subsection (2) of this~~
20 ~~section have been satisfied.~~

21 ~~(2) The out-of-state trust institution may commence engaging in~~
22 ~~trust business in this state on the sixty-first day after the date~~
23 ~~the director receives the notice unless the director specifies an~~
24 ~~earlier or later date))~~ and the out-of-state trust institution of the
25 director's approval or denial of the written application or waiver
26 request, including any other conditions for approval that the
27 director may require.

28 ~~((3))~~ (2) The sixty-day period of review ~~((in subsection (2) of~~
29 ~~this section))~~ may be extended by the director on a determination
30 that the written notice raises issues that require additional
31 information or additional time for analysis. If the period of review
32 is extended, the out-of-state trust institution may engage in trust
33 business in ~~((this))~~ Washington state only on prior written approval
34 by the director.

35 **Sec. 51.** RCW 30B.38.070 and 2014 c 37 s 373 are each amended to
36 read as follows:

37 (1) Consistent with ~~((the Washington administrative procedure~~
38 ~~act, chapter 34.05 RCW, and in the manner provided for enforcement~~
39 ~~action against a state trust company under this title, after notice~~

1 ~~and opportunity for hearing)~~ chapter 30B.10 RCW, the director may
2 determine an out-of-state trust institution engaging in trust
3 business in ~~((this))~~ Washington state, or its affiliate, is in
4 violation of any provision of ~~((the laws of this state))~~ this title or
5 is operating in an unsafe and unsound manner.

6 (2) The director shall have the authority to take all such
7 enforcement actions against an out-of-state trust institution or its
8 affiliate as he or she ~~((would be))~~ is empowered to take ~~((if the out-~~
9 ~~of-state trust institution were a state trust company))~~ under chapter
10 30B.10 RCW, including but not limited to issuing an order temporarily
11 or permanently prohibiting the out-of-state trust institution or its
12 affiliate from engaging in trust business in ~~((this))~~ Washington
13 state.

14 (3) The director may make a written finding that an out-of-state
15 trust institution engaging in or proposing to engage in a trust
16 business in ~~((this))~~ Washington state does not meet the requirements
17 for engaging in trust business in ~~((this))~~ Washington state pursuant
18 to this chapter or RCW 30B.72.010, which finding shall be effective
19 on the date of issuance or such other date as the director shall
20 determine.

21 (4) In cases involving extraordinary circumstances requiring
22 immediate action, the director may issue ~~((a temporary))~~ pursuant to
23 section 25 of this act an emergency order without advance notice or
24 opportunity for hearing, subject to the right of the out-of-state
25 trust institution ~~(('s right))~~ or, as applicable, its affiliate, to
26 petition for judicial review in the same manner as a state trust
27 company under this title.

28 (5) The director will give notice to the home state regulator of
29 each enforcement action taken against an out-of-state trust
30 institution or its affiliate and, to the extent practicable, will
31 consult and cooperate with the home state regulator in pursuing and
32 resolving such enforcement action.

33 **Sec. 52.** RCW 30B.38.080 and 2014 c 37 s 374 are each amended to
34 read as follows:

35 Each out-of-state trust institution that maintains an office in
36 ~~((this))~~ Washington state or otherwise conducts trust business in
37 Washington state pursuant to this chapter, or the home state
38 regulator of such trust institution, shall give at least thirty days'
39 prior written notice, or in the case of an emergency transaction,

1 such shorter notice as is consistent with applicable state or federal
2 law, to the director of:

3 (1) Any merger, consolidation, or other transaction that would
4 cause a change of control with respect to such out-of-state trust
5 institution or any bank holding company that controls such trust
6 institution, (~~with the result that an application would be required~~
7 ~~to be filed pursuant to the federal change in bank control act of~~
8 ~~1978, 12 U.S.C. Sec. 1817(j), or the federal bank holding company act~~
9 ~~of 1956, 12 U.S.C. Sec. 1841 et seq., or any successor statutes~~
10 ~~thereto~~)) as determined by the definition of "control" set forth in
11 RCW 30B.53.005;

12 (2) Any transfer of all or substantially all of the trust
13 accounts or trust assets of the out-of-state trust institution to
14 another person; or

15 (3) The closing or disposition of any office in
16 (~~this~~) Washington state.

17 NEW SECTION. Sec. 53. A new section is added to chapter 30B.38
18 RCW to read as follows:

19 STATE TRUST COMPANY OPERATING IN ANOTHER STATE—APPROVAL OF
20 DIRECTOR. (1) Upon written approval of the director, a state trust
21 company may conduct the business of a trust company in a host state,
22 subject to the authority, requirements, and restrictions of the host
23 state, or as otherwise directed by a cooperative agreement between
24 the department and the host state.

25 (2) The director may enter into a cooperative agreement with the
26 host state regulator of the host state in which a state trust company
27 is permitted to and conducts the business of a trust company and may
28 permit the host state regulator to periodically examine the affairs
29 of the state trust company in the host state.

30 (3) The director may rely upon the examination of the host state
31 regulator in lieu of the department itself conducting an examination
32 of the state trust company's conduct in the host state.

33 **Sec. 54.** RCW 30B.38.090 and 2014 c 37 s 375 are each amended to
34 read as follows:

35 Notwithstanding any other provision of this chapter, an
36 out-of-state trust institution engaging in trust business in
37 (~~this~~) Washington state, which is not an exempt person under RCW
38 30B.04.040 and which by reason of the laws of its home state is not,

1 in the opinion of the director, subject to ~~((any))~~ supervision,
2 examination, or other safety and soundness oversight by a home state
3 regulator, shall be subject to all the requirements of a state trust
4 company under this title.

5 **Sec. 55.** RCW 30B.44A.005 and 2014 c 37 s 376 are each amended to
6 read as follows:

7 A state trust company may go into voluntary liquidation and be
8 closed, and may surrender its ~~((charter))~~certificate of authority and
9 franchise as a corporation or limited liability company of
10 ~~((this))~~Washington state by the affirmative votes of its shareholders
11 owning two-thirds of its ~~((stock or participation))~~ shares.

12 **Sec. 56.** RCW 30B.44A.010 and 2014 c 37 s 377 are each amended to
13 read as follows:

14 (1) Shareholder action to liquidate a state trust company shall
15 be taken at a meeting of the shareholders ~~((or participants))~~ duly
16 called ~~((by resolution of the board of directors or members, written
17 notice of which, stating the purpose of the meeting, shall be mailed
18 to each shareholder or participant, or in case of a shareholder's or
19 participant's death, to such shareholder's or participant's legal
20 representative or heirs at law, addressed to the shareholder's or
21 participant's last known residence ten days previous to the date of
22 such meeting))~~and noticed as provided for in Title 23B RCW, if the
23 state trust company is a corporation, and as provided in chapter
24 25.15 RCW, if the state trust company is a limited liability company.

25 (2) If ~~((stockholders or participants))~~the shareholders shall, by
26 the required vote, elect to liquidate ~~((a))~~the state trust company, a
27 ~~((certified))~~ copy of all proceedings of the meeting at which such
28 action shall have been taken, verified by the oath of the president
29 or manager and the secretary, shall be transmitted to the director
30 for approval.

31 **Sec. 57.** RCW 30B.44A.020 and 2014 c 37 s 378 are each amended to
32 read as follows:

33 (1) If the director approves the liquidation, the director shall
34 issue to the state trust company ~~((a permit))~~written notice of
35 approval for such purpose.

36 ~~((A permit))~~ (2) Such approval shall ~~((not))~~ be ~~((issued by the
37 director until))~~deemed granted unless the director ~~((is~~

1 satisfied)) issues a written determination, no later than sixty days
2 from notice by the state trust company to voluntarily liquidate, that
3 adequate provision has not been made ((by the state trust company))
4 to satisfy ((and pay off)) all allowable creditors and further
5 provide for successor trustees or other disposition of all trust
6 assets under management.

7 (3) If ((not so satisfied,)) the director ((shall refuse to issue
8 a permit, and)) has made such a determination within the time set
9 forth in subsection (2) of this section, the director is authorized
10 to take possession of the state trust company and its assets and
11 business((, and hold the same)) and liquidate ((the state trust
12 company)) it in the manner provided for in ((this title)) chapter
13 30B.44B RCW.

14 ((When)) (4) If the director approves the voluntary liquidation of
15 a state trust company under this chapter, the ((directors of that))
16 state trust company shall ((cause to be published in a newspaper in
17 the county in which the same is located, or if no newspaper is
18 published in such county, then in a newspaper having a general
19 circulation in such county, a notice that the state trust company is
20 closing down its affairs and going into liquidation, and notify its
21 creditors to present their claims for payment. Such notice shall be
22 published once a week for four consecutive weeks)) provide notice to
23 creditors and the public of voluntary dissolution in the manner
24 provided for in Title 23B RCW, if the state trust company is a
25 corporation, and chapter 25.15 RCW, if the state trust company is a
26 limited liability company.

27 **Sec. 58.** RCW 30B.44A.030 and 2014 c 37 s 379 are each amended to
28 read as follows:

29 ((When any)) While a state trust company is in process of
30 voluntary liquidation under this chapter, it is subject to
31 examination by the director((,)) and shall continue to furnish to the
32 director such reports ((from time to time as may be called for by the
33 director)) as required of a state trust company.

34 NEW SECTION. **Sec. 59.** A new section is added to chapter 30B.44A
35 RCW to read as follows:

36 PROCEDURES FOR VOLUNTARY LIQUIDATION. Except as set forth in this
37 chapter to the contrary, the procedures for voluntary liquidation of
38 a state trust company shall be consistent with Title 23B RCW, if the

1 state trust company is a corporation, and chapter 25.15 RCW, if the
2 state trust company is a limited liability company.

3 **Sec. 60.** RCW 30B.44A.040 and 2014 c 37 s 380 are each amended to
4 read as follows:

5 (1) All unclaimed property remaining in the ((hands))possession
6 of a ((liquidated)) state trust company that has been voluntarily
7 liquidated according to this chapter is subject to the provisions of
8 chapter 11.08 RCW, except to the extent set forth in this section.

9 (2) Any funds, less outstanding fees and assessments owed to the
10 director under RCW 30A.04.070, payment of allowable third-party
11 claims, and disposition of fiduciary assets in compliance with this
12 title, which remain uncalled for and unpaid at the conclusion of the
13 state trust company's voluntary liquidation, shall be transmitted to
14 the director and shall be deposited by him or her in a bank to the
15 director's credit in trust for the benefit of any persons entitled
16 thereto, and shall be paid by the director to such persons upon
17 receipt of evidence, reasonably satisfactory to the director, of such
18 persons' rights to such funds.

19 (3) All moneys so deposited remaining unclaimed for two years
20 after deposit shall escheat to the state for the benefit of the state
21 financial literacy and education programs as authorized by RCW
22 43.320.150 and administered by the department or, in the absence of
23 such programs, as otherwise directed by the state treasurer.

24 (4) It shall not be necessary to have the escheat adjudged in a
25 suit or action.

26 NEW SECTION. **Sec. 61.** A new section is added to chapter 30B.44A
27 RCW to read as follows:

28 NAMING OF SUCCESSOR TRUSTEE UPON DISSOLUTION OF STATE TRUST
29 COMPANY—CONTINGENCY FOR DIRECTOR AS STATUTORY CUSTODIAN. (1) In the
30 event of a voluntary dissolution of a trust company pursuant to this
31 chapter, the provisions of RCW 11.98.039 (1), (2), and (3) shall
32 apply, if applicable, to the selection of a successor trustee,
33 subject to the director's option to approve a successor trustee as
34 part of the director's approval of a voluntary liquidation under RCW
35 30B.44A.020.

36 (2) If, however, RCW 11.98.039(4) is applicable but a trust
37 beneficiary, trustor, if alive, or trustee does not petition the
38 superior court for appointment of successor trustee within thirty

1 days of the last publication of notice of the voluntary dissolution
2 of the trust company pursuant to RCW 30B.44A.020, then the director
3 may:

4 (a) Appoint himself or herself as a custodian of any affected
5 trust until such time as the superior court makes a determination of
6 successor trustee; or

7 (b) At his or her option, bring before the superior court a
8 petition for appointment of a successor trustee, other than an
9 employee or independent contractor of the department, pursuant to
10 chapter 11.96A RCW.

11 (3) In no event may the director or any employee or independent
12 contractor of the department serve as a successor trustee under
13 chapter 11.98 RCW or as a receiver of trust assets under chapter 7.60
14 RCW.

15 **Sec. 62.** RCW 30B.44A.050 and 2014 c 37 s 381 are each amended to
16 read as follows:

17 (1) Any state trust company may sell and transfer to any other
18 trust institution(~~(, whether state or federally chartered,)~~) all of
19 its assets of every kind upon such terms as may be agreed upon and
20 approved by the director and by two-thirds vote of its (~~board of~~
21 directors or members)) shareholders.

22 (2) A (~~certified~~) copy of the minutes of any meeting at which
23 such action is taken(~~(, under the oath of the president and~~
24 secretary)), together with a copy of the (~~contract of sale and~~
25 transfer)) asset purchase agreement, shall be filed with the director.
26 (~~Whenever voluntary liquidation shall be approved by the director or~~
27 ~~the sale and transfer of the assets of any state trust company shall~~
28 ~~be approved by the director, a certified copy of such approval, filed~~
29 ~~in the office of the secretary of state, shall authorize the~~
30 ~~cancellation of the charter of such state trust company, subject,~~
31 ~~however, to its continued existence, as provided by this title and~~
32 ~~the general law relative to corporations.))~~

33 (3) Notwithstanding any other provision of this title, the board
34 of a state trust company, with the director's approval, may cause a
35 state trust company to sell all or substantially all of its assets,
36 including the right to control accounts established with the trust
37 company, without shareholder or participant approval if the director
38 finds:

1 (a) The interests of the state trust company's clients and
2 creditors are jeopardized because of insolvency or imminent
3 insolvency of the state trust company; and

4 (b) The sale is in the best interest of the state trust company's
5 clients and creditors.

6 (4) A sale under this section must include an assumption and
7 promise by the buyer to pay or otherwise discharge:

8 (a) All of the state trust company's liabilities to clients and
9 depositors;

10 (b) All of the state trust company's liabilities for salaries of
11 the state trust company's employees incurred before the date of the
12 sale;

13 (c) Obligations incurred by the director arising out of the
14 supervision or sale of the state trust company; and

15 (d) Fees and assessments due the department.

16 (5) This section does not limit the incidental power of a state
17 trust company to buy and sell assets in the ordinary course of
18 business.

19 (6) This section does not affect the director's authority to take
20 action under state law.

21 NEW SECTION. Sec. 63. A new section is added to chapter 30B.44A
22 RCW to read as follows:

23 CANCELLATION OF STATE TRUST COMPANY'S CERTIFICATE OF AUTHORITY.
24 Whenever voluntary liquidation is approved by the director or the
25 sale and transfer of the assets of any state trust company is
26 approved by the director pursuant to this chapter, a certified copy
27 of such approval, filed in the office of the secretary of state,
28 shall authorize the cancellation of the certificate of authority of
29 such state trust company, subject, however, to its continued
30 existence, as either a general corporation under Title 23B RCW or a
31 general limited liability company under chapter 25.15 RCW.

32 NEW SECTION. Sec. 64. A new section is added to chapter 30B.44B
33 RCW to read as follows:

34 POSSESSION OF TRUST ASSETS AND COMPANY ASSETS AND PROPERTY WITH
35 THE DIRECTOR—BAR AGAINST ATTACHMENT PROCEEDINGS. The taking of
36 possession of any state trust company by the director pursuant to RCW
37 30B.44B.005 or 30B.44B.010 is sufficient to place all of the state
38 trust company's fiduciary assets in the custody of the director and

1 all of the nonfiduciary assets and property of every nature in the
2 director's possession and bar all attachment proceedings.

3 NEW SECTION. **Sec. 65.** A new section is added to chapter 30B.44B
4 RCW to read as follows:

5 DIRECTOR'S RIGHT TO TAKE POSSESSION MAY BE CONTESTED. (1) Within
6 ten days after the director takes possession of a state trust company
7 pursuant to RCW 30B.44B.005, the state trust company may serve a
8 notice upon the director to appear before the superior court of the
9 county where the headquarters of the state trust company is located
10 and at a time to be fixed by the court, which shall not be less than
11 five nor more than fifteen days from the date of the service of such
12 notice, to show cause why the director's action taking possession of
13 the state trust company should not be affirmed.

14 (2) Upon the return day of such notice, or such further day as
15 the matter may be continued to, the court shall summarily hear the
16 show-cause petition and shall dismiss it, if the court finds that
17 possession of the state trust company was taken by the director in
18 good faith and for cause. If, however, the court finds that no cause
19 existed for taking possession of the state trust company, the court
20 shall require the director to restore the state trust company to
21 possession of its assets and enjoin the director from further
22 interference with the state trust company without cause.

23 NEW SECTION. **Sec. 66.** A new section is added to chapter 30B.44B
24 RCW to read as follows:

25 POWERS AND DUTIES OF DIRECTOR—PROHIBITION AGAINST LIENS. (1) Upon
26 issuance of an order taking possession of a state trust company
27 pursuant to RCW 30B.44B.005 or 30B.44B.010, the director must:

28 (a) Take custody of the assets of the state trust company and
29 preserve, administer, and liquidate the business and assets of the
30 state trust company as statutory liquidation agent;

31 (b) Furnish written notice:

32 (i) To all persons having possession of any assets of the state
33 trust company; and

34 (ii) To beneficiaries, trustors, if alive, and appointed advisers
35 in relation to trust assets that were under management by the state
36 trust company as of the date and time that the director took
37 possession of the state trust company, to the extent that the state
38 trust company has not given prior notice to such beneficiaries or

1 trustors, if alive, pursuant to RCW 11.98.039, or to such appointed
2 advisers;

3 (c) Make provision as custodian under authority of this chapter
4 for the preservation of the trust or other fiduciary assets of the
5 state trust company while they are in the department's custody; and

6 (d) Upon notice from a trustor or beneficiary, or the like, of a
7 trust agreement or other fiduciary contract directing the department
8 to transfer the trust or other fiduciary assets of the state trust
9 company, or as otherwise provided for by the terms of a trust
10 agreement or other fiduciary contract, by Title 11 RCW, or by court
11 order, make provision as custodian under this chapter for the
12 transfer of trust or other fiduciary assets from the department's
13 custody to applicable third parties.

14 (2) No person knowing of the taking of such possession by the
15 director shall have a lien or charge for any payment advanced or
16 cleared or liability incurred against any of the assets of the state
17 trust company or any trust assets under management.

18 (3) With the approval of the superior court of the county in
19 which the headquarters of the state trust company was located, the
20 director may sell, compound, or compromise bad or doubtful debts, and
21 upon such terms as the court shall direct, the director may borrow,
22 mortgage, pledge, or sell all or any part of the real estate and
23 personal property of the state trust company. The director shall
24 deliver to each purchaser or lender an appropriate deed, mortgage,
25 agreement of pledge, or other instrument of title or security. If
26 real estate is situated outside of the county where the headquarters
27 of the state trust company was located, a certified copy of the
28 orders authorizing and confirming the sale or mortgage shall be filed
29 for record in the county in which such property is situated.

30 (4) The director may appoint special assistants and other
31 necessary agents to assist in the administration and liquidation of
32 the state trust company, a certificate of such appointment to be
33 filed with the clerk of the county where the headquarters of the
34 state trust company was located.

35 (5) Except for a special assistant who is an employee of the
36 department, the director shall require such special assistant or
37 agent to give a surety company bond, conditioned as the director
38 shall provide, the premium of which shall be paid out of the assets
39 of the state trust company.

1 (6) The director may also request legal assistance from the
2 Washington attorney general in such administration and liquidation;
3 provided, however, that with permission of the Washington attorney
4 general, the director may employ an attorney in private practice to
5 perform such delegated functions.

6 NEW SECTION. **Sec. 67.** A new section is added to chapter 30B.44B
7 RCW to read as follows:

8 NOTICE TO CREDITORS—CLAIMS. (1) The director shall publish on the
9 department's public web site and also once a week for four
10 consecutive weeks in a newspaper of general circulation, which the
11 director shall select, a notice requiring all persons having claims
12 against the dissolved state trust company to make proof of claim to
13 the department as specified in the notice not later than ninety days
14 from the date of the first publication of such notice.

15 (2) The director shall mail similar notices to all persons whose
16 names appeared as creditors upon the books of the state trust company
17 as of the date and time of the director taking possession pursuant to
18 RCW 30B.44B.005 or 30B.44B.010.

19 (3) The director may approve or reject any claims, but shall
20 serve notice of rejection upon the claimant by mail or personally. A
21 declaration of service of such notice, signed under penalty of
22 perjury, shall be deemed a rebuttable presumption that notice has
23 been given pursuant to this section.

24 (4) No action shall be brought on any claim after ninety days
25 from the date of service of notice of rejection.

26 (5) After the expiration of the time fixed in the notice, the
27 director shall have no power to accept any claim.

28 (6) Any claim that has not been filed with the department as
29 required by this section is barred as a matter of law.

30 NEW SECTION. **Sec. 68.** A new section is added to chapter 30B.44B
31 RCW to read as follows:

32 ASSUMPTION OR REJECTION OF EXECUTORY CONTRACTS. Upon issuance of
33 an order taking possession of a state trust company, the director may
34 assume or reject any executory contract or unexpired lease of the
35 state trust company upon written notice to the parties to such
36 contract.

1 NEW SECTION. **Sec. 69.** A new section is added to chapter 30B.44B
2 RCW to read as follows:

3 INVENTORY—LIST OF CLAIMS. (1) Upon taking possession of the
4 dissolved state trust company, the director shall make an inventory
5 of the nonfiduciary assets in duplicate, filing one with the
6 department and one in the office of the superior court clerk.

7 (2) Upon the expiration of the time fixed for the presentation of
8 claims, the director shall make a duplicate list of claims presented,
9 segregating those approved and those rejected, and file this list
10 with the clerk of the superior court.

11 NEW SECTION. **Sec. 70.** A new section is added to chapter 30B.44B
12 RCW to read as follows:

13 OBJECTIONS TO APPROVED CLAIMS. Objection may be made by any
14 interested person to any claim approved by the director, which
15 objection shall be determined by the superior court upon notice to
16 the claimant and objector as the superior court shall prescribe.

17 NEW SECTION. **Sec. 71.** A new section is added to chapter 30B.44B
18 RCW to read as follows:

19 TEMPORARY RECEIVER PROHIBITED EXCEPT IN EMERGENCY. (1) A receiver
20 shall not be appointed by any court for any state trust company, nor
21 shall any assignment of any state trust company for the benefit of
22 creditors be valid, except that, in addition to the director's
23 authority to take possession of a state trust company pursuant to RCW
24 30B.44B.005 or 30B.44B.010, the superior court otherwise having
25 jurisdiction may in case of imminent necessity appoint a temporary
26 receiver to take possession of and preserve the assets of such state
27 trust company.

28 (2) Immediately upon appointment of a person as temporary
29 receiver, the clerk of the superior court shall notify the director
30 in writing of such appointment and the director shall then take
31 possession of the state trust company, as in case of insolvency, and
32 the temporary receiver shall, upon demand of the director, surrender
33 to the director possession of the state trust company and all assets
34 which shall have come into the possession of such temporary receiver.

35 (3) The director shall in due course pay such temporary receiver
36 out of the assets of the state trust company.

1 NEW SECTION. **Sec. 72.** A new section is added to chapter 30B.44B
2 RCW to read as follows:

3 PREFERENCES PROHIBITED—PENALTY. (1) Any transfer of its property
4 or assets by a state trust company, made (a) in contemplation of
5 insolvency or after it shall have become insolvent, (b) within ninety
6 days before the date the director takes possession of such state
7 trust company, and (c) with a view to the preference of one creditor
8 over another or to prevent the equal distribution of its property and
9 assets among its creditors, shall be void.

10 (2) Every director, officer, or employee of a state trust company
11 making any such transfer of assets is guilty of a class B felony
12 punishable according to chapter 9A.20 RCW.

13 NEW SECTION. **Sec. 73.** A new section is added to chapter 30B.44B
14 RCW to read as follows:

15 EXPENSE OF LIQUIDATION—DETERMINATION OF SUPERIOR COURT—PRIORITY
16 OVER THIRD-PARTY CLAIMS. (1) All expenses incurred by the director in
17 taking possession, administering, and resolving any state trust
18 company dissolved pursuant to this chapter, including the expenses of
19 assistants or agents and reasonable fees for any attorney who may be
20 employed in connection with such administration and resolution, and
21 the reasonable compensation of any special assistant or agent placed
22 in charge of such dissolved state trust company, shall be a priority
23 charge upon the assets of the dissolved state trust company and shall
24 be senior to any approved third-party claims.

25 (2) Such charges for expenses as set forth in subsection (1) of
26 this section shall be fixed by the director, subject to the approval
27 of the superior court.

28 NEW SECTION. **Sec. 74.** A new section is added to chapter 30B.44B
29 RCW to read as follows:

30 LIQUIDATION AFTER CLAIMS ARE PAID. When all proper claims of
31 creditors, excluding shareholders, have been paid, as well as all
32 expenses of administration and liquidation, and proper provision has
33 been made for unclaimed or unpaid property and dividends, and assets
34 still remain in the director's possession, the director shall furnish
35 written notice to all shareholders of record of the state trust
36 company, as of the date and time the director took possession of the
37 state trust company pursuant to RCW 30B.44B.005 or 30B.44B.010, of

1 the existence of any remaining funds according to each shareholder's
2 proportional beneficial interest in the state trust company.

3 NEW SECTION. **Sec. 75.** A new section is added to chapter 30B.44B
4 RCW to read as follows:

5 DISPOSITION OF UNCLAIMED PERSONAL PROPERTY—TRUST ASSETS—OTHER
6 PERSONAL PROPERTY HELD FOR SAFEKEEPING. (1) If, at the conclusion of
7 the liquidation of a state trust company, there remains unclaimed
8 personal property, other than monetary deposit accounts, which had
9 previously been left with it for safekeeping, including unclaimed
10 trust assets, such property shall be inventoried by the director or
11 his or her special assistant or agent and segregated and identified
12 by the name and last known address of the person who appears on the
13 books of the state trust company, as of the date and time of its
14 closure, as being entitled to the property.

15 (2) Upon receiving possession of such unclaimed personal
16 property, the director shall hold it for safekeeping. The liquidated
17 state trust company, its directors, officers, managers, managing
18 principals, and shareholders, and the director's special assistant or
19 agent, if any, shall be relieved of responsibility and liability for
20 the property so delivered to and received by the director.

21 (3) The director shall then send to each person who appears on
22 the books and records of the liquidated state trust company as having
23 the right to such property, at his or her last known address, a
24 notice that the property listed will be held in his or her name for a
25 period of not less than one year.

26 (4) At any time after the mailing of such notice, and before the
27 expiration of one year, such person may require the delivery of the
28 property so held, by properly identifying himself or herself and
29 offering evidence of his or her right to such property, to the
30 satisfaction of the director. The director may condition delivery of
31 such property upon prior payment to the director of all storage costs
32 and reasonable costs associated with such delivery.

33 NEW SECTION. **Sec. 76.** A new section is added to chapter 30B.44B
34 RCW to read as follows:

35 FINAL NOTICE AFTER ONE YEAR—SALE AT AUCTION. (1) After the
36 expiration of one year from the time of giving notice under section
37 75(3) of this act, the director shall issue and serve by mail a final
38 notice stating that one year has elapsed since the sending of the

1 notice referred to in section 75(3) of this act, and that the
2 director will sell all the property or articles of value set out in
3 the notice, at a specified time and place, not less than thirty days
4 after the time of the final notice. Unless the person shall, on or
5 before such time and to the satisfaction of the director, claim the
6 property, identify himself or herself, offer evidence of his or her
7 right to such property, and remit payment to the director of all
8 storage costs and reasonable costs associated with delivery to such
9 person, the director may sell all the property or articles of value
10 listed in the notice, at public auction, at the time and place stated
11 in the final notice: PROVIDED, That a notice of the time and place of
12 such sale has been published once within ten days prior to the sale
13 in a newspaper of general circulation in the county where the
14 headquarters of the state trust company was located.

15 (2) In addition to subsection (1) of this section, any such
16 property held by the director, the owner of which is not known, may
17 be sold at public auction after it has been held by the director for
18 one year: PROVIDED, That a notice of the time and place of sale has
19 been published once within ten days prior to the sale in a newspaper
20 of general circulation in the county where the headquarters of the
21 state trust company was located.

22 NEW SECTION. **Sec. 77.** A new section is added to chapter 30B.44B
23 RCW to read as follows:

24 DISPOSITION OF UNCLAIMED PERSONAL PROPERTY—MONETARY FUNDS. (1)
25 Any monetary funds, including funds obtained from sale of personal
26 property at auction pursuant to this section, remaining unclaimed and
27 unpaid in the possession of the director for six months after the
28 superior court's order of final distribution, shall be deposited by
29 the director in a bank to his or her credit, in trust for the benefit
30 of the persons entitled to such funds and subject to the supervision
31 of the superior court.

32 (2) Such monetary funds shall be paid by the director to the
33 entitled persons upon receipt of satisfactory evidence of their right
34 to such funds.

35 (3) All moneys so deposited remaining unclaimed for one year
36 after deposit shall escheat to the state for the benefit of the state
37 financial literacy and education programs as authorized by RCW
38 43.320.150 and administered by the department, or, in the absence of
39 such programs, as otherwise directed by the state treasurer.

1 (4) It shall not be necessary to have the escheat adjudged in a
2 suit or action.

3 NEW SECTION. **Sec. 78.** A new section is added to chapter 30B.44B
4 RCW to read as follows:

5 DESTRUCTION OF RECORDS AFTER LIQUIDATION. (1) Where any records
6 of the state trust company have been taken over and are in the
7 possession of the director in connection with the involuntary
8 liquidation of a state trust company, the director may, in his or her
9 discretion at any time after an order of final liquidation, or
10 equivalent, by the superior court, destroy any of such records which
11 may appear to the director to be obsolete or unnecessary for future
12 reference as part of the liquidation and as files of the department.

13 (2) Such records are exempt from public disclosure, consistent
14 with RCW 42.56.400(6), 30A.04.075, and 30B.04.060.

15 NEW SECTION. **Sec. 79.** A new section is added to chapter 30B.44B
16 RCW to read as follows:

17 REOPENING—CONDITIONS. (1) Notwithstanding any other provision of
18 this chapter, the director may, at any time within ninety days after
19 taking possession of a state trust company under RCW 30B.44B.005 or
20 30B.44B.010, permit such state trust company to reopen upon such
21 terms and conditions as the director shall prescribe, if he or she
22 has determined that:

23 (a) Sufficient remedy has been made of the state trust company's
24 impairment and delinquencies; and

25 (b) It is in the best interest of trustors, beneficiaries,
26 creditors, shareholders, and the general public that the state trust
27 company be reopened rather than be liquidated.

28 (2) Before being permitted to reopen pursuant to this section, a
29 state trust company shall pay all of the outstanding fees,
30 assessment, and expenses of the director as provided for in this
31 title.

32 NEW SECTION. **Sec. 80.** A new section is added to chapter 30B.46
33 RCW to read as follows:

34 DEFINITIONS. The definitions in this section apply throughout
35 this chapter unless the context clearly requires otherwise.

1 (1) "Corrective action measures" refers collectively to
2 supervisory agreements, memoranda of understanding, supervisory
3 directives, corrective action orders, and orders of conservatorship.

4 (2) "Corrective action order" means a cease and desist order,
5 consent order, order compelling action, or order of conservatorship,
6 as prescribed by this chapter.

7 (3) "Exceeded its powers" includes, without limitation, the
8 following circumstances:

9 (a) If a state trust company has engaged in unauthorized trust
10 activity;

11 (b) If a state trust company has refused to permit examination of
12 its books, papers, accounts, records, or affairs by the director,
13 assistant director, or examiners; or

14 (c) If a state trust company has neglected or refused to observe
15 an order of the director including, without limitation, an order to
16 make good, within the time prescribed, any capital deficiency.

17 (4) "Order of conservatorship" means an order specifically
18 authorized under this chapter for the appointment for a conservatory
19 of a state trust company.

20 (5) "Supervisory agreement" or "memorandum of understanding"
21 means a supervisory directive in which a state trust company has
22 given its prior consent.

23 (6) "Supervisory directive" means a supervisory directive in
24 which the state trust company has not given its prior consent.

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

27 (a) If a state trust company is less than adequately capitalized
28 as determined by the director;

29 (b) If a state trust company violates the applicable provisions
30 of this title or any other law or regulation applicable to a state
31 trust company in a manner that results or is likely to result in a
32 significant increase in the state trust company's legal or
33 operational risk;

34 (c) If a state trust company conducts a fraudulent or
35 questionable practice in the conduct of its business that endangers
36 its reputation, beneficiaries, shareholders, or trustors, or
37 threatens its solvency;

38 (d) If a state trust company conducts its business in an unsafe
39 or unsound manner;

1 (e) If a state trust company engages in unauthorized trust
2 activity;

3 (f) If a state trust company violates any conditions of its
4 certificate of authority or any agreement entered with the director;
5 or

6 (g) If a state trust company willfully fails to carry out any
7 authorized instruction or direction of the director.

8 NEW SECTION. **Sec. 81.** A new section is added to chapter 30B.46
9 RCW to read as follows:

10 SCOPE OF CHAPTER—SAFETY AND SOUNDNESS AUTHORITY OF DIRECTOR IN
11 LIEU OF ADMINISTRATIVE PROCEEDINGS—CORRECTIVE ACTION MEASURES—
12 JUDICIAL REVIEW. (1) The purpose of this chapter is to provide
13 expeditious methods for the department to exercise proper supervision
14 over the safety and soundness of state trust companies in the
15 interest of Washington state's fiduciary industry and the general
16 public. To that end, this chapter prescribes a series of progressive
17 corrective action measures available to the director, as necessary
18 and in connection with the exercise of his or her examination
19 authority, the ultimate object of which is to restore a state trust
20 company to a state of safe and sound condition and practices and to
21 prevent, if possible, involuntary dissolution of the state trust
22 company under chapter 30B.44B RCW.

23 (2) In order of progression, these corrective action measures
24 include:

25 (a) The supervisory directive, which may be issued with the
26 consent of a state trust company as a supervisory agreement or
27 memorandum of understanding or without the state trust company's
28 consent;

29 (b) The corrective action order, which may be issued with or
30 without the consent of a state trust company; and

31 (c) The order of conservatorship, which may be issued with or
32 without the consent of a state trust company.

33 (3) The director may issue and impose upon a state trust company,
34 in lieu of or in addition to his or her authority to issue and serve
35 a notice and statement of charges pursuant to chapter 30B.10 RCW, the
36 following:

37 (a) A supervisory agreement or memorandum of understanding;

38 (b) A supervisory directive without the state trust company's
39 consent;

1 (c) A corrective action order, with or without its consent; and

2 (d) An order of conservatorship, with or without its consent.

3 (4) A supervisory agreement or memorandum of understanding, or
4 corrective action order or order of conservatorship consented to by a
5 state trust company, shall not be subject to review except upon a
6 claim by the state trust company or other person with standing under
7 RCW 34.05.530, made in good faith, that the terms and conditions of
8 the supervisory agreement or memorandum of understanding, corrective
9 action order, or order of conservatorship exceed the authority of the
10 director under this title and that consent to the supervisory
11 agreement or memorandum of understanding was unreasonably coerced.

12 (5) A supervisory directive issued and imposed without the
13 consent of the state trust company shall not be subject to review
14 except by petition for judicial review in the manner provided by the
15 Washington administrative procedure act, RCW 34.05.510 through
16 34.05.598, inclusive.

17 (6) A corrective action order or order of conservatorship issued
18 and imposed against a state trust company without its consent shall
19 be deemed an emergency order under section 25 of this act, subject
20 only to judicial review as permitted by section 25 of this act.

21 (7) No provision in this title shall preclude the director from
22 issuing a corrective action order without having issued a supervisory
23 directive, or issuing an order of conservatorship without having
24 issued a supervisory directive or corrective action order.

25 (8) No provision in this title shall preclude the director from
26 issuing an order for involuntary dissolution of a state trust company
27 without first having issued corrective action measures if:

28 (a) Pursuant to RCW 30B.44B.005, the director has determined
29 there is no reasonable likelihood that a state trust company can be
30 restored to a safe and sound condition in the foreseeable future; or

31 (b) The state trust company gives its consent pursuant to RCW
32 30B.44B.010.

33 NEW SECTION. **Sec. 82.** A new section is added to chapter 30B.46
34 RCW to read as follows:

35 GROUNDS FOR DETERMINING NEED FOR SUPERVISORY DIRECTIVE—ABATEMENT
36 OF DETERMINATION—SUPERVISORY DIRECTIVE—COMPLIANCE—DIRECTOR'S
37 AUTHORITY UPON NONCOMPLIANCE. (1) If, upon examination or
38 investigation, or at any other time, it appears to the director that
39 a state trust company is in an unsafe condition and its condition is

1 such as to render the continuance of its business, without the
2 director's supervisory directive, harmful to the public or to its
3 beneficiaries, shareholders, or trustors, then the director may
4 either negotiate and enter into a supervisory agreement or memorandum
5 of understanding with the state trust company, or issue and deliver a
6 supervisory directive or corrective action order without its consent,
7 the contents of which shall contain:

8 (a) Notice to the state trust company of the director's
9 supervisory determination; and

10 (b) A written list and description of the requirements necessary
11 to abate the director's determination.

12 (2) If placed under a supervisory directive, with or without its
13 consent, the state trust company shall comply with the director's
14 lawful requirements as contained in the supervisory directive and
15 within such time as provided in the supervisory directive.

16 (3) If the state trust company fails to comply with the
17 supervisory directive within the time provided, the director may
18 issue and deliver to the state trust company, with or without its
19 consent, a corrective action order or an order of conservatorship.

20 NEW SECTION. **Sec. 83.** A new section is added to chapter 30B.46
21 RCW to read as follows:

22 APPOINTMENT OF REPRESENTATIVE TO SUPERVISE. During the period of
23 a supervisory directive or corrective action order, the director may
24 appoint a representative to supervise the state trust company.

25 NEW SECTION. **Sec. 84.** A new section is added to chapter 30B.46
26 RCW to read as follows:

27 SUPERVISORY DIRECTIVE OR CORRECTIVE ACTION ORDER—RESTRICTIONS ON
28 OPERATIONS—OTHER REQUIREMENTS. A supervisory directive or corrective
29 action order may provide that the state trust company not do any of
30 the following during the period of supervisory direction, without the
31 prior approval of the director or the appointed representative:

32 (1) Dispose of, convey, or encumber any of its assets;

33 (2) Acquire new trust assets under management;

34 (3) Dispose of existing trust assets under management;

35 (4) Withdraw any of its own funds from bank accounts;

36 (5) Lend any of its funds;

37 (6) Invest any of its funds;

38 (7) Transfer any of its property;

- 1 (8) Incur any debt, obligation, or liability;
- 2 (9) Change the composition of the board of directors or
3 management; or
- 4 (10) Any other written restriction or requirement as determined
5 by the director.

6 NEW SECTION. **Sec. 85.** A new section is added to chapter 30B.46
7 RCW to read as follows:

8 CONSERVATOR—APPOINTMENT—GROUNDS—POWERS, DUTIES, AND FUNCTIONS—
9 IMMUNITY. (1) If the director determines that a state trust company
10 has failed to comply with the lawful requirements imposed by such
11 supervisory directive or corrective action order, the director may by
12 order, with or without consent of the state trust company, appoint a
13 conservator for the state trust company, who shall immediately take
14 charge of such state trust company and all of its property, books,
15 records, and effects.

16 (2) The conservator shall conduct the business of the state trust
17 company and take such steps toward the removal of the causes and
18 conditions which necessitated such order of conservatorship, as the
19 director may specify in the order.

20 (3) During the pendency of the conservatorship, the conservator
21 shall make such reports to the director from time to time as may be
22 required by the director, and shall be empowered to take all
23 necessary measures to preserve, protect, and recover any assets or
24 property of such state trust company, including claims or causes of
25 actions belonging to or which may be asserted by such state trust
26 company, and to deal with the same in his or her own name as
27 conservator, and shall be empowered to file, prosecute, and defend
28 any suit and suits which have been filed or which may be filed by or
29 against such state trust company that are deemed by the conservator
30 to be necessary to protect all of the interested parties for a
31 property affected thereby.

32 (4) The director, an assistant director or other officer of the
33 department, or an independent contractor appointed by the director
34 may be appointed to serve as conservator.

35 (5) If, after issuance of the order of conservatorship, the
36 director determines, after consultation with the conservator, that
37 the state trust company is in an unsafe and unsound condition and
38 ought not to continue business, the director may proceed to give

1 advance notice to and take possession of the state trust company for
2 involuntary liquidation pursuant to chapter 30B.44B RCW.

3 (6) The director, in his or her capacity as a conservator, or any
4 other person appointed as conservator by the director, pursuant to
5 this chapter is immune from criminal, civil, and administrative
6 liability for any act done in good faith in the performance of the
7 duties of conservator.

8 NEW SECTION. **Sec. 86.** A new section is added to chapter 30B.46
9 RCW to read as follows:

10 COSTS AS CHARGE AGAINST ASSETS. (1) All costs incident to
11 supervisory direction and the conservatorship shall be fixed and
12 determined by the director and shall be a charge against the assets
13 of the state trust company to be allowed and paid as the director may
14 determine.

15 (2) A member of the board of directors of a state trust company
16 or, in the case of a limited liability trust company, a managing
17 participant, may, pursuant to notice and adjudication under chapter
18 30B.10 RCW, be found liable for such costs incurred that have not
19 been recouped by the director out of the assets of the state trust
20 company.

21 NEW SECTION. **Sec. 87.** A new section is added to chapter 30B.46
22 RCW to read as follows:

23 REQUEST FOR REVIEW OF ACTION—STAY OF ACTION—ORDERS SUBJECT TO
24 REVIEW. (1) During the period of the supervisory direction or period
25 of conservatorship, as applicable, the state trust company may
26 request the director to review an action taken or proposed to be
27 taken by a representative under a supervisory directive or by the
28 conservator, specifying that the action complained of is believed not
29 to be in the best interest of the state trust company.

30 (2) A request made under subsection (1) of this section shall
31 stay the action of the representative or conservator pending review
32 of such action by the director.

33 (3) An order by the director pursuant to this section, following
34 the review of an action or proposed action of the representative or
35 conservator, shall be subject to judicial review in accordance with
36 section 25 of this act.

1 NEW SECTION. **Sec. 88.** A new section is added to chapter 30B.46
2 RCW to read as follows:

3 SUIT AGAINST STATE TRUST COMPANY OR CONSERVATOR—WHERE BROUGHT—
4 SUIT BY CONSERVATOR. (1) A suit filed against a state trust company
5 or its conservator, after the issuance of an order by the director
6 placing such state trust company in conservatorship and while such
7 order is in effect, shall be brought in the superior court of
8 Thurston county and not elsewhere.

9 (2) The conservator appointed for such state trust company may
10 file suit in any superior court or other court of competent
11 jurisdiction against any person for the purpose of preserving,
12 protecting, or recovering any asset or property of such state trust
13 company, including claims or causes of action belonging to or which
14 may be asserted by such state trust company.

15 NEW SECTION. **Sec. 89.** A new section is added to chapter 30B.46
16 RCW to read as follows:

17 DURATION OF CONSERVATOR'S TERM—REHABILITATED STATE TRUST COMPANY
18 —MANAGEMENT. (1) The conservator shall serve for such time as is
19 necessary to accomplish the purposes of the conservatorship as
20 intended by this chapter.

21 (2) If rehabilitated, the rehabilitated state trust company shall
22 be returned to preexisting management or new management under such
23 conditions as are reasonable and necessary to prevent recurrence of
24 the condition which occasioned the conservatorship.

25 NEW SECTION. **Sec. 90.** A new section is added to chapter 30B.46
26 RCW to read as follows:

27 PLENARY AUTHORITY OF THE DIRECTOR—FLEXIBILITY IN USE OF REMEDIES.
28 (1) If the director determines to act under authority of this
29 chapter, the sequence of his or her acts and proceedings shall be as
30 set forth in this chapter.

31 (2) However, the director may, in the exercise of broad
32 administrative discretion, proceed in lieu of this chapter and
33 pursuant to other authority including, without limitation, notice and
34 adjudication under chapter 30B.10 RCW or by means of seeking a direct
35 judicial remedy in superior court.

1 NEW SECTION. **Sec. 91.** A new section is added to chapter 30B.46
2 RCW to read as follows:

3 RULES. The director is empowered to adopt and promulgate such
4 rules as may be further necessary, if at all, for the implementation
5 of this chapter and its purposes.

6 **Sec. 92.** RCW 30B.53.002 and 2014 c 37 s 387 are each amended to
7 read as follows:

8 This chapter applies to any merger or ~~((consolidation))~~ change of
9 control in which a state trust company is a party.

10 **Sec. 93.** RCW 30B.53.005 and 2014 c 37 s 388 are each amended to
11 read as follows:

12 Unless the context clearly requires otherwise, the definitions in
13 this section apply throughout this chapter.

14 (1) "Acquiring person" means a person acquiring or seeking to
15 acquire control of a state trust company, directly or indirectly.

16 (2) "Control," "controls," "controlled," and "controlling" mean:

17 (a) The ownership of or ability or power to vote, directly,
18 acting through one or more other persons, or otherwise indirectly,
19 twenty-five percent or more of the outstanding shares of a class of
20 voting securities of a state trust company or other company;

21 (b) The ability to control the election of a majority of the
22 board of a state trust company or other company;

23 (c) The power to exercise, directly or indirectly, a controlling
24 influence over the management or policies of the state trust company
25 or other company as determined by the director after notice and an
26 opportunity for hearing; or

27 (d) The conditioning of the transfer of twenty-five percent or
28 more of the outstanding shares or participation shares of a class of
29 voting securities of a state trust company on the transfer of twenty-
30 five percent or more of the outstanding shares of a class of voting
31 securities of another state trust company or other company.

32 (3) "Merger" includes consolidation.

33 ~~((2))~~ (4) "Merging trust company" means a party to a merger.

34 ~~((3))~~ (5) "Resulting trust company" means the trust company
35 resulting from a merger.

36 ~~((4) "Vote of stockholders" or "vote of classes of stockholders"~~
37 ~~means only a vote of those entitled to vote under the terms of such~~
38 ~~shares.))~~

1 NEW SECTION. **Sec. 94.** A new section is added to chapter 30B.53
2 RCW to read as follows:

3 ACQUISITION OF CONTROL—NOTICE AND APPLICATION—REGISTRATION
4 STATEMENT—VIOLATIONS—PENALTIES. (1) An acquiring person shall not
5 acquire control of a state trust company until thirty days after
6 filing with the director a written notice of and application for
7 change of control containing the following information, plus any
8 additional information that the director may prescribe as necessary
9 or appropriate in the particular instance for the protection of
10 shareholders, trustors, beneficiaries, and the public interest:

11 (a) The identity and trust and other business experience of each
12 acquiring person by whom or on whose behalf acquisition is to be
13 made, including the identity and experience of:

14 (i) The officers, managers, and directors of the acquiring
15 person; and

16 (ii) Any proposed new officers, managers, or directors for the
17 state trust company in the event of a change of control of the state
18 trust company;

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

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

23 (d) The source and amount of the funds or other consideration
24 used or to be used in making the acquisition, and a description of
25 the transaction and the names of the parties if any portion of these
26 funds or other consideration has been or is to be borrowed or
27 otherwise obtained for the purpose of making the acquisition;

28 (e) Any plan or proposal which any person making the acquisition
29 may have to liquidate the state trust company, to sell its assets, to
30 merge it with another trust institution, or to make any other major
31 change in its business or corporate structure for management;

32 (f) The identification of any person employed, retained, or to be
33 compensated by the acquiring person, or by any person on its behalf,
34 who makes solicitations or recommendations to shareholders for the
35 purpose of assisting in the acquisition and a brief description of
36 the terms of the employment, retainer, or arrangement for
37 compensation; and

38 (g) Copies of all invitations for tenders or advertisements
39 making a tender offer to shareholders for the purchase of their
40 shares to be used in connection with the proposed acquisition.

1 (2) When an entity is required to file an application under this
2 section, the director may require that information required by
3 subsection (1)(a), (b), and (f) of this section be given for each
4 officer, manager, and director of such entity, and each person who is
5 directly or indirectly the beneficial owner of twenty-five percent or
6 more of the outstanding voting securities of the entity.

7 (3) If any tender offer, request, or invitation for tenders or
8 other agreements to acquire control is proposed to be made by means
9 of a registration statement under the securities act of 1933, 48
10 Stat. 74, 15 U.S.C. Sec. 77(a), as amended, or in circumstances
11 requiring the disclosure of similar information under the securities
12 exchange act of 1934, 48 Stat. 881, 15 U.S.C. Sec. 78(a), as amended,
13 the registration statement or application may be filed with the
14 director in lieu of the requirements of this section.

15 (4) Any acquiring person shall also deliver a copy of any notice
16 and application required by this section to the state trust company
17 proposed to be acquired within two days after the notice and
18 application is filed with the director.

19 (5) Any acquisition of control in violation of this section shall
20 be ineffective and void.

21 (6) Any person who willfully or intentionally violates this
22 section or any rule adopted pursuant to this section is guilty of a
23 gross misdemeanor pursuant to chapter 9A.20 RCW. Each day's violation
24 shall be considered a separate violation, and any person shall upon
25 conviction be fined not more than one thousand dollars for each day
26 the violation continues.

27 NEW SECTION. **Sec. 95.** A new section is added to chapter 30B.53
28 RCW to read as follows:

29 ACQUISITION OF CONTROL OF STATE TRUST COMPANY—DISAPPROVAL BY
30 DIRECTOR—CHANGE OF OFFICERS. (1) The director may disapprove the
31 acquisition of a state trust company within thirty days after the
32 filing of a complete application pursuant to section 94 of this act
33 or an extended period not exceeding an additional fifteen days if:

34 (a) The poor financial condition of any acquiring person might
35 jeopardize the financial stability of the state trust company or
36 might prejudice the interests of the state trust company's
37 shareholders or the trustors or beneficiaries of trusts in which the
38 state trust company is a trustee or investment advisor;

1 (b) The plan or proposal of the acquiring person to liquidate the
2 state trust company, to sell its assets or transfer its fiduciary
3 assets, to merge it with any person, or to make any other major
4 change in its business or corporate structure or management that is
5 not fair and reasonable to the state trust company's shareholders or
6 the trustors or beneficiaries of trusts in which the state trust
7 company is a trustee or investment advisor;

8 (c) The fiduciary and other business experience and integrity of
9 any acquiring person who would control the operation of the state
10 trust company indicates that approval would not be in the interest of
11 the state trust company's shareholders or the trustors or
12 beneficiaries of trusts in which the state trust company is a trustee
13 or investment advisor;

14 (d) The information provided by the application is insufficient
15 for the director to make a determination or there has been
16 insufficient time to verify the information provided and conduct an
17 examination of the qualification of the acquiring person; or

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

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

22 (3) The director shall set forth the basis for disapproval of any
23 proposed acquisition in writing and shall provide a copy of such
24 findings and order to the applicants and to the state trust company
25 involved. Such findings and order shall not be disclosed to any other
26 person and shall not be subject to public disclosure under chapter
27 42.56 RCW unless the findings or order are appealed pursuant to
28 chapter 34.05 RCW.

29 (4) Whenever such a change of control occurs, each party to the
30 transaction shall report promptly to the director any changes or
31 replacement of its chief executive officer, managers, or any
32 director, which occurs in the following twelve-month period,
33 including in its report a statement of the past and present business
34 and professional affiliations of the new chief executive officer,
35 managers, or directors.

36 **Sec. 96.** RCW 30B.53.010 and 2014 c 37 s 389 are each amended to
37 read as follows:

1 Upon approval by the director consistent with this chapter,
2 merging trust companies, one of which is a state trust company, may
3 be merged to result in a resulting trust company.

4 **Sec. 97.** RCW 30B.53.020 and 2014 c 37 s 390 are each amended to
5 read as follows:

6 (1) The board of directors of each merging trust company shall,
7 by a majority of the entire board, approve a merger agreement that
8 must contain:

9 (a) The name of each merging trust company and location of each
10 office;

11 (b) With respect to the resulting trust company, (i) the name and
12 location of the principal and other offices; (ii) the name and
13 mailing address of each director to serve until the next annual
14 meeting of the (~~stockholders~~) shareholders; (iii) the name and
15 mailing address of each officer; (iv) the amount of capital, the
16 number of shares, and the par value, if any, of each share; and (v)
17 the amendments to its charters and bylaws;

18 (c) Provisions governing the exchange of shares of the merging
19 trust companies for such consideration as has been agreed to in the
20 merger agreement;

21 (d) A statement that the agreement is subject to approval by the
22 director and the (~~stockholders~~) shareholders of each merging trust
23 company;

24 (e) Provisions governing the manner of disposing of the shares of
25 the resulting trust company if the shares are to be issued in the
26 transaction and are not taken by dissenting shareholders of merging
27 trust companies; and

28 (f) Any other provisions the director requires to discharge his
29 or her duties with respect to the merger.

30 (2) After approval by the board of directors of each merging
31 trust company, the merger agreement shall be submitted to the
32 director for approval, together with certified copies of the
33 authorizing resolutions of each board of directors showing approval
34 by a majority of the entire board. Within sixty days after receipt by
35 the director of the merger agreement and resolutions, the director
36 shall approve or disapprove of the merger agreement, and if no action
37 is taken, the agreement is deemed approved. The director shall
38 approve the agreement if it appears that the:

1 (a) Resulting trust company meets the requirements of state law
2 as to the formation of a new trust company;

3 (b) Agreement provides an adequate capital in relation to the
4 deposit liabilities, if any, of the resulting trust company and its
5 other activities which are to continue or are to be undertaken;

6 (c) Agreement is fair; and

7 (d) Merger is not contrary to the public interest.

8 If the director disapproves an agreement, he or she shall state
9 his or her objections and give an opportunity to the merging trust
10 company to amend the merger agreement to obviate such objections.

11 **Sec. 98.** RCW 30B.53.030 and 2014 c 37 s 391 are each amended to
12 read as follows:

13 (1) To be effective, a merger that is to result in a trust
14 company must be approved by the (~~(stockholders)~~)shareholders of each
15 merging trust company by a vote of two-thirds of the outstanding
16 voting (~~(stock)~~)shares of each class at a meeting called to consider
17 such action. This vote shall constitute the adoption of the charter
18 and bylaws of the resulting trust company, including the amendments
19 in the merger agreement.

20 (2) Unless waived in writing, notice of the meeting of
21 (~~(stockholders)~~)shareholders shall be given by publication in a
22 newspaper of general circulation in the place where the principal
23 office of each merging trust company is located, at least once each
24 week for four successive weeks, and by mail, at least fifteen days
25 before the date of the meeting, to each (~~(stockholder)~~)shareholder of
26 record of each merging trust company at the address on the books of
27 the (~~(stockholder's)~~)shareholder's trust company. No notice of
28 publication need be given if written waivers are received from the
29 holders of two-thirds of the outstanding shares of each class of
30 (~~(stock)~~)shares. The notice shall state that dissenting
31 (~~(stockholders)~~)shareholders will be entitled to payment of the value
32 of only those shares which are voted against approval of the plan.

33 **Sec. 99.** RCW 30B.53.040 and 2014 c 37 s 392 are each amended to
34 read as follows:

35 (1) A merger that is to result in a trust company shall, unless a
36 later date is specified in the agreement, become effective after the
37 filing with and upon the approval of the director of the executed
38 agreement together with copies of the resolutions of the

1 ((~~stockholders~~))shareholders of each merging trust company approving
2 it, certified by the trust company's president or ((~~a vice~~
3 ~~president~~))manager and ((~~a~~))the secretary. The charters of the
4 merging trust companies, other than the resulting trust company,
5 shall immediately after that automatically terminate.

6 (2) The director shall immediately after that issue to the
7 resulting trust company a certificate of merger specifying the name
8 of each merging trust company and the name of the resulting trust
9 company. The certificate shall be conclusive evidence of the merger
10 and of the correctness of all proceedings regarding the merger in all
11 courts and places, and may be recorded in any office for the
12 recording of deeds to evidence the new name in which the property of
13 the merging trust companies is held.

14 **Sec. 100.** RCW 30B.53.060 and 2014 c 37 s 394 are each amended to
15 read as follows:

16 (1) The owner of shares of a trust company that were voted
17 against a merger to result in a trust company shall be entitled to
18 receive their value in cash, if and when the merger becomes
19 effective, upon written demand made to the resulting trust company at
20 any time within thirty days after the effective date of the merger,
21 accompanied by the surrender of the ((~~stock~~))share certificates. The
22 value of the shares shall be determined, as of the date of the
23 ((~~stockholders'~~))shareholders' meeting approving the merger, by three
24 appraisers, one to be selected by the owners of two-thirds of the
25 dissenting shares, one by the board of directors of the resulting
26 trust company, and the third by the two so chosen. The valuation
27 agreed upon by any two appraisers shall govern. If the appraisal is
28 not completed within ninety days after the merger becomes effective,
29 the director shall cause an appraisal to be made.

30 (2) The dissenting shareholders shall bear, on a pro rata basis
31 based on number of dissenting shares owned, the cost of their
32 appraisal and one-half of the cost of a third appraisal, and the
33 resulting trust company shall bear the cost of its appraisal and
34 one-half of the cost of the third appraisal. If the director causes
35 an appraisal to be made, the cost of that appraisal shall be borne
36 equally by the dissenting shareholders and the resulting trust
37 company, with the dissenting shareholders sharing their half of the
38 cost on a pro rata basis based on number of dissenting shares owned.

1 (3) The resulting trust company may fix an amount which it
2 considers to be not more than the fair market value of the shares of
3 a merging trust company at the time of the
4 (~~(stockholders')~~) shareholders' meeting approving the merger, that it
5 will pay dissenting shareholders of the trust company entitled to
6 payment in cash. The amount due under an accepted offer or under the
7 appraisal shall constitute a debt of the resulting trust company.

8 **Sec. 101.** RCW 30B.72.010 and 2014 c 37 s 402 are each amended to
9 read as follows:

10 (1) An out-of-state trust institution that has, prior to
11 (~~(January 5, 2015)~~) the effective date of this section, obtained
12 approval from the director under authority of Title 30 RCW, as it
13 existed (~~(on)~~) before January 5, 2015, or under authority of this
14 title, as it existed prior to the effective date of this section, to
15 engage in trust business in (~~(this))~~ Washington state and has
16 continuously since the date of such approval held itself out to the
17 public as engaging in trust business in (~~(this))~~ Washington state,
18 shall be exempt from the requirement of notice to or obtaining
19 approval from the director pursuant to chapter 30B.38 RCW.

20 (2) For purposes of this section, the term "director" includes
21 the former office of the supervisor of banks that merged into the
22 department under authority of chapter 43.320 RCW.

23 (3) For purposes of this section, satisfactory evidence of
24 approval from the director may be established only by written
25 evidence that the director gave his or her approval prior to
26 (~~(January 5, 2015)~~) the effective date of this section, in the form of
27 a certificate of authority, declaration of reciprocity between
28 (~~(this))~~ Washington state and the home state of the out-of-state trust
29 institution, or the equivalent. Authorization from the secretary of
30 state to transact business in (~~(this))~~ Washington state as a foreign
31 corporation or foreign limited liability company is not by itself
32 satisfactory evidence of such approval from the director.

33 (4) For purposes of this section, an out-of-state trust
34 institution with satisfactory evidence of the director's approval to
35 engage in trust business prior to (~~(January 5, 2015)~~) the effective
36 date of this section, is presumed to have:

37 (a) Complied with (~~(RCW 30B.38.040(1))~~) chapter 30B.38 RCW; and

38 (b) Continuously held itself out to the public as engaging in
39 trust business in (~~(this))~~ Washington state since the date of the

1 director's approval (~~by demonstrating that it has maintained~~
2 ~~uninterrupted and without lapse registration with the secretary of~~
3 ~~state as a foreign corporation under chapter 23B.15 RCW or foreign~~
4 ~~limited liability company under chapter 25.15 RCW~~).

5 **Sec. 102.** RCW 42.56.400 and 2018 c 260 s 32 and 2018 c 30 s 9
6 are each reenacted and amended to read as follows:

7 The following information relating to insurance and financial
8 institutions is exempt from disclosure under this chapter:

9 (1) Records maintained by the board of industrial insurance
10 appeals that are related to appeals of crime victims' compensation
11 claims filed with the board under RCW 7.68.110;

12 (2) Information obtained and exempted or withheld from public
13 inspection by the health care authority under RCW 41.05.026, whether
14 retained by the authority, transferred to another state purchased
15 health care program by the authority, or transferred by the authority
16 to a technical review committee created to facilitate the
17 development, acquisition, or implementation of state purchased health
18 care under chapter 41.05 RCW;

19 (3) The names and individual identification data of either all
20 owners or all insureds, or both, received by the insurance
21 commissioner under chapter 48.102 RCW;

22 (4) Information provided under RCW 48.30A.045 through 48.30A.060;

23 (5) Information provided under RCW 48.05.510 through 48.05.535,
24 48.43.200 through 48.43.225, 48.44.530 through 48.44.555, and
25 48.46.600 through 48.46.625;

26 (6) Examination reports and information obtained by the
27 department of financial institutions from banks under RCW 30A.04.075,
28 from savings banks under RCW 32.04.220, from savings and loan
29 associations under RCW 33.04.110, from credit unions under RCW
30 31.12.565, from check cashers and sellers under RCW 31.45.030(3), and
31 from securities brokers and investment advisers under RCW 21.20.100,
32 all of which is confidential and privileged information;

33 (7) Information provided to the insurance commissioner under RCW
34 48.110.040(3);

35 (8) Documents, materials, or information obtained by the
36 insurance commissioner under RCW 48.02.065, all of which are
37 confidential and privileged;

38 (9) Documents, materials, or information obtained by the
39 insurance commissioner under RCW 48.31B.015(2) (l) and (m),

1 48.31B.025, 48.31B.030, and 48.31B.035, all of which are confidential
2 and privileged;

3 (10) Data filed under RCW 48.140.020, 48.140.030, 48.140.050, and
4 7.70.140 that, alone or in combination with any other data, may
5 reveal the identity of a claimant, health care provider, health care
6 facility, insuring entity, or self-insurer involved in a particular
7 claim or a collection of claims. For the purposes of this subsection:

8 (a) "Claimant" has the same meaning as in RCW 48.140.010(2).

9 (b) "Health care facility" has the same meaning as in RCW
10 48.140.010(6).

11 (c) "Health care provider" has the same meaning as in RCW
12 48.140.010(7).

13 (d) "Insuring entity" has the same meaning as in RCW
14 48.140.010(8).

15 (e) "Self-insurer" has the same meaning as in RCW 48.140.010(11);

16 (11) Documents, materials, or information obtained by the
17 insurance commissioner under RCW 48.135.060;

18 (12) Documents, materials, or information obtained by the
19 insurance commissioner under RCW 48.37.060;

20 (13) Confidential and privileged documents obtained or produced
21 by the insurance commissioner and identified in RCW 48.37.080;

22 (14) Documents, materials, or information obtained by the
23 insurance commissioner under RCW 48.37.140;

24 (15) Documents, materials, or information obtained by the
25 insurance commissioner under RCW 48.17.595;

26 (16) Documents, materials, or information obtained by the
27 insurance commissioner under RCW 48.102.051(1) and 48.102.140 (3) and
28 (7) (a) (ii);

29 (17) Documents, materials, or information obtained by the
30 insurance commissioner in the commissioner's capacity as receiver
31 under RCW 48.31.025 and 48.99.017, which are records under the
32 jurisdiction and control of the receivership court. The commissioner
33 is not required to search for, log, produce, or otherwise comply with
34 the public records act for any records that the commissioner obtains
35 under chapters 48.31 and 48.99 RCW in the commissioner's capacity as
36 a receiver, except as directed by the receivership court;

37 (18) Documents, materials, or information obtained by the
38 insurance commissioner under RCW 48.13.151;

39 (19) Data, information, and documents provided by a carrier
40 pursuant to section 1, chapter 172, Laws of 2010;

1 (20) Information in a filing of usage-based insurance about the
2 usage-based component of the rate pursuant to RCW 48.19.040(5)(b);

3 (21) Data, information, and documents, other than those described
4 in RCW 48.02.210(2) as it existed prior to repeal by section 2,
5 chapter 7, Laws of 2017 3rd ~~((sp.s.))~~ sp. sess., that are submitted to
6 the office of the insurance commissioner by an entity providing
7 health care coverage pursuant to RCW 28A.400.275 as it existed on
8 January 1, 2017, and ~~((RCW))~~ RCW 48.02.210 as it existed prior to
9 repeal by section 2, chapter 7, Laws of 2017 3rd ~~((sp.s.))~~ sp. sess.;

10 (22) Data, information, and documents obtained by the insurance
11 commissioner under RCW 48.29.017;

12 (23) Information not subject to public inspection or public
13 disclosure under RCW 48.43.730(5);

14 (24) Documents, materials, or information obtained by the
15 insurance commissioner under chapter 48.05A RCW;

16 (25) Documents, materials, or information obtained by the
17 insurance commissioner under RCW 48.74.025, 48.74.028, 48.74.100(6),
18 48.74.110(2)(b) and (c), and 48.74.120 to the extent such documents,
19 materials, or information independently qualify for exemption from
20 disclosure as documents, materials, or information in possession of
21 the commissioner pursuant to a financial conduct examination and
22 exempt from disclosure under RCW 48.02.065;

23 (26) Nonpublic personal health information obtained by, disclosed
24 to, or in the custody of the insurance commissioner, as provided in
25 RCW 48.02.068;

26 (27) Data, information, and documents obtained by the insurance
27 commissioner under RCW 48.02.230; ~~((and))~~

28 (28) Documents, materials, or other information, including the
29 corporate annual disclosure obtained by the insurance commissioner
30 under RCW 48.195.020.

31 (29) Findings and orders disapproving acquisition of a trust
32 institution under section 95(3) of this act; and

33 (30) All claims data, including health care and financial related
34 data received under RCW 41.05.890, received and held by the health
35 care authority.

36 NEW SECTION. Sec. 103. The following acts or parts of acts are
37 each repealed:

38 (1) RCW 30A.08.160 (Report of bond liability—Collateral) and 1994
39 c 92 s 59 & 1955 c 33 s 30.08.160;

- 1 (2) RCW 30A.08.170 (Securities may be held in name of nominee)
2 and 1955 c 33 s 30.08.170;
3 (3) RCW 30B.04.150 (Acquisition of control) and 2014 c 37 s 317;
4 (4) RCW 30B.44B.020 (Other requirements for involuntary
5 dissolution and liquidation) and 2014 c 37 s 384;
6 (5) RCW 30B.46.005 (Supervisory direction) and 2014 c 37 s 385;
7 and
8 (6) RCW 30B.46.010 (Conservatorship) and 2014 c 37 s 386.

Passed by the Senate April 22, 2019.

Passed by the House April 12, 2019.

Approved by the Governor May 13, 2019.

Filed in Office of Secretary of State May 16, 2019.

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