

# Title 50 WAC

## BANKING, DIVISION OF

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### Chapter 50-08 WAC PRACTICE AND PROCEDURE

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**WAC 50-08-009 Hearings—Methods.** Hearing which may involve the revocation or suspension of a license shall be called and conducted in the following manner:

(1) Before any such hearing shall be called, the supervisor of banking shall give written approval to the holding of it. When it has been determined that a hearing shall be held, the entire record of the licensed premises involved and of the licensees shall be given to the assistant attorney general assigned to the division of banking, who will hereinafter be referred to as the attorney.

(2) The attorney shall prepare a written complaint which shall fully advise the licensees of all charges which will be considered at the hearing. The complaint shall be signed by the supervisor of banking.

(3) The supervisor shall conduct the hearing, which shall be held as soon as feasible. Each licensee charged shall be served with a copy of the complaint together with written notice of the time and place of the hearing and the issues involved. Such notice and complaint shall be served not less than ten days prior to the hearing unless the licensee consents to shorter notice.

(4) All subpoenas shall be issued by the supervisor, who shall issue them when requested by the attorney, a licensee or a licensee's attorney, and he may issue them on his own motion.

(5) Nothing contained herein shall prevent the supervisor from exercising any power given by chapter 31.08 RCW.

[Subsections 1-5, filed 4/21/67.]

**WAC 50-08-010 Hearings—Appearance and practice before the division of banking.** No person may appear in a representative capacity before the division of banking or its designated hearing officer other than the following:

(1) Attorneys at law duly qualified and entitled to practice before the supreme court of the state of Washington.

(2) Attorneys at law duly qualified and entitled to practice before the highest court of record of any other state, if the attorneys at law of the state of Washington are permitted to appear in a representative capacity before administrative agencies of such other state, and if not otherwise prohibited by our state law.

(3) A bona fide officer, partner, or full-time employee of an individual firm, association, partnership, or corporation, who appears for such individual firm, association, partnership, or corporation.

[§ 50-08-010, filed 4/21/67.]

**WAC 50-08-020 Hearings—Appearance in certain proceedings may be limited to attorneys.** In all hearings involving the taking of testimony and the formulation of a record subject to review by the courts, where the division of banking or its designated hearing officer determines that representative activity in such hearing requires a high degree of legal training, experience, and skill, the division of banking or its designated hearing officer may limit those who may appear in a representative capacity to attorneys at law.

[§ 50-08-020, filed 4/21/67.]

**WAC 50-08-040 Hearings—Standards of ethical conduct.** All persons appearing in proceedings before the division of banking in a representative capacity shall conform to the standards of ethical conduct required of attorneys before the courts of Washington. If any such person does not conform to such standards, the division of banking may decline to permit such person to appear in a representative capacity in any proceeding before the division of banking.

[§ 50-08-040, filed 4/21/67.]

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**WAC 50-08-050 Hearings—Appearance by former employee of division or former member of the attorney general's staff.** No former employee of the division of banking or member of the attorney general's staff may at any time after severing his employment with the division or the attorney general appear, except with the written permission of the division of banking, in a representative capacity on behalf of other parties in a formal proceeding wherein he previously took an active part as a representative of the division.

[§ 50-08-050, filed 4/21/67.]

**WAC 50-08-060 Hearings—Former employee as expert witness.** No former employee of the division of banking shall at any time after severing his employment with the division of banking appear, except with the written permission of the division of banking, as an expert witness on behalf of other parties in a formal proceeding wherein he previously took an active part in the investigation as a representative of the division of banking.

[§ 50-08-060, filed 4/21/67.]

**WAC 50-08-070 Hearings—Computation of time.** In computing any period of time prescribed or allowed by the division of banking rules, by order of the division or by any applicable statute, the day of the act, event, or default after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Saturday, Sunday, or a legal holiday, in which event the period runs until the end of the next day which is neither a Saturday, Sunday, nor a holiday. When the period of time prescribed or allowed is less than seven days, intermediate Saturdays, Sundays and holidays shall be excluded in the computation. This section shall not apply to periods of license suspension or revocation.

[§ 50-08-070, filed 4/21/67.]

**WAC 50-08-080 Hearings—Notice and opportunity for hearing in contested cases.** All parties shall be served with a notice at least ten days before the date set for the hearing. The notice shall state the time, place and issues involved, as required by RCW 34.04.090(1), or any case where the Small Loan Act of the state of Washington, chapter 31.08 RCW provides for a hearing.

[§ 50-08-080, filed 4/21/67.]

**WAC 50-08-085 Hearings—Waiver of hearing.** In any case involving violations of the regulations, where the supervisor deems it appropriate, may afford the licensee an opportunity to waive formal hearing. If the licensee so elects to waive formal hearing, he may then state in writing on the waiver form furnished by the supervisor any matter in explanation or mitigation of the violations which he desires the supervisor to consider in making his decision. The licensee, at the time he submits the waiver, may also request to be present when the supervisor meets to consider his decision in the matter. In the event the licensee elects to waive formal hearing he

WAC 50-28-060 Adoption of form. The division of banking hereby adopts for use of all persons requesting permission to organize a state bank or trust company, the form attached hereto as Appendix No. 1, entitled "Notice of intention to organize a state bank or trust company."

[Order 21, § 50-28-060, filed 8/6/73.]

WAC 50-28-070 Payment on subscription for the capital stock. The subscription agreement with prospective purchasers of the capital stock of a proposed new bank or trust company shall not contain any agreement for any amount to be paid in advance for the purpose of defraying organization costs. No payment on subscription for stock shall be made until the articles of incorporation have been approved by the supervisor of banking and filed with the secretary of state.

[Order 30, § 50-28-070, filed 10/2/75.]

WAC 50-28-990 Appendix I--Form--Notice of intention to organize a state bank or trust company.

APPENDIX I

NOTICE OF INTENTION TO ORGANIZE A STATE BANK OR TRUST COMPANY

To the Supervisor of Banking:

We, the undersigned, as proposed incorporators and subscribing shareholders, being natural persons and citizens of the United States of America, make application for permission to organize a (state bank or trust company) under the title of \_\_\_\_\_ to be located in \_\_\_\_\_, County of \_\_\_\_\_, State of Washington, with capital stock of \$\_\_\_\_\_, surplus of \$\_\_\_\_\_, and undivided profits of \$\_\_\_\_\_.

We submit herewith the proposed articles of incorporation for examination together with all such data, information, schedules, maps and supporting documentation specified by statute and regulations as necessary and required to conduct the statutory investigation.

We enclose Cashier's Check for \$2,000 to apply upon the statutory cost of investigation. If the cost of the investigation to be made exceeds \$2,000, we agree to pay such excess in accordance with WAC 50-12-040.

We designate \_\_\_\_\_, whose address is \_\_\_\_\_, as correspondent of records to receive all instructions and correspondence in connection with this application.

SUBSCRIBED at \_\_\_\_\_, Washington, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

\* \_\_\_\_\_
\* \_\_\_\_\_
\* \_\_\_\_\_
\* \_\_\_\_\_
\* \_\_\_\_\_
\* \_\_\_\_\_

Enclosure: \$2,000 Cashier's Check Payable to the Supervisor of Banking

(\*) Please type name under signature.

[Order 21, Appendix I--Form (codified as WAC 50-28-990), filed 8/6/73.]

Chapter 50-32 WAC ESTABLISHMENT OF ALIEN BANKS IN WASHINGTON--PROCEDURE

WAC 50-32-010 Purpose.
50-32-020 Definitions.
50-32-030 Application procedure.
50-32-040 Examination--Frequency--Scope.
50-32-050 Fees.
50-32-060 Records and books of account.
50-32-070 Branch records.
50-32-080 Agency records.
50-32-090 Reports--Required reports.
50-32-100 Notice concerning deposit insurance.
50-32-99001 Appendix I--Forms--Application for certificate authorizing an alien bank to establish and operate a branch in the state of Washington.
50-32-99002 Appendix II--Forms--Application for certificate authorizing an alien bank to establish and operate an agency in the state of Washington.
50-32-99003 Appendix III--Forms--Application for certificate authorizing an alien bank to establish and operate a bureau in the state of Washington.

WAC 50-32-010 Purpose. The purpose of this chapter is to ensure compliance with and provide the rules and regulations necessary to administer the provisions and requirements of chapter 53, Laws of 1973 1st ex. sess.

[Order 23, § 50-32-010, filed 8/14/73.]

WAC 50-32-020 Definitions. For purposes of these rules and regulations, the following terms are defined as:

- (1) ACT - chapter 53, Laws of 1973 1st ex. sess.
(2) APPLICATION - "Application" means an application of an alien bank to the supervisor of banking for a certificate of authority to establish and operate an agency, branch or bureau in the state of Washington.
(3) DOMICILIARY COUNTRY - "Domiciliary country" means the foreign country under the laws of which the alien bank is organized.
(4) FISCAL YEAR - "Fiscal year" means the fiscal year of the alien bank.
(5) DEPOSITARY - "Depositary" shall mean a bank with its principal place of business within the state of Washington selected by the alien bank and approved by the supervisor of banking, for the deposit of their cash or liquid assets required by section 7 and 12 of the act.
(6) RULES AND REGULATIONS - "Rules and regulations" means all of Title 50 WAC. Alien banks in conducting authorized banking business shall be subject to such rules and regulations under the same terms and conditions as applied to banks organized under the laws of this state to the extent that such rules and regulations as applied to alien banking operations are consistent

with the intent and purposes of the alien bank act and subject to limitations and restrictions imposed by these alien bank rules and regulations.

(7) SECTION - Section numbers referred to herein are those found in chapter 53, Laws of 1973 1st ex. sess.

[Order 23, § 50-32-020, filed 8/14/73.]

**WAC 50-32-030 Application procedure.** An application by an alien bank to establish and operate an office or bureau in the state of Washington shall be made on the form prescribed in Appendices 1, 2 or 3, whichever is applicable.

An application shall not be deemed complete if, in the opinion of the supervisor, the applicant has not supplied all of the required information or the information supplied is deficient. After receipt of the completed application, the supervisor shall conduct his required investigation.

(1) **Office.** The supervisor shall notify the applicant of denial or conditional approval of an application for a certificate for an agency or branch within 180 days of his receipt of the completed application.

If the application for a certificate for an agency or branch is conditionally approved, the applicant must supply the following documents executed by the governing board and properly sworn to before a U.S. Consular Official within 60 days of notification.

- (a) Appointment of the supervisor of banking as agent
- (b) Designation of bank's agent for service in Washington
- (c) Letter of guaranty
- (d) Appointment of depositary(ies)
- (e) Certificate of allocation and assignment of capital
- (f) Depositary agreements for assigned and allocated capital
- (g) A power of attorney in favor of the person designated to be in charge of the business and affairs of the office.

The applicant shall also provide proof of fidelity bond coverage and the oath of the managing officer of the Washington office.

After receipt of these documents and after the supervisor is satisfied that all statutory requirements have been met, he shall issue his certificate.

(2) **Bureau.** The supervisor shall notify the applicant of denial or approval of an application for a certificate for a bureau within 90 days of his receipt of the completed application. If the application is approved, the certificate will be issued forthwith.

[Order 23, § 50-32-030, filed 8/14/73.]

**WAC 50-32-040 Examination--Frequency--Scope.** The accountant selected to audit the books of account of an alien office shall be an independent accountant licensed to practice by the state of Washington and who is not an employee, officer, or holder of the securities of the alien bank or its subsidiaries. Such accountant must have knowledge and experience with respect to auditing books of international corporations. A resume' of such accountant wherein the knowledge and experience is set forth must accompany the alien bank's request that such

accountant be approved by the supervisor of banking. The report of such independent accountant shall be based upon an audit made in accordance with generally accepted auditing standards without limitation on its scope and shall be unqualified.

[Order 23, § 50-32-040, filed 8/14/73.]

**WAC 50-32-050 Fees.** (1) The fees to accompany the filing of an application and attendant investigation are prescribed in WAC 50-12-040, as now or hereafter amended.

(2) **Cost of examination.** The examination fees charged to an alien bank for the examination of an office or bureau shall be the estimated actual cost of each examination calculated under the same terms and conditions as for state chartered banks and trust companies.

[Order 23, § 50-32-050, filed 8/14/73.]

**WAC 50-32-060 Records and books of account.** Records and books of account of an alien bank office shall be kept as though the Washington office was conducted as a separate and distinct entity with its assets and liabilities entirely separate and apart from other operations of its head office and its subsidiaries or affiliated corporations. Books and accounts shall be maintained, where possible, as are the books and accounts of banks chartered by the state of Washington, to:

- (1) Facilitate the preparation of required reports of condition.
- (2) Facilitate the preparation of the required report of income.

[Order 23, § 50-32-060, filed 8/14/73.]

**WAC 50-32-070 Branch records.** An alien branch shall:

- (1) Identify United States domiciled creditors
  - (2) Segregate and maintain controls for:
    - (a) Demand deposits.
    - (b) Time deposits.
- for each class of depositors specified and authorized in section 11(1)(i) through (vii) of the act.
- (3) Maintain loan records and controls to:
    - (a) Identify loan customers as to types as restricted by section 11(2)(a)(i) through (iv) of the act.
    - (b) Specify the purpose of each loan or guarantee with respect to the restrictions imposed by section 11(2)(b)(i), (ii) and (iii) of the act.
    - (c) Organize and maintain credit files, including appropriate comments relative to (a) and (b) above and to demonstrate the credit worthiness and standing of the customer.

(4) Maintain credit files to reflect the credit worthiness or rating of assets held as required or authorized by sections 7 and 12(2) of the act.

(5) Establish and maintain controls to reflect at all times that liquid assets held in accordance with the requirements of section 12(2) of the act are not less than one hundred eight percent of the aggregate amount of

liabilities of the alien bank payable at or through its Washington office.

(6) Establish and maintain controls to reflect maintenance of additional capital equal to not less than ten percent of deposit liabilities.

[Order 23, § 50-32-070, filed 8/14/73.]

**WAC 50-32-080 Agency records.** With consideration to the statutory requirements imposed upon an approved agency of an alien bank by section 18 of the act, an agency shall maintain controls and records relating to the making of loans and guaranteeing obligations for the financing of the international movement of goods and services and for all operational needs including working capital and short-term operating needs and for the acquisition of fixed assets to:

- (a) Readily identify the customer and basis upon which the loan or guaranty was granted;
- (b) The purpose and terms of such loan or guaranty; and
- (c) The precise manner in which the business of the customer is directly related to the international movement of goods and services.

[Order 23, § 50-32-080, filed 8/14/73.]

**WAC 50-32-090 Reports--Required reports.** Each alien bank shall file the following periodic reports relating to the financial condition of the office:

- (1) Examination (audit) report by an accountant approved by the supervisor as of the last business day of the fiscal year as prescribed by section 14 of the act.
- (2) Reports of resources and liabilities as required by banks chartered by the state of Washington as prescribed by RCW 30.08.180 and 30.08.190, together with proof of publication. An agency need not publish such reports.
- (3) Annual report of income on calendar year basis as a special report as required of banks chartered by the state of Washington (RCW 30.08.190).

[Order 23, § 50-32-090, filed 8/14/73.]

**WAC 50-32-100 Notice concerning deposit insurance.** Every alien bank branch, the deposits of which are not insured by the Federal Deposit Insurance Corporation, shall display at its place of business in Washington a sign at least seven inches by three inches at each window or place where deposits are accepted stating that deposits are not insured by the Federal Deposit Insurance Corporation. A statement may be included on the same sign to the effect that deposits of U.S. domiciled depositors are partially protected by capital maintained pursuant to RCW 30.42.120(1).

[Order 25, § 50-32-100, filed 3/21/74.]

**WAC 50-32-99001 Appendix I--Forms--Application for certificate authorizing an alien bank to establish and operate a branch in the state of Washington.**

**APPLICATION FOR CERTIFICATE AUTHORIZING AN ALIEN BANK TO ESTABLISH AND OPERATE A BRANCH IN THE STATE OF WASHINGTON**

TO: Supervisor of Banking  
Division of Banking  
Olympia, Washington 98504

The \_\_\_\_\_ (Applicant alien bank) \_\_\_\_\_, with its head office and principal place of business located at \_\_\_\_\_ (Domiciliary Country) \_\_\_\_\_ hereby initiates this application for certificate authorizing the establishment and operation of a branch to be located \_\_\_\_\_ in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of Washington.

The \_\_\_\_\_ (Bank) \_\_\_\_\_, is incorporated, chartered or otherwise authorized to conduct a banking business under the laws of \_\_\_\_\_ (Domiciliary Country) \_\_\_\_\_. We enclose a verified copy of the resolution adopted by the bank's governing board, properly sworn to before a U.S. Consular Official, authorizing the filing of this application and designating the officer(s) who is (are) to sign this application and provide the material required herein, authorizing the payment of fees required by law or regulation, and designating the managing officer(s) of the proposed branch. We enclose a bank draft for \$1,500.00 to apply upon the statutory cost of investigation. If the cost of investigation to be made exceeds \$1,500.00 we agree to pay such excess in accordance with WAC 50-12-040 together with such other costs and fees as may be legally required by statute or regulation.

Correspondence, instructions, requests for information, reports, etc., should be addressed:

- Head Office
- Proposed Branch

To expedite the statutory investigation the following information, schedules, certifications, resume's, etc., are furnished:

- (a) Name of present Chief Executive Officer \_\_\_\_\_ and Name of the Secretary \_\_\_\_\_
- (b) The bank's fiscal year ends \_\_\_\_\_
- (c) (English translation): Four certified copies of the most recent edition of the bank's certificate of authority or other legal authorization of your country to conduct a banking business and the bank's articles of incorporation.
- (d) Date of certificate of authority or its equivalent under which presently operating \_\_\_\_\_ and expiration date, or duration, of the certificate of authority or its equivalent \_\_\_\_\_

(e) Capital structure at end of last fiscal year: (i.e., equity capital, surplus, undivided profits, unallocated or contingency reserves).

(f) Two copies of last available statement of condition.

(g) Statement of object and purpose or purposes which bank proposes to pursue in the transaction of business in the State of Washington.

(h) Copy of (English translation where applicable) laws of domiciliary country under which applicant bank is organized which permits a bank with its principal place of business in the State of Washington to establish in that foreign country a branch, agency or similar operation. Attached to a copy of such laws shall be either (a) an opinion of counsel (a member of the bar in the foreign country under whose laws the applicant is organized), including references to or extracts from relevant statutes, if any, to the effect that a bank with its principal place of business in the State of Washington may be permitted to establish and maintain in such foreign country a branch, agency or similar operation, or (b) a certificate of an official of the applicant's country who is authorized under its laws to issue a license to a bank with its principal place of business in the State of Washington to maintain either a branch or agency, to the effect he is so authorized.

(i) An opinion of counsel for the applicant (a member of the bar in the foreign country under whose laws the applicant is organized) to demonstrate that this application to establish a branch is in compliance with local laws. Such opinion should state that (a) the applicant's charter authorizes it to carry on the business contemplated by the application, (b) the applicant has conducted, and is now conducting, its business as authorized by the charter and bylaws in compliance with the laws of its country of incorporation, and (c) the making of the application is in compliance with the laws of the country of incorporation.

(j) Letter or certificate from banking authorities of domiciliary country granting permission to the applicant to apply for a branch in this state.

(k) Furnished herewith:

(1) Name, title and resume' for each officer of the proposed branch in Washington.

(2) Confidential financial statement for the managing officer of the proposed branch in Washington.

(l) Deposit projections for the first three years of operations:

- I. Highest deposit totals anticipated by end of first year of operations of the proposed branch \$.....
- II. Highest deposit totals anticipated by end of second year of operations of the proposed branch \$.....
- III. Highest deposit totals anticipated by the end of the third year of operations of the proposed branch \$.....

(m) Indicate whether eligible deposit liabilities of the branch in the State of Washington will be covered by the insurance protection of the Federal Deposit Insurance Corporation (yes or no).

(n) Outline of background information in support of application.

(o) Copy of option or conditional lease on proposed branch site.

(p) A verified or authenticated copy of the bank's bylaws.

EXECUTED at \_\_\_\_\_, for the  
(Bank) this \_\_\_\_ day of \_\_\_\_\_,  
19\_\_.

(By the bank's chief executive officer) \* \_\_\_\_\_

(and the secretary of the banking corporation) \* \_\_\_\_\_

Bank Seal

\*Please type name and official title under the signatures.

[Order 23, Appendix I (codified as WAC 50-32-99001), filed 8/14/73.]

**WAC 50-32-99002 Appendix II--Forms--Application for certificate authorizing an alien bank to establish and operate an agency in the state of Washington.**

**APPLICATION FOR CERTIFICATE AUTHORIZING AN ALIEN BANK TO ESTABLISH AND OPERATE AN AGENCY IN THE STATE OF WASHINGTON**

TO: Supervisor of Banking  
Division of Banking  
Olympia, Washington 98504

The (Applicant alien bank) with its head office and principal place of business located at (Domiciliary Country) hereby initiates this application for certificate authorizing the establishment and operation of an agency to be located \_\_\_\_\_ in the City of \_\_\_\_\_, County of \_\_\_\_\_, State of Washington.

The (Bank), is incorporated, chartered or otherwise authorized to conduct a banking business under the laws of (Domiciliary Country). We enclose a verified copy of the resolution adopted by the bank's governing board, properly sworn to before a U.S. Consular Official, authorizing the filing of this application and designating the officer(s) who is (are) to sign this application and provide the material required herein, authorizing the payment of fees required by law or regulation, and designating the managing officer(s) of the proposed agency. We enclose a bank draft for

\$1,500.00 to apply upon the statutory cost of investigation. If the cost of investigation to be made exceeds \$1,500.00 we agree to pay such excess in accordance with WAC 50-12-040 together with such other costs and fees as may be legally required by statute or regulation.

Correspondence, instructions, requests for information, reports, etc., should be addressed:

-----  
Head Office  
-----

-----  
Proposed Agency  
-----

To expedite the statutory investigation, the following information, schedules, certifications, resume's, etc., are furnished:

(a) Name of present chief executive officer ----- and name of the secretary -----

(b) The bank's fiscal year ends -----

(c) Four certified copies (English translation where applicable) of the most recent edition of the bank's certificate of authority or other legal authorization of your country to conduct a banking business and the bank's articles of incorporation.

(d) Date of certificate of authority or its equivalent under which presently operating ----- and expiration date, or duration, of the certificate of authority or its equivalent -----

(e) Capital structure at end of last fiscal year: (i.e., equity capital, surplus, undivided profits, unallocated or contingency reserves).

(f) Two copies of last available statement of condition.

(g) Statement of object and purpose or purposes which bank proposes to pursue in the transaction of business in the state of Washington.

(h) Copy of (English translation where applicable) laws of domiciliary country under which applicant bank is organized which permits a bank with its principal place of business in the state of Washington to establish in that foreign country a branch, agency of similar operation. Attached to a copy of such laws shall be either (a) an opinion of counsel (a member of the bar in the foreign country under whose laws the applicant is organized), including references to or extracts from relevant statutes, if any, to the effect that a bank with its principal place of business in the state of Washington may be permitted to establish and maintain in such foreign country a branch, agency or similar operation, or (b) a certificate of an official of the applicant's country who is authorized under its laws to issue a license to a bank with its principal place of business in the State of Washington to maintain either a branch or agency, to the effect he is so authorized.

(i) An opinion of counsel for the applicant (a member of the bar in the foreign country under whose laws the

applicant is organized) to demonstrate that this application to establish an agency is in compliance with local laws. Such opinion should state that (a) the applicant's charter authorizes it to carry on the business contemplated by the application, (b) the applicant has conducted, and is now conducting, its business as authorized by the charter and bylaws in compliance with the laws of its country of incorporation, and (c) the making of the application is in compliance with the laws of the country of incorporation.

(j) Letter or certificate from banking authorities of domiciliary country granting permission to the applicant to apply for an agency in this state.

(k) Furnished herewith:

(1) Name, title and resume' for each officer of the proposed agency in Washington.

(2) Confidential financial statement of the managing officer of the proposed agency in Washington.

(l) Outline of background information in support of application.

(m) Copy of option or conditional lease on proposed agency site.

(n) A verified or authenticated copy of the bank's bylaws.

EXECUTED at -----, for the  
(Bank) this ----- day of -----,  
19--.

(By the bank's chief executive officer) \* -----

(and the secretary of the banking entity) \* -----

Bank Seal

\*Please type name and official title under the signatures.

[Order 23, Appendix II (codified as WAC 50-32-99002), filed 8/14/73.]

**WAC 50-32-99003 Appendix III--Forms--Application for certificate authorizing an alien bank to establish and operate a bureau in the state of Washington.**

APPLICATION FOR CERTIFICATE AUTHORIZING AN ALIEN BANK TO ESTABLISH AND OPERATE A BUREAU IN THE STATE OF WASHINGTON

(To be filed in duplicate)

TO: Supervisor of Banking  
Division of Banking  
Olympia, Washington 98504

The           (Applicant alien bank)          , with its head office and principal place of business located at           (Domiciliary Country)          , hereby initiates this

application for certificate authorizing the establishment and operation of a bureau to be located ----- in the City of -----, County of -----, State of Washington.

The (Bank) is incorporated, chartered or otherwise authorized to conduct a banking business under the laws of (Domiciliary Country).

We enclose a verified copy of the resolution, adopted ----- by the bank's governing board, specifically empowering its President (or Chief Executive Officer) and the bank's Secretary (or equivalent officer) to execute this application, pay the fees required by law or regulation, provide such information and furnish such reports and enter into such agreements as may be necessary.

Correspondence, instructions, and requests for information, reports, etc., should be addressed:

-----  
Head Office

-----  
Proposed Bureau

To expedite the statutory investigation, the following information, schedules, documents, etc., are furnished:

- (a) Name of present Chief Executive Officer ----- and name of the Secretary -----
(b) The bank's fiscal year ends -----
(c) (English translation) Four certified copies of most recent edition of the bank's certificate of authority or other legal authorization of your country to conduct an international banking business and the bank's articles of incorporation.
(d) Date of certificate of authority or its equivalent under which presently operating ----- and expiration date, or duration, of the certificate of authority or its equivalent -----
(e) Capital structure at end of last fiscal year: (i.e., equity capital, surplus or rest accounts, undivided profits, unallocated or contingency reserves).
(f) Two copies of last available statement of condition.
(g) Statement of object, purpose and activities which bank proposes to pursue the establishment and operation of a bureau in this state at the place designated herein.

Enclosed is a bank draft for \$300.00 to apply upon the statutory cost of investigation. If the cost of investigation to be made exceeds \$300.00, we agree to pay such excess in accordance with WAC 50-12-040 together with such other costs and fees as may be legally required by state or regulation.

EXECUTED in duplicate at ----- for the (Legal name of applicant bank) this ----- day of -----, 19---

(By the chief executive officer) \* -----
(and the Secretary of the banking corporation) \* -----

Bank Seal

\*Please type name and official title under the signatures.
[Order 23, Appendix III (codified as WAC 50-32-99003), filed 8/14/73.]

Chapter 50-36 WAC
ADMINISTRATION OF TRUST COMPANIES--
INVESTMENTS, ETC.

WAC
50-36-010 Definitions.
50-36-020 Administration of fiduciary powers.
50-36-030 Audit of the trust department.
50-36-040 Collective investment funds--Funds authorized.
50-36-050 Collective investment funds--Administration of funds.
50-36-060 Collective investment funds--Valuation of assets, admissions and withdrawals.
50-36-070 Collective investment funds--Audit.
50-36-080 Collective investment funds--Financial reports.
50-36-090 Collective investment funds--Investments and administration.
50-36-100 Organization and management fees.
50-36-110 Certificate of interest.
50-36-120 Remedy of mistake made in good faith.

WAC 50-36-010 Definitions. For purposes of this chapter, the following words are defined as:

- (1) "Fiduciary powers" means the power to act in any fiduciary capacity authorized by the state of Washington including, but not limited to, trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, agent, custodian, escrow agent, corporate bond paying and transfer agent, escrow holder, managing agent, depository, committee of estates of incompetents.
(2) "Trust department" means that group or groups of officers and employees of a trust company organized under the supervision of officers or employees to whom are designated by the board of directors the performance of the fiduciary responsibilities of the trust company, whether or not the group or groups are so named.
(3) "Agency" means the fiduciary relationship in which title to the property constituting the agency does not pass to the trust institution but remains in the owner of the property, who is known as the principal, and in which the agent is charged with certain specific duties with respect to the property.
(4) "Agency coupled with an interest" means an agency in which the agent has a legal interest in the subject matter. Such an agency is not terminated automatically, as are other agencies, by the death of the principal but continue in effect until the agent can realize upon its legal interest.



(5) "Managing agent" means the fiduciary relationship assumed by a trust company upon the creation of an account which names the trust company as agent and confers investment discretion upon the trust company.

(6) "Trust company" as used herein shall also include banks which are authorized to exercise trust powers.

[Order 22, § 50-36-010, filed 8/14/73.]

**WAC 50-36-020 Administration of fiduciary powers.** (1)(a) The board of directors is responsible for the proper exercise of fiduciary powers by the trust company. All matters pertinent thereto, including the determination of policies, the investment and disposition of property held in a fiduciary capacity, and the direction and review of the actions of all officers, employees, and committees utilized by the trust company in the exercise of its fiduciary powers, are the responsibility of the board. In discharging this responsibility, the board of directors may assign, by action duly entered in the minutes, the administration of such of the trust company's fiduciary powers as it may consider proper to assign to such director(s), officer(s), employee(s) or committee(s) as it may designate.

(b) No fiduciary account shall be accepted without the prior approval of the board, or of the director(s), officer(s) or committee(s) to whom the board may have designated the performance of that responsibility. A written record shall be made of such acceptances and of the relinquishment or closing out of all fiduciary accounts. Upon the acceptance of an account for which the trust company has investment responsibilities a prompt review of the assets shall be made. The board shall also ensure that at least once during every calendar year thereafter, and within 15 months of the last review, all the assets held in or for each fiduciary account where the bank has investment responsibilities are reviewed to determine the advisability of retaining or disposing of such assets.

(2) All officers and employees taking part in the operation of the trust department shall be adequately bonded.

(3) Every qualified fiduciary subject to this regulation and exercising fiduciary powers in this state shall designate, employ or retain legal counsel who shall be readily available to pass upon fiduciary matters and to advise the trust company and its trust department.

(4) The trust department may utilize personnel and facilities of other departments of the trust company, and other departments of the trust company may utilize the personnel and facilities of the trust department only to the extent not prohibited by law and as long as the separate identity of the trust department is preserved.

(5) Fiduciary records shall be kept separate and distinct from other records of the trust company and maintained in compliance with the provisions of RCW 30.04.240. All fiduciary records shall be kept and retained for such time as to enable the fiduciary to furnish such information or reports with respect thereto as may be required by the supervisor of banking.

(1989 Ed.)

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

[Order 22, § 50-36-020, filed 8/14/73.]

**WAC 50-36-030 Audit of the trust department.** A committee of directors, exclusive of any active officers of the trust company, shall at least once during each calendar year and within 15 months of the last such audit, make suitable audits of the trust department or cause suitable audits to be made by auditors responsible only to the board of directors, and at such time shall ascertain whether the department has been administered in accordance with law, this regulation and sound fiduciary principles. The board of directors may elect, in lieu of such periodic audits, to adopt an adequate continuous audit system. A report of the audits and examination required under this section, together with the action taken thereon, shall be noted in the minutes of the board of directors.

[Order 22, § 50-36-030, filed 8/14/73.]

**WAC 50-36-040 Collective investment funds--Funds authorized.** Any trust company qualified to act as fiduciary in this state may establish common trust funds (referred to in this regulation as "collective investment funds") for the purpose of furnishing investments to itself as fiduciary, or to itself and others, as co-fiduciaries; and may, as such fiduciary or co-fiduciary, invest funds which it lawfully holds for investment in interests in such common trust funds, if such investment is not prohibited by the instrument, judgment, decree, or order creating such fiduciary relationship, and if, in the case of co-fiduciaries, the trust company procures the consent of its co-fiduciary or co-fiduciaries to such investment, and provided such investment is not in contravention with the provisions of chapter 30.24 RCW:

(a) In a common trust fund maintained by the trust company exclusively for the collective investment and reinvestment of moneys contributed thereto by the trust company in its capacity as trustee, executor, administrator, or guardian.

(b) In a fund consisting solely of assets of retirement, pension, profit sharing, stock bonus or other trusts which are exempt from federal income taxation under the Internal Revenue Code.

[Order 22, § 50-36-040, filed 8/14/73.]

**WAC 50-36-050 Collective investment funds--Administration of funds.** Collective investments of funds or other property held by such qualified fiduciary (and referred to in this paragraph as "collective investment funds") shall be administered as follows:

(1) Each collective investment fund shall be established and maintained in accordance with a written plan (referred to herein as the plan) which shall be approved by a resolution of the trust company's board of directors and filed with the supervisor of banking. The plan shall contain appropriate provisions not inconsistent with the rules and regulations of the supervisor of banking as to

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the manner in which the fund is to be operated, including provisions relating to the investment powers and a general statement of the investment policy of the trust company with respect to the fund; the allocation of income, profits and losses; the terms and conditions governing the admission or withdrawal of participations in the fund; the auditing of accounts of the bank with respect to the fund; the basis and method of valuing assets in the fund, setting forth specific criteria for each type of asset; the minimum frequency for valuation of assets of the fund; the period following each such valuation date during which the valuation may be made (which period in usual circumstances should not exceed 10 business days); the basis upon which the fund may be terminated; and such other matters as may be necessary to define clearly the rights of participants in the fund. A copy of the plan shall be available at the principal office of the trust company for inspection during all banking hours, and upon request a copy of the plan shall be furnished to any person.

(2) Property held by a bank in its capacity as trustee of retirement, pension, profit sharing, stock bonus, or other trusts which are exempt from federal income taxation under any provisions of the Internal Revenue Code may be invested in collective investment funds established under the provisions of subparagraph (a) or (b) of WAC 50-36-040, subject to the provisions herein contained pertaining to such funds, and may qualify for tax exemption pursuant to section 584 of the Internal Revenue Code. Assets of retirement, pension, profit sharing, stock bonus, or other trusts which are exempt from federal income taxation by reason of being described in section 401 of the code may be invested in collective investment funds established under the provisions of subparagraph (b) of WAC 50-36-040, if the fund qualifies for tax exemption under Revenue Ruling 56-267 and following rulings.

(3) All participants in the collective investment fund shall be on the basis of a proportionate interest in all of the assets. In order to determine whether the investment of funds received or held by a trust company as fiduciary in a participation in a collective investment fund is proper, the trust company may consider the collective investment fund as a whole and shall not, for example, be prohibited from making such investment because any particular asset is nonincome producing.

[Order 22, § 50-36-050, filed 8/14/73.]

**WAC 50-36-060 Collective investment funds—Valuation of assets, admissions and withdrawals.** (1) Not less frequently than once during each period of 3 months a trust company administering a collective investment fund shall determine the value of the assets in the fund as of the date set for the valuation of assets. No participation shall be admitted to or withdrawn from the fund except: (a) On the basis of such valuation, and (b) as of such valuation date, (c) no participation shall be admitted to or withdrawn from the fund unless a written request for or notice of intention of taking such action shall have been entered on or before the valuation date

in the fiduciary records of the trust company and approved in such manner as the board of directors shall prescribe, and (d) no requests or notice may be canceled or countermanded after the valuation date.

(2) When participations are withdrawn from a collective investment fund, distributions may be made in cash or ratably in kind, or partly in cash and partly in kind, provided that all distributions as of any one valuation date shall be made on the same basis.

(3) If for any reason an investment is withdrawn in kind from a collective investment fund for the benefit of all participants in the fund at the time of such withdrawal and such investment is not distributed ratably in kind, it shall be segregated and administered or realized upon for the benefit ratably of all participants in the collective investment fund at the time of withdrawal.

(4) Any trust company administering a collective investment fund shall have the responsibility of maintaining in cash and readily marketable investments such part of the assets of the fund as shall be deemed to be necessary to provide adequately for the needs of participants and to prevent inequities between such participants, and if prior to any admissions to or withdrawals from a fund the trust company shall determine that after effecting the admissions and withdrawals which are to be made less than 40 percent of the value of the remaining assets of the collective investment fund would be composed of cash and readily marketable investments, no admissions to or withdrawals from the fund shall be permitted as of the valuation date upon which such determination is made: *Provided*, That ratable distribution upon all participations shall not be so prohibited in any case.

[Order 22, § 50-36-060, filed 8/14/73.]

**WAC 50-36-070 Collective investment funds—Audit.** A trust company administering a collective investment fund shall at least once during each period of 12 months cause an adequate audit to be made of the collective investment fund by auditors responsible only to the board of directors of the trust company. In the event such audit is performed by independent public accountants, the reasonable expenses of such audit may be charged to the collective investment fund.

[Order 22, § 50-36-070, filed 8/14/73.]

**WAC 50-36-080 Collective investment funds—Financial reports.** (1) A trust company administering a collective investment fund shall at least once during each period of 12 months prepare a financial report of the fund which shall be filed with the supervisor of banking within 90 days after the end of the fund's fiscal year. This report, based upon the above audit, shall contain a list of investments in the fund showing the cost and current market value of each investment; a statement for the period since the previous report showing purchases, with cost; sales, with profit or loss and any other investment changes; income and disbursements; and an appropriate notation as to any investments in default.

(2) The financial report may include a description of the fund's value on previous dates, as well as its income and disbursements during previous accounting periods.

No predictions or representations as to future results may be made. In addition, as to funds described in WAC 50-36-040, neither the report nor any other publication of the trust company shall make reference to the performance of funds other than those administered by the trust company.

(3) A copy of the financial report shall be furnished, or notice shall be given that a copy of such report is available and will be furnished without charge upon request, to each person to whom a regular periodic accounting would ordinarily be rendered with respect to each participating account. A copy of such financial report may be furnished to prospective customers. The cost of printing and distribution of these reports will be borne by the trust company. In addition, a copy of the report shall be furnished upon request to any person for a reasonable charge. The fact of the availability of the report for any fund described in WAC 50-36-040 may be given publicity solely in connection with the promotion of the fiduciary services of the trust company.

(4) Except as herein provided, the trust company shall not advertise or publicize its collective investment fund(s). Restraint is required in fiduciary advertisements to preclude the violation of securities laws including the Mutual Fund Reform Act.

[Order 22, § 50-36-080, filed 8/14/73.]

**WAC 50-36-090 Collective investment funds--Investments and administration.** (1) A trust company administering a collective investment fund shall have the exclusive management thereof.

(2) No trust company shall have any interest in a collective investment fund other than in its fiduciary capacity. Except for temporary net cash overdrafts or as otherwise specifically provided herein, it may not lend money to a fund, sell property to, or purchase property from a fund. No assets of a collective investment fund may be invested in stock or obligations, including time or savings deposits, of the bank or any of its affiliates: *Provided*, That such deposits may be made of funds awaiting investment or distribution. Subject to all other provisions of this part, funds held by a trust company as fiduciary for its own employees may be invested in a collective investment fund.

(3) A trust company may not make any loan on the security of a participation in a fund. If because of a creditor relationship or otherwise the trust company acquires an interest in a participation in a fund, the participation shall be withdrawn on the first date on which such withdrawal can be effected. However, in no case shall an unsecured advance until the time of the next valuation date to an account holding a participation be deemed to constitute the acquisition of an interest by the bank.

(4) Any trust company administering a collective investment fund may purchase for its own account from such fund any devaluated fixed income investment held by such fund, if in the judgment of the board of directors the cost of segregation of such investment would be greater than the difference between its market value and

its principal amount plus interest and penalty charges due. If the trust company elects to so purchase such investment, it must do so at its market value or at the sum of cost, accrued unpaid interest, and penalty charges, whichever is greater.

(5) Except in the case of collective investment funds described in paragraph (b) of WAC 50-36-040:

(i) No funds or other property shall be invested in a participation in a collective investment fund if as a result of such investment the participant would have an interest aggregating in excess of 10 percent of the then market value of the fund: *Provided*, That in applying this limitation if two or more accounts are created by the same person or persons and as much as one-half of the income or principal of each account is payable or applicable to the use of the same person or persons, such accounts shall be considered as one;

(ii) No investment for a collective investment fund shall be made in stocks, bonds, or other obligations of any closely held corporation, as may be determined by the supervisor of banking, or, of any one person, firm, or corporation if as a result of such investment the total amount invested in stocks, bonds, or other obligations issued or guaranteed by such person, firm, or corporation would aggregate in excess of 10 percent of the then market value of the fund: *Provided*, That this limitation shall not apply to investments in direct obligations of the United States or its agencies or other obligations fully guaranteed by the United States or its agencies as to principal and interest;

(6) In addition to the investments permitted under WAC 50-28-040, funds or other property received or held by a trust company as fiduciary may be invested collectively, to the extent not prohibited by law, as follows:

(i) In shares of a mutual trust investment company, organized and operated pursuant to a statute that specifically authorizes the organization of such companies exclusively for the investment of funds held by corporate fiduciaries, commonly referred to as a "bank fiduciary fund."

(ii) In a single real estate loan, a direct obligation of the United States, or an obligation fully guaranteed by the United States, or in a single fixed amount security, obligation or other property, either real, personal or mixed, of a single issue: *Provided*, That the trust company owns no participation in the loan or obligation and has no interest in any investment therein except in its capacity as fiduciary.

(iii) In a common trust fund maintained by the trust company for the collective investment of cash balances received or held by a trust company in its capacity as trustee, executor, administrator, or guardian, which the trust company considers to be individually too small to be invested separately to advantage. The total investment for such fund must not exceed \$100,000; the number of participating accounts is limited to 100, and no participating account may have an interest in the fund in excess of \$10,000: *Provided*, That in applying these limitations if two or more accounts are created by the same person or persons and as much as one-half of the income

or principal of each account is presently payable or applicable to the use of the same person or persons, such account shall be considered as one: *And provided*, That no fund shall be established or operated under this subparagraph for the purpose of avoiding the provisions of chapter 50-36 WAC.

(iv) In any investment specifically authorized by court order, or authorized by the instrument creating the fiduciary relationship, in the case of trusts created by a corporation, its subsidiaries or affiliates or by several individual settlors who are closely related: *Provided*, That such investment is not made under this subparagraph for the purpose of avoiding any provision of this regulation, in particular, but not limited to the provisions beginning with new section WAC 50-28-040.

(v) In such other manner as shall be approved in writing by the supervisor of banking.

[Order 22, § 50-36-090, filed 8/14/73.]

**WAC 50-36-100 Organization and management fees.** (1) A trust company administering a collective investment fund shall absorb the costs of establishing or reorganizing a collective investment fund.

(2) The trust company may charge a fee for the management of the collective investment fund provided that the fractional part of such fee proportionate to the interest of each participant shall not, when added to any other compensations charged by a trust company to a participant, exceed the total amount of compensations which would have been charged to said participant if no assets of said participant had been invested in participations in the fund.

(3)(i) The reasonable expenses incurred in servicing mortgages held by a collective investment fund may be charged against the income account of the fund and paid to servicing agents, including the trust company administering the fund.

(ii) A trust company may (but shall not be required to) transfer up to 5 percent of the net income derived by a collective investment fund from mortgages held by such fund during any regular accounting period to a reserve account: *Provided*, That no such transfers shall be made which would cause the amount in such account to exceed 1 percent of the outstanding principal amount of all mortgages held in the fund. The amount of such reserve account, if established, shall be deducted from the assets of the fund in determining the fair market value of the fund for the purposes of admissions and withdrawals.

(iii) At the end of each accounting period, all interest payments which are due but unpaid with respect to mortgages in the fund shall be charged against such reserve account to the extent available and credited to income distributed to participants. In the event of subsequent recovery of such interest payments by the fund, the reserve account shall be credited with the amount so recovered.

[Order 22, § 50-36-100, filed 8/14/73.]

**WAC 50-36-110 Certificate of interest.** No trust company administering a collective investment fund

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shall issue any certificate or other document evidencing a direct or indirect interest in such fund in any form.

[Order 22, § 50-36-110, filed 8/14/73.]

**WAC 50-36-120 Remedy of mistake made in good faith.** No mistake made in good faith and in the exercise of due care in connection with the administration of a collective investment fund shall be deemed to be a violation of this part if promptly after the discovery of the mistake the trust company takes whatever action may be practicable in the circumstances to remedy the mistake.

[Order 22, § 50-36-120, filed 8/14/73.]

## Chapter 50-40 WAC

### SATELLITE FACILITIES--BANKS, TRUST COMPANIES AND MUTUAL SAVINGS BANKS

#### WAC

50-40-010	Definitions.
50-40-020	Application.
50-40-040	Adoption of form.
50-40-050	Network systems.
50-40-060	Modification of approved network systems.
50-40-070	Approval—Disapproval—Request for hearing.
50-40-990	Appendix I—Form—Application to provide satellite facility.

#### DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

50-40-030	Public convenience. [Order 27, § 50-40-030, filed 6/3/74.] Repealed by 82-24-074 (Order 48), filed 12/1/82. Statutory Authority: RCW 30.04.030.
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**WAC 50-40-010 Definitions.** As used in these regulations:

(1) "Supervisor" means supervisor of banking appointed pursuant to RCW 43.19.020.

(2) "Satellite facilities" within the meaning of chapter 30.43 RCW include, without limitation, both "on-line" and "off-line" cash dispensing or automated teller facilities which are not on the premises of the financial institution whose customers use these facilities. Such facilities constitute "satellite facilities" irrespective of whether they are owned by the financial institution or by others.

(3) "Switch" means an electronic or paper-based switching system, pursuant to which transactions in a network system of satellite facilities are effected, routed and processed.

(4) "Network system" means one or more satellite facilities the use of which is shared on a contractual basis among more than one participating financial institution and which are identified with a common trademark or trade name.

(5) "Sponsor" means the owner or operator of a network system.

[Statutory Authority: RCW 30.04.030, 82-24-074 (Order 48), § 50-40-010, filed 12/1/82; Order 27, § 50-40-010, filed 6/3/74.]

**WAC 50-40-020 Application.** Application for approval to provide a satellite facility or facilities which are to be used exclusively by the customers of one state—

chartered bank, trust company, stock savings bank, or mutual savings bank shall be submitted in accordance with this section. The application shall be filed with the supervisor's office in Olympia on the form set forth in WAC 50-40-990 and must include the minimum fee required by WAC 50-12-040(13).

The applicant shall submit the following information with the application form:

- (1) Types of transactions to be conducted.
- (2) Details as to ownership and operation of the facility or facilities.
- (3) If requested by the supervisor to aid the determination of whether the public convenience will be served by the proposed satellite facility or facilities, an analysis of the trade area to be served by the proposed facility or facilities. Included within this analysis shall be a study of the number of customers of the applicant living, working and/or shopping in the trade area to be served by the proposed satellite facility or facilities and the likelihood of those customers using the facility.

[Statutory Authority: RCW 30.04.030. 82-24-074 (Order 48), § 50-40-020, filed 12/1/82; Order 27, § 50-40-020, filed 6/3/74.]

**WAC 50-40-040 Adoption of form.** The division of banking hereby adopts for use of all persons requesting approval to provide a satellite facility or facilities which are to be used exclusively by the customers of one state-chartered bank, trust company, stock savings bank, or mutual savings bank, the form attached hereto as Appendix I (WAC 50-40-990), entitled "Application to provide satellite facility."

[Statutory Authority: RCW 30.04.030. 82-24-074 (Order 48), § 50-40-040, filed 12/1/82; Order 27, § 50-40-040, filed 6/3/74.]

**WAC 50-40-050 Network systems.** Application for approval to establish or operate a network system in which one or more state-chartered banks, trust companies, stock savings banks, or mutual savings banks participate shall be submitted in accordance with this section. Application may be made either by the sponsor or by one or more participating financial institutions. The application shall include the following:

- (1) A copy of a resolution of the governing body of each state-chartered bank, trust company, stock savings bank, or mutual savings bank participating in the network system, authorizing such participation.
- (2) A list showing the exact location of each proposed satellite facility, including the street address, city and state. If a satellite facility is to be located in a retail store, institution, office building or other type of merchant or business establishment, indicate the name and type of establishment. If a satellite facility is to be located in a shopping center, state the name of the shopping center.
- (3) A list of all equipment necessary to operate the network system, including the terminal (specify manufacturer), auxiliary equipment, and the data centers where transactions will be routed.
- (4) Identification and description of the type of activator and personal identification code (PIC) which will be used by customers at satellite facilities to access their

accounts, as well as indication of how and by whom the activator and the PIC will be issued, with a description of the security measures to be taken.

(5) A summary of the design and general operating features of the network system. At a minimum, this response must include a discussion of:

- (a) The proposed hours of operation;
- (b) The mode of operation (i.e., off-line, off-line with on-line terminals, on-line, or a combination);
- (c) Transactions and transaction restrictions;
- (d) Procedures for verification, authorization, storage and posting of transactions;
- (e) Receipts, audit trails, "hot-card" files, and any other measures used to protect the integrity of the system;
- (f) The switch, including (i) an explanation of the means by which a transaction is routed to the appropriate data centers; (ii) a description of logging and audit procedures for the purpose of verifying transactions processed through the switch; (iii) the identity of all data centers involved in the operation of the system; (iv) the identity of any party or parties other than the sponsor responsible for operation of the switch, (v) a description of the sponsor's or such other party's or parties' experience and qualifications in switch operation, and (vi) procedures for operation during terminal, switch, or CPU down-time (whether scheduled or unscheduled).

(6) If there are financial institutions participating in the network system which do not have offices within this state, evidence that satellite facilities in the jurisdiction in which such institutions are organized are made available on a reciprocal basis to financial institutions which have offices in the state of Washington.

(7) Such identification of the party or parties who will own and maintain the satellite facilities as the supervisor may require.

(8) Evidence of bonding and insurance coverage for the sponsor and other parties involved in operation of the switch or network system.

(9) A complete description in full detail of the procedures for protection of customer privacy and the confidentiality of account information.

(10) A summary description of the procedures to be used to protect against fraudulent use of the network system.

(11) Copies of agreements between financial institution participants and the sponsor. If the agreements are in standardized form, a sample will suffice.

(12) Names and head office addresses of all financial institutions who will participate in the network system.

(13) A description of the method of sharing, including the organizational structure of the network system and the basis for sharing capital expenditures and operating costs.

(14) A certified copy of a resolution of the governing body of the sponsor which (a) authorizes the supervisor to conduct such examinations of the network system and its various component parts as are deemed necessary by the supervisor; (b) sets forth the agreement of the sponsor to pay the supervisor's expenses incurred in such examinations in accordance with the supervisor's rates for

special examinations of financial institutions as set forth in WAC 50-44-030; (c) gives assurances to the supervisor that such authorization and agreement shall not be withdrawn until the expiration of at least thirty days after notice of such withdrawal has been given to the supervisor; and (d) confirms the understanding of the sponsor that failure to permit such examination by the supervisor shall be grounds for immediate suspension of the supervisor's approval of the network system.

[Statutory Authority: RCW 34.04.030. 83-02-013 (Order 50), § 50-40-050, filed 12/23/82.]

**WAC 50-40-060 Modification of approved network systems.** (1) A previously approved network system which desires to add satellite facilities shall submit in writing to the supervisor the exact location of each proposed additional satellite facility, including the street address, city and state. If a satellite facility is to be located in a retail store, institution, office building or other type of merchant or business establishment, indicate the name and type of establishment. If a satellite facility is to be located in a shopping center, state the name of the shopping center.

(2) A previously approved network system which desires to add participating financial institutions shall, either separately or in conjunction with the financial institution, submit to the supervisor the name and head office address of each such financial institution. For each such additional financial institution which is a state-chartered bank, trust company, stock savings bank or mutual savings bank, a copy of a resolution of the governing body of such institution authorizing participation in the network system shall also be submitted.

If the proposed additional financial institutions do not have offices in this state, evidence of the type required under WAC 50-40-050(6) shall be submitted to the supervisor for the jurisdiction in which such institution is organized, unless such information has previously been submitted for such jurisdiction.

(3) A previously approved network system which proposes to modify its system so that the information previously submitted to the supervisor will no longer accurately describe such system, shall submit in writing to the supervisor such information necessary to describe accurately such system as modified.

[Statutory Authority: RCW 30.04.030. 82-24-074 (Order 48), § 50-40-060, filed 12/1/82.]

**WAC 50-40-070 Approval--Disapproval--Request for hearing.** The supervisor shall notify the applicant and, in the case of a network system, all participating state-chartered banks, trust companies, stock savings banks and mutual savings banks, of the approval of the satellite facilities or network system or modification thereto. If the supervisor disapproves the application, reasons for such disapproval shall be set forth in the written notice of disapproval. The applicant may request a hearing before the supervisor by submitting a written request therefor within twenty days of the date of the supervisor's notice of disapproval. Such hearing and all

further proceedings shall be governed by the provisions of chapter 34.04 RCW.

[Statutory Authority: RCW 30.04.030. 82-24-074 (Order 48), § 50-40-070, filed 12/1/82.]

**WAC 50-40-990 Appendix I--Form--Application to provide satellite facility.**

APPENDIX I

FORM--APPLICATION TO PROVIDE SATELLITE FACILITY  
(NOT TO BE CONSTRUED TO BE THE ESTABLISHMENT OF A BRANCH.)

To the Supervisor of Banking:

\_\_\_\_\_  
(Bank, Trust Company, Stock Savings or Mutual Savings Bank, hereinafter referred to as the Applicant), \_\_\_\_\_, Washington,  
(City)

hereby initiates application for approval to provide satellite facilities at

\_\_\_\_\_  
(Include street designation or approximate location in terms of nearest intersection)

\_\_\_\_\_  
(City or Town, indicate direction if outside city limits)  
\_\_\_\_\_, Washington.  
(County)

The location of the proposed satellite facility would be \_\_\_\_\_ miles distant from the main office and \_\_\_\_\_ miles distant from the nearest branch

\_\_\_\_\_  
(Name) of the Applicant

We enclose a verified copy of a resolution adopted \_\_\_\_\_ by the Board of Directors or Board of Trustees  
(Date)

of the Applicant, duly authorizing the undersigned to make this application, and obligate the Applicant for necessary costs. Also enclosed is a check to apply upon the costs of investigation. If the cost of investigation to be made exceeds the minimum required by WAC 50-12-040(13), the Applicant will pay such excess in accordance with that section.

We also enclose the supporting data required by WAC 50-40-020.

SUBSCRIBED AT \_\_\_\_\_, Washington, this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(Please type name and position under signature)

[Statutory Authority: RCW 30.04.030. 83-20-072 (Order 55), § 50-40-990, filed 10/3/83; 82-24-074 (Order 48), § 50-40-990, filed 12/1/82; Order 27, Appendix I (codified as WAC 50-40-990), filed 6/3/74.]

Chapter 50-44 WAC

SCHEDULE OF COSTS OF EXAMINATIONS

WAC

50-44-010	Collection of examination costs—Collection method.
50-44-020	Semiannual asset charge—Assessment.
50-44-030	Additional fees and charges—Special examinations—Branch offices.

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

50-44-040	Special assessment for working capital. [Statutory Authority: RCW 34.04.070. 82-02-037 (Order 45), § 50-44-040, filed 12/31/81.] Repealed by 83-09-037 (Order 52), filed 4/18/83. Statutory Authority: RCW 30.04.030.
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**WAC 50-44-010 Collection of examination costs—Collection method.** The requirement of RCW 30.04.070 that the supervisor collect from each bank, mutual savings bank, stock savings bank, trust company, or industrial loan company, the estimated cost of examinations, shall be met in accordance with the procedures established in this chapter. Costs shall be recouped by the following methods: Semiannual asset charges, a charge for each branch office in operation, and an hourly charge for the number of hours spent by division personnel in specialized examinations. In addition, a special assessment will be made over the next two years to provide working capital for the banking examination fund.

[Statutory Authority: RCW 30.04.030. 83-20-072 (Order 55), § 50-44-010, filed 10/3/83; 82-24-074 (Order 48), § 50-44-010, filed 12/1/82. Statutory Authority: RCW 34.04.070. 82-02-037 (Order 45), § 50-44-010, filed 12/31/81.]

**WAC 50-44-020 Semiannual asset charge—Assessment.** A semiannual charge for assets will be computed upon the asset value reflected in the most recent report of condition. The rate of such charge shall be as set forth in the following schedules:

(1) Commercial banks.

If the bank's total assets are: The assessment is:

Over	But not Over	This Amount	Plus	Of Excess Over
Million	Million			Million
0	1	\$ 500	.0000850	0
1	10	1,000	.0000850	1
10	100	1,000	.0000800	1
100	300	1,000	.0000600	1
300	500	1,000	.0000575	1
500	700	1,000	.0000538	1
700	900	1,000	.0000525	1
900	1,000	1,000	.0000500	1
1,000	—	1,000	.0000450	1

(2) Alien banks.

If the bank's total assets are: The assessment is:

Over	But not Over	This Amount	Plus	Of Excess Over
Million	Million			Million
0	200	\$1,000	.0000625	1
200	300	1,000	.0000600	1
300	500	1,000	.0000575	1
500	700	1,000	.0000550	1

Over	But not Over	This Amount	Plus	Of Excess Over
Million	Million			Million
700	1,000	1,000	.0000500	1
1,000	—	1,000	.0000450	1

(3) Mutual savings banks and stock savings banks.

If the bank's total assets are: The assessment is:

Over	But not Over	This Amount	Plus	Of Excess Over
Million	Million			Million
0	100	\$3,000		
100	200	1,000	.0000225	1
200	500	1,000	.0000200	1
500	1,000	1,000	.0000175	1
1,000	3,000	1,000	.00001625	1
3,000	—	1,000	.0000150	1

(4) Industrial loan companies.

If the total assets on a consolidated basis are: The assessment is:

Over	But not Over	This Amount	Plus	Of Excess Over
Million	Million			Million
0	1	\$ 250		
1	—	250	.000075	1

The supervisor's office shall forward by United States mail a notice to each financial institution showing the manner of calculating the asset charge due and a worksheet for such purposes. The notices shall be mailed with the blank June and December report of condition commencing with the December 1988 report of condition applicable to commercial, savings and alien banks and the consolidated annual report and a semiannual notice of assessment applicable to industrial loan companies. The asset charge shall be calculated by the financial institution and forwarded to the office of the supervisor of banking with the applicable report. A completed copy of the worksheet shall be included with the assessment. An additional two hundred dollar penalty shall be assessed if the amount is not paid within the time specified.

[Statutory Authority: RCW 30.04.030 and 31.04.150. 89-09-004 (Order 77), § 50-44-020, filed 4/6/89. Statutory Authority: RCW 30.04-030. 83-20-072 (Order 55), § 50-44-020, filed 10/3/83; 82-24-074 (Order 48), § 50-44-020, filed 12/1/82. Statutory Authority: RCW 34.04.070. 82-02-037 (Order 45), § 50-44-020, filed 12/31/81.]

**WAC 50-44-030 Additional fees and charges—Special examinations—Branch offices.** Each bank, mutual savings bank, trust company, or industrial loan company shall pay to the supervisor the following fees:

(1) For special examinations and reviews as determined by the supervisor, forty dollars per hour; (special examinations are for the express purpose of examining unusual conditions or circumstances, including extensions of regular examinations wherein conditions may warrant extension of time required in the examination beyond normal allotted time);

(2) For electronic data processing examination, trust examination, or other examination requiring specialized expertise, forty dollars per hour;

(3) For each bank branch in operation at the time of any periodic examination, seventy-five dollars;

(4) For each industrial loan company branch in operation at the time of any periodic examination, one hundred fifty dollars.

The supervisor shall submit a statement for the foregoing charges following the completion of any applicable examination, and the charges shall be paid not later than thirty days after submission of such statement.

[Statutory Authority: RCW 30.12.060, 85-19-052 (Order 62), § 50-44-030, filed 9/13/85. Statutory Authority: RCW 34.04.070, 82-02-037 (Order 45), § 50-44-030, filed 12/31/81.]

### Chapter 50-48 WAC

## ACQUISITION OF BANKS, TRUST COMPANIES, NATIONAL BANKING ASSOCIATIONS OF BANK HOLDING COMPANIES BY OUT-OF-STATE BANK HOLDING COMPANIES

### WAC

50-48-010	Authority and purpose.
50-48-020	Joint application.
50-48-030	Information required—Identity of applicant parties and operating subsidiaries—Designation of representative of each applicant.
50-48-040	Information required from applicant to be acquired.
50-48-050	Information required from acquiring applicant.
50-48-060	Information to be made available by acquiring applicant.
50-48-070	Information to be made available by applicant to be acquired.
50-48-080	Application to include statement of interlocking management or ownership.
50-48-090	Supervisor may consult with and obtain information from appropriate federal regulatory authority.
50-48-100	Interstate acquisition reciprocity—States possessing.

**WAC 50-48-010 Authority and purpose.** These regulations are promulgated pursuant to section 9, chapter 157, Laws of 1983, to establish a procedure under which an out-of-state bank holding company which desires to acquire more than five percent of the shares of the voting stock, or all or substantially all of the assets, of a bank, trust company, national banking association or bank holding company, the principal operations of which are conducted within this state, may apply to the supervisor for approval of such acquisition.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9, 83-20-073 (Order 56), § 50-48-010, filed 10/3/83.]

**WAC 50-48-020 Joint application.** An application for approval of such acquisition shall be submitted jointly by the acquiring bank holding company and the domestic institution or bank holding company to be acquired. The application need not be in any particular format, but must set forth all the information required under these regulations. The application shall include a copy of the agreement setting forth the plan of merger or acquisition, including certified copies of the resolutions of the respective boards of directors of parties to the agreement approving same. The application shall also include a statement authorizing any federal or state regulatory agency to make available to the supervisor

any and all information which such agency may have relating to the applicants or any of their subsidiaries.

[Statutory Authority: RCW 30.12.060, 85-19-052 (Order 62), § 50-48-020, filed 9/13/85. Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9, 83-20-073 (Order 56), § 50-48-020, filed 10/3/83.]

**WAC 50-48-030 Information required—Identity of applicant parties and operating subsidiaries—Designation of representative of each applicant.** Unless included in other information required by this chapter, the application shall set forth the name and main office address of all operating subsidiaries of both the acquiring bank holding company and the bank, trust company, national banking association or domestic bank holding company to be acquired. In addition, the application shall set forth the name, office address, and telephone of one or more persons designated by each applicant to be its official representative in connection with the application. All contact between the supervisor's office and the applicant should, except in extraordinary circumstances, be through such representatives.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9, 83-20-073 (Order 56), § 50-48-030, filed 10/3/83.]

**WAC 50-48-040 Information required from applicant to be acquired.** The bank, trust company, national banking association, or domestic bank holding company to be acquired shall include with the application each of the following items of information:

(a) A statement verifying that the bank, trust company, national banking association or domestic bank holding company to be acquired is in such a liquidity or financial condition as to be in danger of closing, failing or insolvency, setting forth with specificity the circumstances upon which such conclusion is based.

(b) A statement of all courses of action actively considered as an alternative to the proposed merger or acquisition; a statement of why each such course of action or combination of more than one of them was not taken; a statement as to why assistance available from the Federal Reserve Board, the Federal Deposit Insurance Corporation, or other governmental agency either alone or in combination with other actions is not sufficient to alleviate the liquidity or financial situation so as to avoid the danger of closing, failing or insolvency; and if known, the course or courses of action which will be taken in the event the merger or acquisition is not consummated.

(c) Financial records including: (1) Copies of reports of condition required to be filed with the appropriate regulatory authorities and financial statements showing its assets and liabilities as of the end of each of the six most recent quarterly periods of operation; (2) copies of income and expense statements for each of the six most recent quarterly periods of operation; and (3) a copy of the most recent independent audit report.

Information submitted in response to this subsection shall be consolidated figures for the entire organization. If individual figures for operating subsidiaries are available, they shall also be submitted.



(d) A statement setting forth which, if any, state banks, trust companies, or national banking associations doing business in this state, or domestic bank holding companies have been solicited to make an offer for acquisition or merger. If no such solicitations have been made, the application shall include an explanation of the decision not to make such solicitations. The application shall include a summary of the terms of any bona fide offer for merger or acquisition received from any domestic bank, trust company, national banking association or bank holding company, and shall further state whether any domestic offerors have been given the opportunity to match the terms of the proposed acquisition by or merger with the out-of-state bank holding company.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-040, filed 10/3/83.]

**WAC 50-48-050 Information required from acquiring applicant.** The applicant out-of-state bank holding company shall submit with the application each of the following items of information:

(a) A copy of its most recent audited financial statement, its most recently prepared statement of assets and liabilities, including footnotes and explanations, and its most recent income and expense report.

(b) A statement of its then existing business plan, both short-range and long-range, for operation of the bank, trust company, national banking association or domestic bank holding company to be acquired. Such statement shall include comments by the acquiror as to how the proposed acquisition will meet the needs and convenience of the people of the state of Washington.

(c) A list of any other notices pursuant to the change in Bank Control Act (12 U.S.C. § 1817(j)) filed on its behalf involving any other bank, trust company, national banking association or bank holding company which is presently pending. Such list shall include the date and place of filing each notice and the name and address of the institution to which each notice pertains.

(d) A statement as to what part, if any, of the funds to be used in making the acquisition or merger are borrowed from sources other than its own subsidiaries. With respect to any such funds, the applicant shall state: (1) The amount and source of borrowed funds; (2) collateral pledged, if any; (3) terms of the loan, including interest rates, amortization requirements, guarantors, endorers, and any other arrangements or agreements among the parties to such loan transaction; (4) proposed source of funds for debt service; (5) whether and to what extent the acquiring party intends to rely on dividends, fees, etc. from the institution being acquired for debt servicing requirements.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-050, filed 10/3/83.]

**WAC 50-48-060 Information to be made available by acquiring applicant.** The applicant out-of-state bank holding company shall make available for review by the office of the supervisor the following:

(a) Any current file which it or its principal banking subsidiary or subordinate is required to maintain by regulations promulgated by the appropriate federal financial supervisory authority (as defined in 12 U.S.C. § 2902(1)) for purposes of the Community Reinvestment Act (12 U.S.C. § 2902 et seq.).

(b) Copies of all internal documents having to do with the proposed merger or acquisition, including, without limitation, memoranda or analyses together with conclusions and recommendations to management and all financial or other information from which such memoranda, analyses, conclusions, recommendations or other documents were prepared.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-060, filed 10/3/83.]

**WAC 50-48-070 Information to be made available by applicant to be acquired.** The bank, trust company, national banking association or domestic bank holding company to be acquired shall make available to the supervisor all internally generated reports relating to the operation of any or all operating subsidiaries during the immediately preceding two-year period.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-070, filed 10/3/83.]

**WAC 50-48-080 Application to include statement of interlocking management or ownership.** The application must state whether any management official (as defined in 12 U.S.C. § 3201(4)) of the acquiring out-of-state bank holding company or any of its affiliated corporations (as the term "affiliated" is defined by 12 U.S.C. § 3201(3)) is also a management official of any other depository institution or holding company other than the bank, trust company, or national banking association being acquired, or whether any person, partnership or corporation who owns or controls, directly or indirectly, ten percent or more of the outstanding voting shares of the acquiring applicant also owns, directly or indirectly, ten percent or more of the outstanding voting shares of any other depository institution or holding company. If such circumstances do exist, the application shall include: (1) The name of such person or persons, partnerships or corporations; (2) name and address of the depository institution or holding company; (3) relationship triggering this reporting requirement; and (4) nature and extent of ownership interest held by such person, partnership or corporation in the applicant and other depository institution or holding company.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-080, filed 10/3/83.]

**WAC 50-48-090 Supervisor may consult with and obtain information from appropriate federal regulatory authority.** The supervisor may consult with appropriate federal regulatory agencies in connection with any application filed hereunder and shall consider any information received from such agency or agencies in ruling upon the application.

[Statutory Authority: RCW 30.04.230 as amended by 1983 c 157 § 9. 83-20-073 (Order 56), § 50-48-090, filed 10/3/83.]

**WAC 50-48-100 Interstate acquisition reciprocity--States possessing.** The supervisor of banking, having reviewed the laws of the following states as they relate to a domestic (Washington) bank holding company acquiring more than five percent of the shares of the voting stock or all or substantially all of the assets of a bank, trust company, or national banking association the principal operations of which are conducted within such states, has determined, pursuant to RCW 30.04-.232, that the laws of such states allow a domestic bank holding company to acquire a bank, trust company, or national banking association, the principal operations of which are conducted within such states, and permit the operation of the acquired bank, trust company, or national banking association within such states on terms and conditions no less favorable than other banks, trust companies, or national banking associations doing a banking business within such states: (1) Alaska, (2) California, (3) Idaho, (4) New York, and (5) Oregon.

[Statutory Authority: RCW 30.04.232. 87-13-015 (Order 68), § 50-48-100, filed 6/9/87; 87-10-047 (Order 67), § 50-48-100, filed 5/5/87.]

### Chapter 50-52 WAC WASHINGTON LAND BANK

#### WAC

50-52-010	Purpose.
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50-52-030	Definitions.
	Organization and powers
50-52-040	Incorporators.
50-52-050	Notice of intention to organize.
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50-52-080	Amendment to articles of incorporation.
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50-52-470	Interest rates.
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50-52-510	Participations.
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50-52-600	Resolution required.
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50-52-620	Securities issuance—Registration and disclosure.
50-52-630	Investments.
50-52-640	Debt to capital ratios requirements.

**WAC 50-52-010 Purpose.** The purpose of this chapter shall be to provide regulations for the implementation of chapter 31.30 RCW which was adopted as amended on March 5, 1986. This chapter shall establish requirements and guidelines necessary to comply with statutory provisions in establishing, incorporating, operating, and regulating the borrower-owned corporate entity to be known as the Washington Land Bank.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-010, filed 6/11/87.]

**WAC 50-52-020 Establishment.** The Washington Land Bank shall be patterned after the federal land banks organized under the Farm Credit Act of 1971, as amended, within state constitutional limits. The Washington Land Bank shall be an institution organized by eligible borrowers to provide long-term credit to farmers, ranchers, and producers of privately cultured aquatic products, and their close family members and affiliated legal entities as provided herein.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-020, filed 6/11/87.]

**WAC 50-52-030 Definitions.** (1) Person - A "person" means (a) an individual who is a citizen of the United States or who has been lawfully admitted into the United States for permanent residence and is so domiciled and is a bona fide resident of the state of Washington; or (b) a legal entity in which essentially all of the outstanding stock or equity and voting control is directly or indirectly owned by, or held for the benefit of, a person or persons.

(2) Legal entity - A "legal entity" means any partnership, corporation, estate, trust, or other entity which

is established pursuant to the laws of the United States, or any state thereof, including the Commonwealth of Puerto Rico or the District of Columbia, and which is legally vested with the authority to conduct a business.

(3) **Affiliated legal entity** – A legal entity in which essentially all of the voting stock or equity and voting control is directly or indirectly owned by, or held for the benefit of, a person.

(4) **Bona fide farmer, rancher, or producer of privately cultured aquatic products** – A person who owns and/or operates agricultural or aquacultural property, and is engaged, directly or through a close family member or an affiliated legal entity, in the production of agricultural products, including privately cultured aquatic products under controlled conditions.

(5) **Close family member** – Means a spouse, sibling, child, grandchild, parent, grandparent, fathers-in-law or mothers-in-law, and sons-in-law or daughters-in-law.

(6) **"Supervisor"** shall mean the supervisor of banking of the state of Washington.

(7) **"Aquaculture"** shall have the meaning set forth in RCW 15.85.020.

(8) **"Aquatic farmer"** shall have the meaning set forth in RCW 15.85.020.

(9) **"Privately cultured aquatic product"** shall have the meaning set forth in RCW 15.85.020.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-030, filed 6/11/87.]

## ORGANIZATION AND POWERS

**WAC 50-52-040 Incorporators.** When authorized by the supervisor, as herein provided, the Washington Land Bank may be organized, in the manner herein prescribed, by any group of three or more persons eligible to borrow money from the bank. The bank shall not incorporate for a lesser amount nor commence business unless it has a paid-in capital stock, surplus and undivided profits in the amount as may be determined by the supervisor after consideration of the proposed location, management, the size and economic characteristics of the market area, the proposed activities and operation of the bank, and other factors deemed pertinent by the supervisor. The proposed bank shall, before commencing business, have subscribed and paid into it in the same manner as is required for capital stock, an additional amount equal to at least ten percent of the capital stock above required, which shall be carried in the undivided profit account and may be used to defray organization and operating expenses of the company. Any sum not so used shall be transferred to the capital stock of the bank before any dividend shall be declared to the stockholders.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-040, filed 6/11/87.]

**WAC 50-52-050 Notice of intention to organize.** Eligible persons desiring to incorporate the Washington Land Bank shall file with the supervisor a notice of their intention to organize the bank containing the following

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information, which shall be organized and submitted under the following basic general headings or factors with appropriate supporting schedules, statements, and data:

(1) Financial history and condition.

(a) Pro forma statement of condition – beginning of business.

(b) Premises to be occupied by proposed bank. Detailed description of form of ownership, costs, from whom purchased or leased, insurance coverage, and estimated annual depreciation.

(c) Details as to proposed investment in and rental of furniture, fixtures, and equipment.

(d) Relationships and associations with proposed bank of any of the sellers or lessors of land, buildings, or equipment, either directly or indirectly.

(e) **Organization expenses:** A complete and detailed accounting is required for all income and expenses related to organization, including a detailed account of actual legal accounting and consulting expenses, together with any additional costs anticipated prior to opening or costs incurred or work performed during the organization period for which disbursement has been deferred beyond the opening date.

(2) Adequacy of the capital structure.

(a) Source of capital funds and proposed allocations within total capital structure.

(i) Amount of paid-in capital stock (No. shares x par value.)

(ii) Amount of paid-in surplus.

(iii) Amount of paid-in undivided profits.

(iv) Amount of other segregations, including the organization or expense fund, if planned.

(b) The adequacy of the proposed capital structure shall be discussed in the notice, and will be evaluated, in part, in relation to:

(i) The size and economic characteristics of the market to be served.

(ii) Ratio the projected net total capital structure will bear to the estimated volume of debt at the end of each of the first six years of operations.

(3) **Future earnings prospects.** A detailed projection of earnings and expenses is to be submitted showing the breakdown of income and expenses for each of the first six years of operations. Provision should be made for loan losses and a bad debt reserve based upon a realistic evaluation of anticipated losses to be sustained in each of the major types of loan demands the proposed bank expects to serve and total loans expected by the end of each of the first six years of operations.

(4) General character of management.

(a) A financial report and a biographical report of each proposed officer and director is required together with a report by each officer and director stating the proposed compensation of such officer, director, and any other financial interest such officer or director shall have or expect to have in the bank.

(b) The subscribers (proposed shareholders) for each class of stock are to be listed alphabetically with name and address, occupation and number of shares being

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purchased indicated by number of shares being purchased indicated by number of shares and total subscription price. The list should indicate "D" for the directors designee, "O" for officers.

(c) For any subscribers for five percent or more of any class of the proposed capital stock, the same financial information shall be provided as is required for directors and officers.

(d) The membership of the committees of the directorate if any, are to be designated and duties outlined, including:

- (i) Loan and/or executive committee.
- (ii) Investment committee.
- (iii) Audit committee.

(e) The notice shall state the amount of anticipated surety bond coverage and the basis upon which it was determined that this amount is sufficient and conforms with generally accepted banking practices.

(f) Any changes contemplated in the proposed directorate or active management during the first year are to be reported, or, if none, so state.

(5) Convenience and needs of the community to be served.

(a) Applicants have the responsibility of developing as fully as possible the proposed business plan, together with economic support and justification for the proposed bank, including the trade or market area which the proposed bank will serve (which will be the state of Washington), including the manner in which various regions, markets, and producers of particular agricultural products are to be served. This shall identify the location of branch offices or other direct sources of providing services to borrowers, such as agent banks or other agency or loan production offices.

(b) The notice shall state the total indebtedness anticipated, and the nature and term thereof anticipated during the early period of operations together with totals expected by the end of each of the first six years. To the extent relevant, the notice shall state the economic characteristics of the trade territory specified above for the most recent five-year period, including manufacturing, agricultural, and other industrial data, construction activity, retail and wholesale sales, housing starts, school population, census figures and projections.

(c) The notice shall provide information relevant to the economic characteristics of the agricultural community for the most recent five-year period, together with projections for the ensuing six-year period indicating support for and viability of the proposed bank. In the event an economic survey or feasibility study has been prepared it may provide much of the needed information.

(6) Articles and bylaws. The proposed articles of incorporation and bylaws for the bank shall be submitted as part of the notice.

Investigation. When the notice of intention to organize and propose articles of incorporation complying with the foregoing requirements have been received by the supervisor, together with the fees required by law, he shall ascertain from the best source of information at his command and by such investigation as he may deem

necessary, whether the character, responsibility, and general fitness of the persons named in such articles are such as to command confidence and warrant belief that the business of the proposed bank will be honestly and efficiently conducted in accordance with the intent and purpose of this chapter; whether the resources of the market to be served afford a reasonable promise of adequate support for the proposed bank; whether the operation of the bank in the manner proposed offers a reasonable promise of viability and continued financial safety and soundness of the proposed bank; and whether the proposed bank is being formed for other than the legitimate objects covered by this chapter.

Notice to file articles—Articles approved or refused—Hearing. After the supervisor shall have satisfied himself of the above facts, and, within three months of the date the notice of intention to organize has been received in his office, he shall notify the incorporators to file executed and acknowledged articles of incorporation with him in triplicate. Unless the supervisor otherwise consents in writing, such articles shall be in the same form and shall contain the same information as the proposed articles and shall be filed with him within ten days of such notice. Within ten days after the receipt of such articles of incorporation, he shall endorse upon each of the triplicates thereof, over his official signature, the work "approved," or the word "refused," with the date of such endorsement. In case of refusal he shall forthwith return one of the triplicates, so endorsed, together with a statement explaining the reason for refusal to the person from whom the articles were received, which refusal shall be conclusive, unless the incorporators, within ten days of the issuance of such notice of refusal, shall request a hearing pursuant to the Administrative Procedure Act, chapter 34.04 RCW, as now or hereafter amended.

Approved articles to be filed and recorded—Organization complete. In case of approval the supervisor shall forthwith give notice thereof to the proposed incorporators and file one of the triplicate articles of incorporation in his own office, and shall transmit another triplicate to the secretary of state, and the last to the incorporators. Upon receipt from the proposed incorporators of the same fees as are required for filing and recording other articles of incorporation the secretary of state shall file such articles and record the same. Upon the filing of articles of incorporation, approved as aforesaid by the supervisor, with the secretary of state, all persons named therein and their successors shall become and be a corporation, which shall have the powers and be subject to the duties and obligations prescribed by chapter 31.30 RCW and this chapter, and whose existence shall continue from the date of the filing of such articles for the term mentioned in its articles of incorporation unless sooner terminated pursuant to law; but such corporation shall not transact any business except as is necessarily preliminary to its organization until it has received a certificate of authority as provided herein.

Certificate of authority—Issuance—Contents. Before the Washington Land Bank shall be authorized to do business, and within ninety days after approval of the

articles of incorporation, it shall furnish proof satisfactory to the supervisor that such corporation has a paid-in capital in the amount fixed by its articles of incorporation, that any requisite surplus or reserve fund has been accumulated or paid in cash, and that it has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this title. If so satisfied, and within ten days after receipt of such proof, the supervisor shall issue under his hand and official seal, in triplicate, a certificate of authority for such corporation. The certificate shall state that the corporation therein named has complied with the requirements of law, that it is authorized to transact at the place designated in its articles of incorporation the business of the Washington Land Bank. One of the triplicate certificates shall be transmitted by the supervisor to the corporation and the other two shall be filed by the supervisor in the same offices where the articles of incorporation are filed and shall be attached to said articles of incorporation, and the one filed with the secretary of state shall be recorded.

**Failure to commence business—Effect—Extension of time.** In the event the Washington Land Bank shall have failed to organize and commence business within six months after the certificate of authority to commence business has been issued by the supervisor, it shall forfeit its rights and privileges as such corporation, which fact the supervisor shall certify to the secretary of state, and such certificate of forfeiture shall be filed and recorded in the office of the secretary of state in the same manner as the certificate of authority; however, the supervisor may, upon showing of cause satisfactory to him, issue an order under his hand and seal extending for not more than three months the time within which such organization may be effected and business commenced, such order to be transmitted to the office of the secretary of state and filed and recorded therein.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-050, filed 6/11/87.]

**WAC 50-52-060 Articles of incorporation.** (1) The articles of incorporation shall set forth:

(a) The name of the corporation, which shall be "The Washington Land Bank."

(b) The period of duration, which may be perpetual or for a stated term of years.

(c) That the purposes for which the corporation is organized shall be to engage in the lending and borrowing of money and any or all lawful business which may be allowed to it under chapter 31.30 RCW, or subsequent amendments thereto.

(d) That the voting stock of the Washington Land Bank shall be held only by borrowers who are farmers or ranchers, which stock shall not be transferred, pledged, or hypothecated except to other eligible borrowers.

(e) The aggregate number of shares which the corporation shall have the authority to issue and if such shares are to be divided into classes, the number of shares of each class.

(f) If the shares are to be divided into classes, the designation of each class and a statement of the preferences, limitations, and relative rights in respect of the shares of each class.

(g) If the corporation is to issue the shares of any preferred or special class in series, then the designation of each series and a statement of the variations in the relative rights and preferences as between series insofar as the same are to be fixed in the articles of incorporation, and a statement of any authority to be vested in the board of directors to establish series and fix and determine the variations in the relative rights and preferences as between series.

(h) Any provision limiting or denying to shareholders the preemptive right to acquire additional shares of the corporation.

(i) The address of its initial registered office and the name of its initial registered agent at such address.

(j) The number of directors constituting the initial board of directors and the names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors have been elected and qualified. Not less than a majority of such directors shall be persons eligible to borrow from the Washington Land Bank.

(k) The name and address of each incorporator.

(2) The articles shall be accompanied by a statement signed by each of the organizers of Washington Land Bank establishing his eligibility to borrow from the Washington Land Bank.

(3) In addition to the provisions required under this section, the articles of incorporation may also contain provisions not inconsistent with law regarding:

(a) The direction of the management of the business and the regulation of the affairs of the corporation;

(b) The definition, limitation, and regulation of the powers of the corporation, the directors, and the shareholders, or any class of the shareholders, including restrictions on the transfer of shares;

(c) The par value of any authorized shares or class of shares; and

(d) Any provision which under this title is required or permitted to be set forth in the bylaws.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-060, filed 6/11/87.]

**WAC 50-52-070 Organization meeting of directors.**

After the issuance of the certificate of incorporation an organization meeting of the board of directors named in the articles of incorporation shall be held, either within or without this state, at the call of a majority of the directors named in the articles of incorporation, for the purpose of adopting bylaws, electing officers, and the transaction of such other business as may come before the meeting. The directors calling the meeting shall give at least three days' notice thereof by mail to each director so named, unless such notice is waived in writing, which notice shall state the time and place of the meeting. Any action permitted to be taken at the organization meeting of the directors may be taken without a

meeting if each director signs an instrument which states the action so taken.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-070, filed 6/11/87.]

**WAC 50-52-080 Amendment to articles of incorporation.** With the approval of the supervisor, the Washington Land Bank may amend its articles of incorporation, from time to time, in any and as many respects as may be desired, so long as its articles of incorporation as amended contain only such provisions as might be lawfully contained in original articles of incorporation at the time of making such amendment. Not less than ten days before the proposed adoption of any such amendments a written notice setting forth the proposed amendment shall be given to the supervisor for approval.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-080, filed 6/11/87.]

**WAC 50-52-090 Stock/voting stock.** The Washington Land Bank shall have power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes with such designations, preferences, limitations, and relative rights as shall be stated in the articles of incorporation. Voting stocks shall be issued to and held only by borrowers who are farmers or ranchers or producers of privately cultured aquatic products, which stock shall not be transferred, pledged, or hypothecated except to other eligible borrowers.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-090, filed 6/11/87.]

**WAC 50-52-100 Issuance of shares.** Subject to any restrictions in the articles of incorporation:

(1) Shares may be issued for such consideration as shall be authorized by the board of directors.

(2) Upon authorization by the board of directors, the Washington Land Bank may issue its own shares in exchange for or in conversion of its outstanding shares, or distribute its own shares, pro rata to its shareholders or the shareholders of one or more classes or series, to effectuate stock dividends or splits, and any such transaction shall not require consideration. However, such issuance of shares of any class or series shall not be made to the holders of shares of any other class or series unless it is either expressly provided for in the articles of incorporation, or is authorized by an affirmative vote or the written consent of the holders of at least a majority of the outstanding shares of the class or series in which the distribution is to be made.

(3) The board of directors shall from time to time authorize the issuance of additional capital stock so that borrowers purchasing stock or participation certificates therein may be eligible for loans from the bank.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-100, filed 6/11/87.]

**WAC 50-52-110 Par value--Determination of price--Payment for shares.** (1) The voting stock of

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Washington Land Bank shall be divided into shares of par value of not less than five dollars each.

(2) The capital stock of Washington Land Bank may be of such classes as its board of directors may determine.

(3) Consideration for shares may consist of cash, promissory notes, services performed, contracts for services to be performed, or any other tangible or intangible property. If shares are issued for other than cash, the board of directors shall determine the value of the consideration. Shares issued when the Washington Land Bank received the consideration determined by the board are validly issued, fully paid, and nonassessable. A good faith judgment of the board of directors as to the value of the consideration received for shares is conclusive. Washington Land Bank may place shares issued for a contract for future services or a promissory note in escrow, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed or the note is paid. If the services are not performed or the note is not paid, the shares escrowed or restricted and the distributions credited may be cancelled in whole or in part.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-110, filed 6/11/87.]

**WAC 50-52-120 Bylaws.** The initial bylaws of Washington Land Bank shall be adopted by its board of directors. The power to alter, amend, or repeal the bylaws or adopt new bylaws, subject to repeal or change by action of the shareholders, shall be vested in the board of directors unless reserved to the shareholders by the articles of incorporation except that the power to amend any bylaw relating to compensation of officers or directors shall be reserved to shareholders. The bylaws may contain any provisions for the regulation and management of the affairs of Washington Land Bank not inconsistent with law or the articles of incorporation.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-120, filed 6/11/87.]

**WAC 50-52-130 Bylaws and other powers in emergency.** The board of directors of Washington Land Bank may adopt emergency bylaws, subject to repeal or change by action of the shareholders, operative during any emergency in the conduct of the business of Washington Land Bank resulting from an attack on the United States or any nuclear or atomic disaster. The emergency bylaws may make any provision that may be practical and necessary for the circumstances of the emergency.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-130, filed 6/11/87.]

**WAC 50-52-140 Meetings of shareholders.** Meetings of shareholders may be held at such place within this state as may be stated in or fixed in accordance with the bylaws. If no place is stated or so fixed, meetings shall be held at the principal place of business of Washington Land Bank.

An annual meeting of the shareholders shall be held at such time as may be stated in or fixed in accordance with the bylaws. If the annual meeting is not held within any thirteen-month period the superior court may, on the application of any shareholder for a writ of mandamus, summarily order a meeting to be held.

Special meetings of the shareholders may be called by the board of directors, the holders of not less than one-tenth of all the shares entitled to vote at the meeting, or such other persons as may be authorized in the articles of incorporation or the bylaws.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-140, filed 6/11/87.]

**WAC 50-52-150 Notice of shareholder meetings.** Written notice stating the place, day, and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten or more than fifty days before the date of the meeting, either personally or by mail, by or at the direction of the president, the secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of Washington Land Bank with postage thereon prepaid.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-150, filed 6/11/87.]

**WAC 50-52-160 Record of shareholders entitled to vote.** The officer or agent having charge of the stock transfer books for shares of Washington Land Bank shall make, at least ten days before each meeting of shareholders, a complete record of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten days prior to such meeting, shall be kept on file at the registered office of Washington Land Bank. Such record shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

An officer or agent having charge of the stock transfer books who shall fail to prepare the record of shareholders, or keep it on file for a period of ten days, or produce and keep it open for inspection at the meeting, as provided in this section, shall be liable to any shareholder suffering damage on account of such failure to the extent of such damage.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-160, filed 6/11/87.]

**WAC 50-52-170 Quorum of shareholders.** (1) A quorum at a meeting of shareholders is constituted by the representation in person or by proxy of:

(a) The percentage of shares entitled to vote set forth in the articles of incorporation, except that no such percentage shall be less than ten percent; or

(b) In the absence of any provision in the articles of incorporation, a majority of shares entitled to vote.

(2) If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater number or voting by classes is required by this title or the articles of incorporation or bylaws.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-170, filed 6/11/87.]

**WAC 50-52-180 Voting of shares.** A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy. Unless the articles of incorporation otherwise provide, at each election for directors every shareholder entitled to vote at such election shall have the right, in person or by proxy, to cast one vote for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors shall equal, or by distributing such votes on the same principle among any number of such candidates.

Shares standing in the name of a corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-180, filed 6/11/87.]

**WAC 50-52-190 Board of directors.** All corporate powers shall be exercised by or under authority of, and the business and affairs of Washington Land Bank shall be managed under the direction of, a board of directors. Directors shall be residents of this state and not less than a majority of the directors shall be persons eligible

to borrow from the Washington Land Bank. The articles of incorporation or bylaws may prescribe other qualifications for directors. The shareholders shall have authority to fix the compensation of directors, which shall be set forth in the bylaws.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-190, filed 6/11/87.]

**WAC 50-52-200 Duties of directors.** A director shall perform the duties of a director, including the duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of Washington Land Bank, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(1) One or more officers or employees of Washington Land Bank whom the director believes to be reliable and competent in the matter presented;

(2) Counsel, public accountants, or other persons as to matters which the director believes to be within such person's professional or expert competence; or

(3) A committee of the board upon which the director does not serve, duly designated in accordance with a provision in the articles of incorporation or bylaws, as to matters within its designated authority, which committee the director believes to merit confidence; so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-200, filed 6/11/87.]

**WAC 50-52-210 Number and election of directors.** The board of directors of Washington Land Bank shall consist of five or more members. The number of directors shall be fixed by the articles of incorporation. The number of directors may be increased or decreased from time to time by amendment to or in the manner provided in the articles of incorporation, but no decrease shall have the effect of shortening the term of any incumbent director nor shall the number of directors be reduced to less than five. The names and addresses of the members of the first board of directors shall be stated in the articles of incorporation. Such personnel shall hold office until the first annual meeting of shareholders, and until their successors shall have been elected and qualified. At the first annual meeting of shareholders and at each annual meeting thereafter the shareholders shall elect directors to hold office until the next succeeding annual meeting, except in case of the classification of directors as permitted by this title. Each director shall hold office for the term for which he is elected and until his successor shall have been elected and qualified.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-210, filed 6/11/87.]

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**WAC 50-52-220 Classification of directors.** In lieu of electing the whole number of directors annually, the articles of incorporation may provide that the directors be divided into either two or three classes, each class to be as nearly equal in number as possible, the term of office of directors of the first class to expire at the first annual meeting of shareholders after their election, that of the second class to expire at the second annual meeting after their election, and that of the third class, if any, to expire at the third annual meeting after their election. At each annual meeting after such classification the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected to hold office until the second succeeding annual meeting, if there be two classes, or until the third succeeding annual meeting, if there be three classes. No classification of directors shall be effective prior to the first annual meeting of shareholders.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-220, filed 6/11/87.]

**WAC 50-52-230 Vacancies.** Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by the board of directors for a term of office continuing only until the next election of directors by the shareholders.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-230, filed 6/11/87.]

**WAC 50-52-240 Removal of directors.** At a meeting of shareholders called expressly for that purpose, directors may be removed in the manner provided in this section. Any director of the entire board of directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

If less than the entire board is to be removed, no one of the directors may be removed if the votes cast against his removal would be sufficient to elect such director if then cumulatively voted at an election of the entire board of directors, or, if there be classes of directors, at an election of the class of directors of which such director is a part.

Whenever the holders of the shares of any class are entitled to elect one or more directors by the provisions of the articles of incorporation, the provisions of this section shall apply, in respect to the removal of a director or directors so elected, to the vote of the holders of the outstanding shares of that class and not to the vote of the outstanding shares as a whole.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-240, filed 6/11/87.]

**WAC 50-52-250 Quorum of directors.** (1) Except as provided in subsection (2) of this section:



(a) A majority of the number of directors fixed by the articles of incorporation shall constitute a quorum for the transaction of business.

(b) The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by the articles of incorporation or the bylaws.

(2) A transaction with Washington Land Bank in which a director or an officer has a direct or indirect interest shall be authorized, approved, or ratified only in the manner prescribed for approval of a loan to such director in chapter 50-52 WAC, and only directors with no direct or indirect interest in the transaction shall be eligible to vote thereon.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-250, filed 6/11/87.]

**WAC 50-52-260 Dissent by directors.** A director of Washington Land Bank who is present at a meeting of its board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file this written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Washington Land Bank immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-260, filed 6/11/87.]

**WAC 50-52-270 Executive and other committees.** If the articles of incorporation or the bylaws so provide, the board of directors, by resolution adopted by a majority of the full board of directors, may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution or in the articles of incorporation or the bylaws of the corporation, shall have and may exercise all the authority of the board of directors, except that no such committee shall have the authority to: (1) Authorize distributions, except at a rate or in periodic amount determined by the board of directors, (2) approve or recommend to shareholders actions or proposals required by this title to be approved by shareholders, (3) fill vacancies on the board of directors or any committee thereof, (4) amend the bylaws, or (5) appoint other committees of the board of directors or the members thereof.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-270, filed 6/11/87.]

**WAC 50-52-280 Place and notice of directors' or designated committee meetings--Presence.** Meetings of the board of directors, regular or special, shall be held within the state of Washington.

Regular meetings of the board of directors or of any committee designated by the board of directors may be

held with or without notice as prescribed in the bylaws. Special meetings of the board of directors or any committee designated by the board of directors shall be held upon such notice as is prescribed in the bylaws. Attendance of a director or a committee member at a meeting shall constitute a waiver of notice of such meeting, except where a director or a committee member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors or any committee designated by the board of directors need be specified in the notice or waiver of notice of such meeting unless required by the bylaws.

Except as may be otherwise restricted by the articles of incorporation or bylaws, members of the board of directors or any committee designated by the board of directors may participate in a meeting of such board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-280, filed 6/11/87.]

**WAC 50-52-290 Loans to directors--Guarantees of obligations of directors.** (1) The Washington Land Bank may not lend money to, or lend money upon the guaranty of, or guarantee the obligation of, a director of the bank unless the particular loan or guarantee is approved by the affirmative vote of at least a majority of the directors of the Washington Land Bank. Neither the benefited director nor any other director having a direct or indirect interest in the transaction may vote for approving such a loan.

(2) The fact that a loan is made to or guaranteed by a director in violation of this section does not affect the borrower's or guarantor's liability on the loan.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-290, filed 6/11/87.]

**WAC 50-52-300 Officers.** The officers of Washington Land Bank shall consist of a president, one or more vice presidents as may be prescribed by the bylaws, a secretary, and a treasurer, each of whom shall be elected by the board of directors at such time and in such manner as may be prescribed by the bylaws. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the board of directors, or chosen in such other manner, as may be prescribed by the bylaws.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-300, filed 6/11/87.]

**WAC 50-52-310 Removal of officers.** Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of Washington Land Bank will be served thereby, but such removal shall be without prejudice to the contract rights,

if any, of an officer or agent and shall not of itself create contract rights.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-310, filed 6/11/87.]

**WAC 50-52-320 Books, records and minutes.** Washington Land Bank shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its shareholders and board of directors, and shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its shareholders, giving the names and addresses of all shareholders and the number and class of the share held by each. Any books, records, and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-320, filed 6/11/87.]

## LENDING

**WAC 50-52-330 Eligibility.** (1) To be eligible to borrow, a person must be a bona fide farmer, rancher, or producer of privately cultured aquatic products, as defined in WAC 50-52-030(4), which status shall be established as a part of the application for credit.

(2) When the borrower does not own the real estate pledged as collateral, the loan shall be made on the following basis:

(a) The borrower must be a bona fide farmer or rancher.

(b) The loan shall be secured by the agricultural land on which the borrower is farming.

(c) The land shall be leased to the borrower on a long-term basis.

(d) The owner of the land shall sign a hypothecation agreement for the purpose of securing the bank's interest in the collateral for the loan.

(3) A legal entity shall meet the requirements in subsection (1) of this section and the following qualifications to be eligible to borrow:

(a) A majority of the shares of its outstanding voting stock or equity must be owned by the individuals conducting the farming, livestock, or aquatic operation.

(b) It shall own assets primarily related to the production of agricultural products or production of privately cultured aquatic products.

(c) A majority of its income must originate from its production of agricultural products or production of privately cultured aquatic products.

(4) A legal entity engaged in agriculture or production of privately cultured aquatic products for the primary purpose of conducting its operation at a loss to absorb taxable income from nonagricultural or nonaquatic sources shall not be eligible. The legal entity shall demonstrate compliance with this subsection.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-330, filed 6/11/87.]

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**WAC 50-52-340 Combined operations.** Where applications include a combination of farming or producing privately cultured aquatic products, the determination of eligibility can be made on the basis of the criteria set out for either or any combination of these operations.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-340, filed 6/11/87.]

**WAC 50-52-350 Assumption of loans.** Loans made by the Washington Land Bank may be assumed by a person eligible to borrow from the Washington Land Bank. Loans may not be assumed without the prior approval of the Washington Land Bank. A person proposing to assume a loan shall submit an application in the form designated by the board of directors. In approving or denying approval of such assumption, the Washington Land Bank shall apply the same standards applied by the Washington Land Bank to comparable loans then being made by Washington Land Bank.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-350, filed 6/11/87.]

**WAC 50-52-360 Long-term real estate mortgages.** Washington Land Bank may make, or participate with other lenders in, only long-term loans to eligible farmers, ranchers, or producers of privately cultured aquatic products, as defined in WAC 50-52-030(4), for a term of not less than five years nor more than forty years, which loans must be secured by a first lien in real property located in the state of Washington, conveyed to Washington Land Bank by mortgage executed by all parties necessary, in the opinion of Washington Land Bank counsel, for the proper conveyance thereof. Subject to limitations applicable to making long-term real estate mortgage loans, Washington Land Bank may make continuing commitments to make such loans under specified circumstances. Policies established by the bank's board shall be followed in making loans and in making commitments for loans. Borrowers shall be permitted to make advance payments on their loans or, under agreement with Washington Land Bank, to make advance conditional payments for the purpose of establishing reserves to pay off the loan upon maturity or to make these funds available to the borrowers as needed. Washington Land Bank may pay interest on advance conditional payments at a rate not to exceed the rate charged on related loans.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-360, filed 6/11/87.]

**WAC 50-52-370 Nondiscrimination in lending and other services.** Washington Land Bank shall not, because of the race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract) of an eligible person, deny a loan, or refuse to allow, receive, or consider any application, request, or inquiry with respect to a loan, or refuse to perform any other service it customarily makes available to borrowers, applicants, and members, or discriminate in fixing the amount, interest rate, duration, application procedures, collection or enforcement procedures, or other

terms or conditions of a loan or other service on any such basis.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-370, filed 6/11/87.]

**WAC 50-52-380 Nondiscriminatory advertising.** Washington Land Bank advertising shall not use words, phrases, symbols, directions, forms, or models in such advertising which imply or suggest a policy of discrimination or exclusion in violation of the provisions of Title VIII of the Civil Rights Act of 1968.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-380, filed 6/11/87.]

**WAC 50-52-390 Deferral of payments.** With the approval of the Washington Land Bank, during the first five years after the loan is originated, the borrower may elect to defer payment of all or any portion of the principal or interest due from the borrower if the following conditions are met:

(1) If approved, deferral of such payment shall be made on the date such payment is due during the first five years after the loan is originated.

(2) The deferral of such payment shall not cause or allow the principal and accrued interest on the outstanding loan, including interest accruing during the period of deferral, to exceed sixty-five percent of the original appraised value or the current appraised value of the collateral, whichever is less. Values of the collateral shall be determined according to the appraisal standards set forth in WAC 50-52-440.

(3) The borrower shall notify Washington Land Bank of its intention to defer payments not more than ninety nor less than thirty days prior to making such election, and shall have received approval of such deferral in writing. If the outstanding principal and accrued interest exceeds, or would during the deferral period exceed, sixty-five percent of the appraised value, the borrower shall make partial payments until such principal, accrued interest, and interest which will accrue during the deferral period are reduced to comply with subsection (2) of this section. Application of such payments shall be first made against accrued interest and any other charges or fees and then to reduction of outstanding principal.

(4) The repayment of the principal amount and all interest accrued and to accrue, including any and all interest charges or fees earned during the period of deferral and thereafter, shall be recomputed and amortized over a term equal to the original term of the loan. Interest rate or rates may vary from time to time during the repayment period of the loan, in accordance with the interest rates and charges policy set forth in WAC 50-52-460.

(5) In connection with a request to defer repayment, the borrower shall provide to Washington Land Bank such current financial statements, budgets and projections, current land appraisal and other loan documentation as Washington Land Bank may require.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-390, filed 6/11/87.]

**WAC 50-52-400 Basis of loan.** Loans made by the Washington Land Bank shall be made on the basis of long-term profitability rather than short-term cash flow. For this purpose, the term "long-term profitability" shall mean the ability of the borrower to repay the money borrowed and all accrued interest and the charges during the term of the loan as written including deferral periods as allowed herein, from the borrower's existing resources and from reasonably anticipated future income and resources based upon the borrower's demonstrated abilities, as disclosed by the loan application and supporting documentation. The board of directors shall establish written lending policies, which shall set forth the criteria which shall be applied in granting or extending credit, and the relative weight to be accorded to each factor. The factors shall include, in addition to collateral value, the ability and willingness of the borrower to meet the repayment terms, the borrower's financial condition, the borrower's reputation, and the borrower's earning projections from farming operations and other sources. Lending policies shall include provisions for adequate collateral and loan documentation.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-400, filed 6/11/87.]

**WAC 50-52-410 Borrower liability.** All primary borrowers shall be fully liable for loans obtained from Washington Land Bank. Where personal guaranty is required, each guarantor shall be fully liable unless the primary borrower or other guarantors provide adequate financial strength to result in a sound loan even though the personal liability of an individual guarantor may be limited.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-410, filed 6/11/87.]

**WAC 50-52-420 Loan terms and conditions.** (1) Loans may be made for not less than five years nor more than forty years. The written loan approval prepared by Washington Land Bank shall set out the terms and conditions under which a loan is approved. To assure proper understanding, provide needed controls, and protect the lender, a formal written loan agreement shall be entered into between the borrower and the bank. The Washington Land Bank may participate in loans with other lenders, provided that such loans would be lawful loans if made directly by Washington Land Bank.

(2) The outstanding loan balance, including all accrued and unpaid interest, costs, and fees, on any loan shall not at any time during the life of the loan exceed sixty-five percent of the appraised value established by the appraisal of the primary real estate security made at the time the loan was originated or at the time of any subsequent deferral of payment, whichever is less. This shall not, however, prohibit the Washington Land Bank from advancing taxes, advancing insurance premiums with respect to the real estate, capitalizing past due interest, rescheduling loan payments, or granting partial releases of security interests in the real estate when, (a) there is adequate collateral to support the total amount of the outstanding debt without exceeding the sixty-five

percent loan to value ratio, and such action will increase the ability of the debtor to repay the debt, or, (b) if there is not adequate collateral to support the debt, litigation is in process for the collection of the debt, the actions are in connection with such litigation, and the actions are considered by Washington Land Bank to be necessary to protect the financial interest of Washington Land Bank in the collateral.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-420, filed 6/11/87.]

**WAC 50-52-430 Security requirements.** The primary security for a Washington Land Bank loan shall consist of a first lien on interests in real estate located in the state of Washington comprising agricultural property, or real estate used as an integral part of an eligible aquatic operation. The real estate interest must be mortgageable under deeds or leases which would allow the bank to have first lien security interest in the property and all parties who are necessary, in the opinion of Washington Land Bank counsel, for the proper conveyance of a first mortgage on said property shall join in the execution of all necessary instruments. Fixtures which are an integral part of, and normally sold with, the real estate may be included in the appraised value of property upon which the loan is based, provided that Washington Land Bank shall receive a first lien in such fixtures. The board of directors shall develop policies to assure that the appraised value of nonagricultural assets such as mineral deposits, commercial buildings, and improvements are properly identified in the report.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-430, filed 6/11/87.]

**WAC 50-52-440 Appraisals.** Appraised value shall be the basis for valuing all collateral. The board of directors shall establish written appraisal standards for the Washington Land Bank, which shall be utilized in determining the present value of the property. Value shall be determined by a qualified appraiser, as established by the board of directors, utilizing methods and procedures generally recognized in the industry for determining the fair market value of real estate. All appraisal reports or values shall be rendered in writing, setting forth the appraiser's opinion as to value and the basis, including all relevant facts and assumptions, upon which such value is determined.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-440, filed 6/11/87.]

**WAC 50-52-450 Additional security.** When necessary to protect the interest of the Washington Land Bank after a loan has been made, or to prevent default in the repayment or allow reasonable forbearance in collection of a delinquent loan, additional security may be required to supplement primary real estate security. Such additional security shall be considered only for additional collateral protection, and may not be included as part of the value of the security upon which the loan or any deferral is based. Recovery value shall be the basis

for measuring the collateral worth of such additional security. Recovery value is defined as the anticipated sale price expected to be received in a liquidation sale of such collateral, less any selling or maintenance costs and any prior liens and encumbrances.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-450, filed 6/11/87.]

**WAC 50-52-460 Interest rates and charges policy.** In setting rates and charges, it shall be the objective to provide the types of credit needed by eligible borrowers at the lowest reasonable cost on a sound business basis, taking into account the cost of money, necessary reserves and expenses, capital requirements, and services provided to borrowers and members.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-460, filed 6/11/87.]

**WAC 50-52-470 Interest rates.** Loans made by Washington Land Bank shall bear interest at a rate or rates as may be determined by the board of directors. The board shall set interest rates or establish in writing the basis for the setting of rates by management. Any interest rate plan shall set loan-pricing policies and objectives, provide guidance regarding the circumstances under which management may adjust rates, and provide the upper and lower limits on management authority. The board of directors may not delegate its ultimate responsibilities for setting interest rates, and any interest rate plan adopted shall be reviewed on at least a quarterly basis by the bank's board, as well as in conjunction with its review and approval of the bank's annual fiscal plan and long-range financial plan.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-470, filed 6/11/87.]

**WAC 50-52-480 Interest on past due loans.** Provisions may be made in the approved interest rate program for the collection of interest at a higher rate after maturity of a loan or installment if provision is made in the note or loan document.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-480, filed 6/11/87.]

**WAC 50-52-490 Other charges and fees.** Washington Land Bank may impose reasonable charges or fees in connection with loans, deferral of payments, and other services rendered.

[Statutory Authority: RCW 31.30.010, 87-13-030 (Order 87-1), § 50-52-490, filed 6/11/87.]

**WAC 50-52-500 Interest rate programs.** (1) The following types of interest rate programs may be employed:

(a) Fixed rates. The rate of interest specified in the note or loan document shall be the rate chargeable to the borrower during the period of the loan.

(b) Variable rates. The interest rate(s) on outstanding loan balances may be changed from time to time during the period of the loan, if appropriate provisions are made in the note or loan document.

(c) Fixed interest spread. Interest rates shall be expressed in terms of a percentage to be added to the cost of money to the Washington Land Bank.

(2) Differential rates. Differential interest rates may be established for loans based on type, purpose, amount, quality, funding, or operating costs, any combination of these factors, or such other factors as may be approved by the board of directors.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-500, filed 6/11/87.]

**WAC 50-52-510 Participations.** Washington Land Bank may enter into loan participation agreements with one or more other lenders, including federal land banks existing under the Farm Credit Act of 1971, as amended, provided the loan participation results in significantly beneficial or improved loan terms or conditions or services to the borrower which could not be obtained as a result of a direct loan. Such benefits to the borrower shall be documented in the loan file. All participations must be in loans which, in all respects, would be lawful for Washington Land Bank to make.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-510, filed 6/11/87.]

**WAC 50-52-520 Lending limits.** The total amount of loans, advances, commitments, financial assistance, or other extension of credit, including the purchase of loan participation(s) and the retained portion of any participations sold without recourse, which Washington Land Bank may have outstanding to any one borrower shall not exceed twenty percent of the capital and surplus of the bank.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-520, filed 6/11/87.]

**WAC 50-52-530 Computation of obligation for lending limit determination.** The obligation of an individual or legal entity shall be the total unpaid principal amount of loans or extensions of credit by Washington Land Bank which the individual or entity is liable to repay, including any direct or indirect advance of funds to a person made on a basis of any obligation of that person to repay the funds, or repayable from specific property pledged by or on behalf of a person. The term "loans or extension of credit" includes a renewal, modification, or extension of the maturity date of a loan or extension of credit but shall include only that portion of any participation loans held by the Washington Land Bank.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-530, filed 6/11/87.]

**WAC 50-52-540 Notice of action on loan application.** Every applicant for a loan from Washington Land Bank is entitled to a prompt notice of action on his application and, if the loan is denied or reduced, the reason for such action.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-540, filed 6/11/87.]

**WAC 50-52-550 Applicant's right to appeal.** An applicant who has reason to believe he was denied credit or was offered credit in a reduced amount because Washington Land Bank failed to take into account facts pertinent to his application, or misinterpreted or failed to properly apply the rules and regulations governing his application, shall be entitled to an informal hearing. That informal hearing shall be in person before the loan committee, or officer, or employee of Washington Land Bank authorized to act on that application. The applicant must make the request for such a hearing in writing within thirty days of notice of the original action. Promptly after such a hearing he shall be notified of the decision reached and the reasons therefor.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-550, filed 6/11/87.]

**WAC 50-52-560 Records.** Washington Land Bank shall maintain a complete file of all such written requests for hearing, along with all other written inquiries from applicants or borrowers concerning credit denials.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-560, filed 6/11/87.]

**WAC 50-52-570 Special lending programs.** To provide the best possible credit service to farmers, ranchers, and producers of cultured aquatic products, the board may adopt policies permitting Washington Land Bank to enter into agreements with other entities, including cooperative associations, to facilitate the making of loans to eligible farmers, ranchers, and producers of privately cultured aquatic products. Entities who are the originating lenders shall be responsible for the servicing of the loans they make. However, loan participation agreements may designate specific loan servicing efforts to be accomplished by a participating institution. The board of directors shall direct Washington Land Bank to adopt loan servicing policies and procedures to assure that loans will be serviced fairly and equitably for the borrower while minimizing the risk for Washington Land Bank. Procedures shall include specific plans which help preserve the quality of loans and which help resolve credit deficiencies as they develop.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-570, filed 6/11/87.]

## BORROWING--SECURITIES--INVESTMENTS

**WAC 50-52-580 Borrowings from commercial banks.** The board of directors by resolution, shall authorize all commercial bank borrowings.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-580, filed 6/11/87.]

**WAC 50-52-590 Borrowings from financial institutions other than commercial banks.** The Washington Land Bank may borrow from other financial institutions, such as insurance companies, thrift institutions or other public or private sources upon such terms and in such amounts as may be determined by the board of directors.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-590, filed 6/11/87.]

**WAC 50-52-600 Resolution required.** The board of directors shall by resolution authorize the issuance of notes, bonds, debentures, and similar obligations in such amounts as may be required to meet the Washington Land Bank's needs. Such resolution shall specify the maximum amount of obligations which shall be outstanding at any one time, as well as the amount, maturities, and rates of interest in each issue, and shall authorize the president of the bank, the executive committee or appropriate officers to do all things necessary and proper to issue such obligations.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-600, filed 6/11/87.]

**WAC 50-52-610 Debt policy.** The board of directors shall adopt a written policy regarding the management of its debt, and the sources of funding for the repayment of such debt.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-610, filed 6/11/87.]

**WAC 50-52-620 Securities issuance--Registration and disclosure.** In connection with the offering or sale of any "security," as defined by RCW 21.20.005(12) or any federal securities law, the Washington Land Bank shall comply with the provisions of the Securities Act of Washington, chapter 21.20 RCW, and any other applicable federal or state securities law.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-620, filed 6/11/87.]

**WAC 50-52-630 Investments.** Washington Land Bank is authorized to hold investment portfolios for the purposes of maintaining sufficient liquidity, investing short-term surplus funds, and managing short-term debt. The bank is not authorized to maintain investment portfolios primarily as a means of generating additional income.

The board of directors shall adopt a policy regarding the management of its investments. Within this policy, the following items shall be addressed:

- (1) The purpose of the bank's investments.
- (2) The portfolio objectives.
- (3) The bank's liquidity needs.
- (4) The portfolio size and quality.
- (5) Maturity guidelines.
- (6) Authorization to manage investment activities.
- (7) Reporting and monitoring requirements.

Additional areas may be addressed in the policy as deemed appropriate.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-630, filed 6/11/87.]

**WAC 50-52-640 Debt to capital ratios requirements.** Washington Land Bank shall not incur aggregate liabilities exceeding twelve times its capital and surplus.

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The term "capital and surplus" as used in this section, represents total net worth including undistributed earnings or losses but excluding valuation reserves and liability reserves. The term "aggregate liabilities" as used in this section, represents all amounts owed to others.

[Statutory Authority: RCW 31.30.010. 87-13-030 (Order 87-1), § 50-52-640, filed 6/11/87.]

### Chapter 50-56 WAC

#### SMALL BUSINESS ADMINISTRATION 7(A) LOAN GUARANTY PROGRAM NONDEPOSITORY LENDERS--LICENSING AND REGULATION

##### WAC

50-56-010	Purpose.
50-56-020	Application procedures.
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50-56-040	Continuing operations.
50-56-050	Records.
50-56-060	Reports.
50-56-070	Examinations.
50-56-080	Fees.

**WAC 50-56-010 Purpose.** The purpose of this chapter shall be to provide guidelines for application for a license to operate a nondepository small business lending venture under the auspices of the federal Small Business Administration (SBA) guaranty program known as the 7(a) loan guaranty program. Specifics of the program are set forth in section 7(a) of the federal "Small Business Investment Act of 1958," 15 U.S.C., part 636(a). These rules also establish other regulatory oversight guidelines and provide for fees. These rules are promulgated under the general rule-making authority of the state supervisor of banking, and are required under legislation passed by the legislature (section 3(1), chapter 212, Laws of 1989.)

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-010, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-020 Application procedures.** An application for state license to operate a nondepository small business lending venture to qualify for participation in the SBA 7(a) program shall be filed with the supervisor at the division of banking and shall include such fees as established elsewhere in these rules. As a matter of general procedure, it is recommended that interested parties visit the office of the supervisor prior to submitting their application to review statutory and other requirements for this action.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-020, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-030 Application format.** Applicants may use the same documentation as required by the SBA for their approval of the lender to the extent that such documentation meets the requirements of statute and these rules unless waived by the supervisor. The application must contain the following:

- (1) Applicant's name, address, and telephone number.
- (2) A statement that the applicant is incorporated under the Washington Business Corporation Act or the

Washington Nonprofit Corporation Act and a copy of applicant's Articles of Incorporation and Bylaws, properly certified.

(3) A list of officers, directors, associates, and all holders of ten or more percent of any class of the applicant's capital stock.

(4) A statement of personal history of all those listed in subsection (3) of this section. SBA Form 1081 or its equivalent may be used.

(5) A copy of the most recent audited financial statement of any entity other than a natural person holding ten or more percent of any class of stock of the applicant.

(6) An organizational chart showing the relationship of the applicant to its affiliates, as well as the applicant's internal organizational structure.

(7) Copies of the last three audited financial statements of the applicant, and supporting tax returns.

(8) Applicant's business plan which should include at a minimum:

(a) A detailed pro forma financial projection for at least three years of operations.

(b) A market study of the intended geographical area of operations.

(c) An explanation of applicant's method of funding loans, including the unguaranteed portion.

(d) An outline of loan servicing procedures proposed.

(e) Copies of written policies and procedures to be used, which must include policies requiring disclosure of conflicts of interest of affiliates, directors, officers, and employees; prohibiting false statements or representations to the supervisor; and preventing fraud or undue influence by the licensee.

(9) Certified copy of a resolution by the applicant's board of directors designating the person(s) authorized to act on behalf of applicant.

(10) An opinion of independent counsel that the applicant is in compliance with applicable state and federal laws in the formation and organization of the company, with applicable securities laws, and is chartered to conduct its business in the proposed operating area.

(11) Such marketing materials as may have been prepared that portray the nature of applicant's operations.

(12) Copies of all bonds in effect for directors, officers, and employees.

(13) Other such information as the supervisor may require.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-030, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-040 Continuing operations.** Licensees shall maintain an adequate financial condition.

(1) Minimum capital (unimpaired paid-in capital, surplus, and undivided profits) shall be in the amount of five hundred thousand dollars or five and one-half percent of total assets, whichever is greater, or a greater amount should the supervisor determine that applicant's business plan or economic conditions require a greater amount to conduct the business of a 7(a) lender. The supervisor may consider and include the net worth of

any corporate shareholder of the applicant if the shareholder agrees to unconditionally guarantee the liabilities of the applicant and that shareholder agrees to the reporting requirements set forth in WAC 50-56-060.

(2) Capital below the required amount precludes the presentation of additional loans to the SBA for guaranty without the written consent of the supervisor.

(3) Licensees shall maintain a reserve for anticipated loan losses appropriate to its needs, based on the following factors:

(a) The volume and mix of the existing loan portfolio, including the volume and severity of nonperforming loans and adversely classified credits, as well as an analysis of net charge-offs experienced on previously classified loans.

(b) The extent to which loan renewals and extensions are used to maintain loans on a current basis and the degree of risk associated with such loans.

(c) The trend in loan growth, including any rapid increase in loan volume within a relatively short time period.

(d) General and local economic conditions affecting the collectibility of the licensee's loans.

(e) Previous loan loss experience by loan type, including net charge-offs as a percent of average loans over the past several years.

(f) The relationship and trend over the past several years of recoveries as a percent of previous year's charge-offs.

(g) Available outside information of a comparable nature regarding the loan portfolios of other such lenders.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-040, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-050 Records.** Licensees shall maintain records in a fashion consistent with a financial institution and shall have them at all times readily accessible to the supervisor. Records shall be preserved under the following schedule:

(1) Preserve permanently:

(a) All general and subsidiary ledgers reflecting asset, liability, capital stock and surplus and income and expense accounts.

(b) All general and special journals or other records forming the basis for entries in such ledgers.

(c) Articles of incorporation, bylaws, stock registers, licenses, and minutes of board of directors meetings.

(2) Preserve for at least six years following final disposition of the related loan:

(a) All applications for financing.

(b) Financing instruments.

(c) Lending participation agreements.

(d) Escrow agreements.

(e) All other documents and supporting material relating to such loans, including correspondence.

Records and other documents in subsections (1) and (2) of this section may be preserved by reproduction. Provided, however, that the licensee shall prepare a duplicate reproduction which shall be stored separately

from the original for the time required. If such reproductions are used, the licensee shall maintain at all times facilities for the projection and reproduction of such records.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-050, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-060 Reports.** Licensees shall submit the following reports to the supervisor:

(1) Annual audits prepared in accordance with generally accepted accounting principles which shall be certified unless the supervisor makes other provision in writing in advance.

(2) Quarterly financial reports which shall include a balance sheet and income and expense statement for both the period and year to date.

(3) A notification of any suit or proceeding involving fraud or dishonesty where the licensee or an employee may be a party, or where an adverse judgment could contribute materially to the impairment of the licensee's capital. Such notification must be forwarded with copies of the complaint within thirty days of the filing of such action.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-060, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-070 Examinations.** The supervisor will conduct examinations of licensees as provided by statute and will forward a report of examination to the licensee's board of directors for information and action as appropriate. These examination reports and all subsequent and related correspondence are the property of the supervisor and will be subject to the same confidentiality requirements as established for financial institutions regulated by the division of banking.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-070, filed 12/7/89, effective 1/7/90.]

**WAC 50-56-080 Fees.** The cost of regulation of nondepository lenders licensed under Title 31 RCW, shall be borne by the licensees under the following schedule:

(1) Application fee. A fee of two thousand dollars must accompany an application for this license to cover the cost of investigation.

(2) Acquisition of control approval fee. A fee of two thousand dollars must accompany any request for acquisition of control of a licensee to cover the cost of investigation which will be conducted to the same degree as an initial application approval.

(3) Business combination fee. Other business combinations must be approved by the supervisor. Costs of investigation will be borne by the licensee and will be based on actual staff costs of the division of banking, which are fifty dollars per hour per examiner assigned.

(4) Examination and supervision fees. Examination and supervision fees shall be billed based on rates charged commercial banks for examination costs and semiannual asset charges in chapter 50-44 WAC.

[Statutory Authority: 1989 c 212 § 3(1). 90-01-001, § 50-56-080, filed 12/7/89, effective 1/7/90.]