

Chapter 208-528 WAC

NEW STATE BANKS AND TRUST COMPANIES—APPLICATION AND INVESTIGATION

(Formerly chapter 50-28 WAC)

WAC

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WAC 208-528-010 Purpose. The purpose of this chapter shall be to provide persons desiring to incorporate a bank or trust company with the requirements and guidelines necessary to comply with statutory provisions and to insure expeditious processing of a notice of intention to organize a bank or trust company.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, recodified as § 208-528-010, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-010, filed 8/6/73.]

WAC 208-528-020 Operations and procedures. A notice of intention to incorporate a bank or trust company shall be filed with the director at the division of banks in Olympia. As a matter of general procedure, it has been found desirable and is recommended that interested groups visit the office of the director for a round-table discussion of statutory and other requirements, the forms, documentation and general information needed, the fees payable to the division of banks and the secretary of state, plus a general discussion of the primary market area the applicants wish to serve and of economic resources of that area together with a brief review of existing financial institutions now serving that area.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-020, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-020, filed 8/6/73.]

WAC 208-528-030 Policy and guidelines. The notice of intention to organize a state bank or trust company shall be filed with the director in duplicate, on a form furnished by the division of banks. It is the established policy of the division of banks to require diligent and timely completion and submission of forms, schedules, surveys, economic studies, maps and all supporting data deemed necessary and required to conduct the statutory investigation. For the purpose of expediting the investigation and correlating said investigation with that of the Federal Deposit Insurance Corporation, in the event deposits of the proposed bank or trust company are to be insured by that agency, the schedules, statements and supporting data shall be organized under six basic general headings or factors:

- (1) Financial history and condition.
 - (a) Pro forma statement of condition - beginning of business.
 - (b) Premises to be occupied by proposed bank, whether owned or leased, whether permanent or temporary, details as to description, costs, from whom purchased or leased, insurance coverage, estimated annual depreciation. If property is to be purchased or leased from a director, officer, a large shareholder, or an interest of any such, complete details should be furnished.
 - (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 (which should not be borrowed from any source) - complete and detailed accounting is required for all expenses related to organization, including detailed account of actual legal work performed 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) Proposed allocations within total capital structure.
 - (i) Amount of paid-in common 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) Minimum capital requirements of state law (RCW 30.08.010 as amended by chapter 104, Laws of 1973).
 - (c) The adequacy (deemed reasonable) of the proposed capital structure is evaluated, in part, by:
 - (i) The population of the community to be served.
 - (ii) Ratio the projected net total capital structure will bear to the estimated volume of deposits at the end of each of the first three 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 three years of operations. Provision should be made for the bad debt reserve (loan losses) based upon the major types of loaning demands the proposed bank expects to serve and total loans expected by the end of the first, second and third years of operations.
 - (4) General character of management.
 - (a) A financial report and a biographical report for each officer and director is required together with a report by each

officer and director stating the number of shares to be purchased, the total cost of such shares and details as to source and financing terms for such portion as not paid in cash. (If disclosure of any of the proposed officers would jeopardize current employment, include the information in a special "CONFIDENTIAL SECTION.")

(b) The subscribers (proposed shareholders) are to be listed alphabetically with name and address, occupation and 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 5% or more of the proposed capital stock, the financing terms are required as for directors and officers.

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

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

(e) Management of the proposed bank will report:

(i) Name of principal correspondent bank or banks and basis upon which the selection was made.

(ii) Determination that sufficiency of surety bond coverage 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 economic support and justification for the proposed bank including:

(i) The community and "surrounding country" (the trade territory or market area) which the proposed bank will serve, including the geographic boundaries within which all or most of the bank's potential customers reside.

(1) Furnish a detail map of such area pinpointing and indexing each financial institution (banks and savings and loan associations and mutual savings bank, whether head office or branch office).

(2) Provide list or recapitulation of subscribers residing in or closely identified with the area to be served.

(3) Provide estimates of the total deposits anticipated during the early period of operations together with totals expected by the end of each of the first three years. The latter should be segregated:

- (a) Demand deposits.
- (b) Savings passbook accounts.
- (c) Other time deposits.
- (d) Public funds.
- (e) Recapitulation as to total demand and total time.

(4) The economic characteristics of the trade territory specified above for the most recent five-year period where possible... including manufacturing, agricultural and other industrial data, construction activity, retail and wholesale sales, housing starts, school population, census figures and projections.

(5) Such additional data relating to the trade area considered relevant and indicating support for the proposed bank as may be obtained from such sources as local offices of utilities, planning commission, chamber of commerce or trade

associations, traffic surveys, county auditor, title insurance company, etc. (In the event an economic survey or feasibility study has been prepared it may provide most of the information needed.)

(ii) List principal business and industries of the market area by name of company, type of business, average number of employees, approximate annual payroll and annual sales. If significant, furnish details as to public employment of the area, including schools, military, U.S., state, county, municipal or other.

(b) List all banks, branches, trust companies, mutual savings banks and branches, together with savings and loan associations presently serving in the proposed market area and surrounding country, including any authorized but unopened offices, indicating "N/A" for information determined unobtainable:

- (i) Name of the financial institution.
- (ii) Location.
- (iii) Distance (road miles or city blocks) from proposed site.
- (iv) Direction from site.
- (v) Date established.
- (vi) Date of latest statement available.
- (vii) Deposits: Demand, time and total.
- (viii) Loans: Commercial, consumer, real estate secured and total to extent available.

(6) Consistency of corporate powers. In addition to the proposed articles of incorporation submitted with the notice of intention to organize, the proposed bylaws should be submitted together with articles of incorporation and complete details for any proposed affiliate (i.e., a premises holding company).

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-030, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-030, filed 8/6/73.]

WAC 208-528-040 Fees. The filing fee to accompany the notice of intention to organize a bank or trust company shall be that established by WAC 208-512-045, as now or hereafter amended. If the application is withdrawn by applicants before a field investigation is undertaken a refund will be made based upon retention of that portion deemed adequate to cover processing and preliminary investigation costs. The retained portion shall be the greater of:

- (1) \$500.00, or
- (2) Estimated number of hours times the current hourly rate as established by WAC 208-512-045 as devoted to processing and preliminary review and investigation.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 01-06-024, § 208-528-040, filed 2/27/01, effective 3/30/01; WSR 00-17-141, recodified as § 208-528-040, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-040, filed 8/6/73.]

WAC 208-528-050 Field investigation. The required field investigation will be undertaken promptly upon submission of the notice of intention to organize a bank or trust company accompanied by statutory fees, provided the required documentation is determined by preliminary review to be complete in all respects. If, in the judgment of the director, matters of substantive nature are missing or incomplete the notice of intent to organize and submitted documents may be

returned to the correspondent of record. If the matters deemed incomplete be of relatively minor nature the applicants may be notified in writing thereof and given a reasonable time to make corrections or submit additional information or schedules required. For purposes of section 5, chapter 104, Laws of 1973 1st ex. sess. (RCW 30.08.030), a notice of intention to organize a bank or trust company shall not be deemed to be received by the director unless and until all of the information required by the director has been provided to him.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-050, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-050, filed 8/6/73.]

WAC 208-528-060 Adoption of form. The division of banks 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."

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-060, filed 8/22/00, effective 9/22/00; Order 21, § 50-28-060, filed 8/6/73.]

WAC 208-528-070 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 director of the department of financial institutions and filed with the secretary of state.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-070, filed 8/22/00, effective 9/22/00; Order 30, § 50-28-070, filed 10/2/75.]

WAC 208-528-990 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 Director of the Department of Financial Institutions:

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 208-512-040.

(2/27/01)

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

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Enclosure: \$2,000 Cashier's Check
Payable to the Division of Banks

(*) Please type name under signature.

[Statutory Authority: RCW 30.04.030 and 43.320.040. WSR 00-17-141, amended and recodified as § 208-528-990, filed 8/22/00, effective 9/22/00; Order 21, Appendix I—Form (codified as WAC 50-28-990), filed 8/6/73.]