

SENATE BILL REPORT

SB 6281

AS OF FEBRUARY 4, 1992

Brief Description: Restricting bank concentration levels.

SPONSORS: Senators Niemi, Pelz and Talmadge

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Benson Porter (786-7470)

Hearing Dates: February 4, 1992

BACKGROUND:

Last year, BankAmerica announced its intention to file an application to merge with Security Pacific in a stock swap transaction. Since the announcement, various opinions have been expressed about the merits of the proposed merger both in the media and at various state and federal hearings on the proposal.

Under current state law, certain acquisitions of stock are considered unlawful under the Consumer Protection Act when the transaction may substantially lessen competition. A person injured by such an acquisition is authorized to bring a civil action for various damages including reasonable attorneys' fees, costs of the suit, actual damages, and other discretionary damages.

SUMMARY:

A presumption under the Consumer Protection Act is created that the acquisition of a financial institution will substantially lessen the competition in certain specified situations.

This presumption arises when the transaction: (1) gives the acquiring entity control in over 30 percent of the commercial deposits in the state; (2) increases the Herfindahl Hirshmann Index ("HHI") in any county by more than 100 points and the post-acquisition HHI is between 1,000 and 1,800 points; or (3) increases the HHI in any county by more than 50 points and the post-acquisition HHI is 1,800 or more points.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill contains an emergency clause and takes effect immediately.

