

2 **SHB 1396** - S COMM AMD  
3 By Committee on Labor & Commerce

4

5 Strike everything after the enacting clause and insert the  
6 following:

7 "NEW SECTION. **Sec. 1.** The legislature finds that, given the  
8 overlap of powers and products in the companies regulated, the  
9 consolidation of the agencies regulating financial institutions and  
10 securities into one department will better serve the public interest  
11 through more effective use of staff expertise. Therefore, for the  
12 convenience of administration and the centralization of control and the  
13 more effective use of state resources and expertise, the state desires  
14 to combine the regulation of financial institutions and securities into  
15 one department.

16 NEW SECTION. **Sec. 2.** A state department of financial  
17 institutions, headed by the director of financial institutions, is  
18 created. The department shall be organized and operated in a manner  
19 that to the fullest extent permissible under applicable law protects  
20 the public interest, protects the safety and soundness of depository  
21 institutions and entities under the jurisdiction of the department,  
22 ensures access to the regulatory process for all concerned parties, and  
23 protects the interests of investors. The department of financial  
24 institutions shall be structured to reflect the unique differences in  
25 the types of institutions and areas it regulates.

26 NEW SECTION. **Sec. 3.** The director of financial institutions shall  
27 be appointed by the governor and shall exercise all powers and perform  
28 all of the duties and functions transferred under section 6 of this  
29 act, and such other powers and duties as may be authorized by law. The  
30 director may deputize, appoint, and employ examiners and other such  
31 assistants and personnel as may be necessary to carry on the work of  
32 the department. The director of financial institutions shall receive  
33 a salary in an amount fixed by the governor.

1        NEW SECTION.    **Sec. 4.**    A person is not eligible for appointment as  
2 director of financial institutions unless he or she is, and for the  
3 last two years before his or her appointment has been, a citizen of the  
4 United States.    A person is not eligible for appointment as director of  
5 financial institutions if he or she has an interest at the time of  
6 appointment, as a director, trustee, officer, or stockholder in any  
7 bank, savings bank, savings and loan association, credit union,  
8 consumer loan company, trust company, securities broker-dealer or  
9 investment advisor, or other institution regulated by the department.

10        NEW SECTION.    **Sec. 5.**    The director of financial institutions may  
11 adopt any rules, under chapter 34.05 RCW, necessary to implement the  
12 powers and duties of the director under this chapter.

13        NEW SECTION.    **Sec. 6.**    (1) All powers, duties, and functions of the  
14 department of general administration under Titles 30, 31, 32, 33, and  
15 43 RCW and any other title pertaining to duties relating to banks,  
16 savings banks, foreign bank branches, savings and loan associations,  
17 credit unions, consumer loan companies, check cashers and sellers,  
18 trust companies and departments, and other similar institutions are  
19 transferred to the department of financial institutions.    All  
20 references to the director of general administration, supervisor of  
21 banking, or the supervisor of savings and loan associations in the  
22 Revised Code of Washington are construed to mean the director of the  
23 department of financial institutions when referring to the functions  
24 transferred in this section.    All references to the department of  
25 general administration in the Revised Code of Washington are construed  
26 to mean the department of financial institutions when referring to the  
27 functions transferred in this subsection.

28        (2) All powers, duties, and functions of the department of  
29 licensing under chapters 19.100, 19.110, 21.20, 21.30, and 48.18A RCW  
30 and any other statute pertaining to the regulation of securities,  
31 franchises, business opportunities, commodities, and any other  
32 speculative investments are transferred to the department of financial  
33 institutions.    All references to the director or department of  
34 licensing in the Revised Code of Washington are construed to mean the  
35 director or department of financial institutions when referring to the  
36 functions transferred in this subsection.

1        NEW SECTION.    **Sec. 7.**    All reports, documents, surveys, books,  
2 records, files, papers, or other written or electronically stored  
3 material in the possession of the department of general administration  
4 or the department of licensing and pertaining to the powers, functions,  
5 and duties transferred by section 6 of this act shall be delivered to  
6 the custody of the department of financial institutions. All cabinets,  
7 furniture, office equipment, motor vehicles, and other tangible  
8 property purchased by the division of banking and the division of  
9 savings and loan in carrying out the powers, functions, and duties  
10 transferred by section 6 of this act shall be transferred to the  
11 department of financial institutions. All cabinets, furniture, office  
12 equipment, motor vehicles, and other tangible property employed by the  
13 department of licensing in carrying out the powers, functions, and  
14 duties transferred by section 6 of this act shall be made available to  
15 the department of financial institutions. All funds, credits, or other  
16 assets held by the department of general administration or the  
17 department of licensing in connection with the powers, functions, and  
18 duties transferred by section 6 of this act shall be assigned to the  
19 department of financial institutions.

20        Any appropriations made to the department of general administration  
21 or the department of licensing for carrying out the powers, functions,  
22 and duties transferred by section 6 of this act shall, on the effective  
23 date of this act, be transferred and credited to the department of  
24 financial institutions.

25        If a dispute arises as to the transfer of any personnel, funds,  
26 books, documents, records, papers, files, equipment, or other tangible  
27 property used or held in the exercise of the powers and the performance  
28 of the duties and functions transferred, the director of financial  
29 management shall make a determination as to the proper allocation and  
30 certify the same to the state agencies concerned.

31        NEW SECTION.    **Sec. 8.**    The director of financial institutions may  
32 appoint assistant directors for each of the divisions of the department  
33 and delegate to them the power to perform any act or duty conferred  
34 upon the director. The director is responsible for the official acts  
35 of these assistant directors.

36        The department of financial institutions shall consist of at least  
37 the following four divisions:    The division of FDIC insured  
38 institutions, with regulatory authority over all state-chartered FDIC

1 insured institutions; the division of credit unions, with regulatory  
2 authority over all state-chartered credit unions; the division of  
3 consumer affairs, with regulatory authority over state-licensed  
4 nondepository lending institutions and other regulated entities; and  
5 the division of securities, with regulatory authority over securities,  
6 franchises, business opportunities, and commodities. The director of  
7 financial institutions is granted broad administrative authority to add  
8 additional responsibilities to these divisions as necessary and  
9 consistent with applicable law.

10 For purposes of this section, "FDIC" means the Federal Deposit  
11 Insurance Corporation.

12 NEW SECTION. **Sec. 9.** All employees classified under chapter 41.06  
13 RCW, the state civil service law, who are employees of the department  
14 of general administration or the department of licensing engaged in  
15 performing the powers, functions, and duties transferred by section 6  
16 of this act are transferred to the department of financial  
17 institutions. All such employees are assigned to the department of  
18 financial institutions to perform their usual duties upon the same  
19 terms as formerly, without any loss of rights, subject to any action  
20 that may be appropriate thereafter in accordance with the laws and  
21 rules governing state civil service.

22 NEW SECTION. **Sec. 10.** All rules and all pending business before  
23 the department of general administration or the department of licensing  
24 pertaining to the powers, functions, and duties transferred by section  
25 6 of this act shall be continued and acted upon by the department of  
26 financial institutions. All existing contracts and obligations shall  
27 remain in full force and shall be performed by the department of  
28 financial institutions.

29 NEW SECTION. **Sec. 11.** The transfer of the powers, duties,  
30 functions, and personnel of the department of general administration or  
31 the department of licensing under sections 6, 7, 9, and 10 of this act  
32 does not affect the validity of any act performed by such an employee  
33 before the effective date of this act.

34 NEW SECTION. **Sec. 12.** If apportionments of budgeted funds are  
35 required because of the transfers directed by sections 6 through 11 of

1 this act, the director of financial management shall certify the  
2 apportionments to the agencies affected, to the state auditor, and to  
3 the state treasurer. Each of these shall make the appropriate transfer  
4 and adjustments in funds and appropriation accounts and equipment  
5 records in accordance with the certification.

6 NEW SECTION. **Sec. 13.** Nothing contained in sections 6 through 11  
7 of this act may be construed to alter any existing collective  
8 bargaining unit or the provisions of any existing collective bargaining  
9 agreement until the expiration date of the current agreement or until  
10 the bargaining unit has been modified by action of the personnel board  
11 as provided by law.

12 **Sec. 14.** RCW 21.20.005 and 1989 c 391 s 1 are each amended to read  
13 as follows:

14 The definitions set forth in this section shall apply throughout  
15 this chapter, unless the context otherwise requires:

16 (1) "Director" means the director of (~~licensing~~) financial  
17 institutions of this state.

18 (2) "Salesperson" means any individual other than a broker-dealer  
19 who represents a broker-dealer or issuer in effecting or attempting to  
20 effect sales of securities, but "salesperson" does not include an  
21 individual who represents an issuer in (a) effecting a transaction in  
22 a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), (10),  
23 (11), (12), or (13), (~~as now or hereafter amended,~~) (b) effecting  
24 transactions exempted by RCW 21.20.320, or (c) effecting transactions  
25 with existing employees, partners, or directors of the issuer if no  
26 commission or other remuneration is paid or given directly or  
27 indirectly for soliciting any person in this state.

28 (3) "Broker-dealer" means any person engaged in the business of  
29 effecting transactions in securities for the account of others or for  
30 that person's own account. "Broker-dealer" does not include (a) a  
31 salesperson, issuer, bank, savings institution, or trust company, (b)  
32 a person who has no place of business in this state if the person  
33 effects transactions in this state exclusively with or through the  
34 issuers of the securities involved in the transactions, other broker-  
35 dealers, or banks, savings institutions, trust companies, insurance  
36 companies, investment companies as defined in the investment company  
37 act of 1940, pension or profit-sharing trusts, or other financial

1 institutions or institutional buyers, whether acting for themselves or  
2 as trustees, or (c) a person who has no place of business in this state  
3 if during any period of twelve consecutive months that person does not  
4 direct more than fifteen offers to sell or to buy into this state in  
5 any manner to persons other than those specified in subsection (b)  
6 above.

7 (4) "Guaranteed" means guaranteed as to payment of principal,  
8 interest, or dividends.

9 (5) "Full business day" means all calendar days, excluding  
10 therefrom Saturdays, Sundays, and all legal holidays, as defined by  
11 statute.

12 (6) "Investment adviser" means any person who, for compensation,  
13 engages in the business of advising others, either directly or through  
14 publications or writings, as to the value of securities or as to the  
15 advisability of investing in, purchasing, or selling securities, or  
16 who, for compensation and as a part of a regular business, issues or  
17 promulgates analyses or reports concerning securities. "Investment  
18 adviser" also includes financial planners and other persons who, as an  
19 integral component of other financially related services, (a) provide  
20 the foregoing investment advisory services to others for compensation  
21 as part of a business or (b) hold themselves out as providing the  
22 foregoing investment advisory services to others for compensation.  
23 Investment adviser shall also include any person who holds himself out  
24 as a financial planner.

25 "Investment adviser" does not include (a) a bank, savings  
26 institution, or trust company, (b) a lawyer, accountant, certified  
27 public accountant licensed under chapter 18.04 RCW, engineer, or  
28 teacher whose performance of these services is solely incidental to the  
29 practice of his or her profession, (c) a broker-dealer, (d) a publisher  
30 of any bona fide newspaper, news magazine, or business or financial  
31 publication of general, regular, and paid circulation, (e) a radio or  
32 television station, (f) a person whose advice, analyses, or reports  
33 relate only to securities exempted by RCW 21.20.310(1), (g) a person  
34 who has no place of business in this state if (i) that person's only  
35 clients in this state are other investment advisers, broker-dealers,  
36 banks, savings institutions, trust companies, insurance companies,  
37 investment companies as defined in the investment company act of 1940,  
38 pension or profit-sharing trust, or other financial institutions or  
39 institutional buyers, whether acting for themselves or as trustees, or

1 (ii) during any period of twelve consecutive months that person does  
2 not direct business communications into this state in any manner to  
3 more than five clients other than those specified in clause (i) above,  
4 or (h) such other persons not within the intent of this paragraph as  
5 the director may by rule or order designate.

6 (7) "Issuer" means any person who issues or proposes to issue any  
7 security, except that with respect to certificates of deposit, voting  
8 trust certificates, or collateral-trust certificates, or with respect  
9 to certificates of interest or shares in an unincorporated investment  
10 trust not having a board of directors (or persons performing similar  
11 functions) or of the fixed, restricted management, or unit type; the  
12 term "issuer" means the person or persons performing the acts and  
13 assuming the duties of depositor or manager pursuant to the provisions  
14 of the trust or other agreement or instrument under which the security  
15 is issued.

16 (8) "Nonissuer" means not directly or indirectly for the benefit of  
17 the issuer.

18 (9) "Person" means an individual, a corporation, a partnership, an  
19 association, a joint-stock company, a trust where the interest of the  
20 beneficiaries are evidenced by a security, an unincorporated  
21 organization, a government, or a political subdivision of a government.

22 (10) "Sale" or "sell" includes every contract of sale of, contract  
23 to sell, or disposition of, a security or interest in a security for  
24 value. "Offer" or "offer to sell" includes every attempt or offer to  
25 dispose of, or solicitation of an offer to buy, a security or interest  
26 in a security for value.

27 Any security given or delivered with, or as a bonus on account of,  
28 any purchase of securities or any other thing is considered to  
29 constitute part of the subject of the purchase and to have been offered  
30 and sold for value. A purported gift of assessable stock is considered  
31 to involve an offer and sale. Every sale or offer of a warrant or  
32 right to purchase or subscribe to another security of the same or  
33 another issuer, as well as every sale or offer of a security which  
34 gives the holder a present or future right or privilege to convert into  
35 another security of the same or another issuer, is considered to  
36 include an offer of the other security.

37 (11) "Securities Act of 1933((#)),\_" "Securities Exchange Act of  
38 1934((#)),\_" "Public Utility Holding Company Act of 1935((#)),\_" and

1 "Investment Company Act of 1940" means the federal statutes of those  
2 names as amended before or after June 10, 1959.

3 (12) "Security" means any note; stock; treasury stock; bond;  
4 debenture; evidence of indebtedness; certificate of interest or  
5 participation in any profit-sharing agreement; collateral-trust  
6 certificate; preorganization certificate or subscription; transferable  
7 share; investment contract; investment of money or other consideration  
8 in the risk capital of a venture with the expectation of some valuable  
9 benefit to the investor where the investor does not receive the right  
10 to exercise practical and actual control over the managerial decisions  
11 of the venture; voting-trust certificate; certificate of deposit for  
12 a security; certificate of interest or participation in an oil, gas or  
13 mining title or lease or in payments out of production under such a  
14 title or lease; charitable gift annuity; or, in general, any interest  
15 or instrument commonly known as a "security((=)),\_" or any certificate  
16 of interest or participation in, temporary or interim certificate for,  
17 receipt for, guarantee of, or warrant or right to subscribe to or  
18 purchase, any of the foregoing; or any sale of or indenture, bond or  
19 contract for the conveyance of land or any interest therein where such  
20 land is situated outside of the state of Washington and such sale or  
21 its offering is not conducted by a real estate broker licensed by the  
22 state of Washington. "Security" does not include any insurance or  
23 endowment policy or annuity contract under which an insurance company  
24 promises to pay money either in a lump sum or periodically for life or  
25 some other specified period.

26 (13) "State" means any state, territory, or possession of the  
27 United States, as well as the District of Columbia and Puerto Rico.

28 (14) "Investment adviser salesperson" means a person retained or  
29 employed by an investment adviser to solicit clients or offer the  
30 services of the investment adviser or manage the accounts of said  
31 clients.

32 (15) "Relatives((=)),\_" as used in RCW 21.20.310(11) (~~as now or~~  
33 ~~hereafter amended, shall~~) includes:

- 34 (a) A member's spouse;
- 35 (b) Parents of the member or the member's spouse;
- 36 (c) Grandparents of the member or the member's spouse;
- 37 (d) Natural or adopted children of the member or the member's  
38 spouse;
- 39 (e) Aunts and uncles of the member or the member's spouse; and



1 (f) First cousins of the member or the member's spouse.

2 **Sec. 15.** RCW 21.20.450 and 1979 ex.s. c 68 s 33 are each amended  
3 to read as follows:

4 The administration of the provisions of this chapter shall be under  
5 the department of (~~licensing~~) financial institutions. The director  
6 may from time to time make, amend, and (~~repeal~~) repeal such rules  
7 and forms as are necessary to carry out the provisions of this chapter,  
8 including rules defining any term, whether or not such term is used in  
9 the Washington securities law. The director may classify securities,  
10 persons, and matters within the director's jurisdiction, and prescribe  
11 different requirements for different classes. No rule or form(~~τ~~) may  
12 be made unless the director finds that the action is necessary or  
13 appropriate in the public interest or for the protection of investors  
14 and consistent with the purposes fairly intended by the policy and  
15 provisions of this chapter. In prescribing rules and forms the  
16 director may cooperate with the securities administrators of the other  
17 states and the securities and exchange commission with a view to  
18 effectuating the policy of this statute to achieve maximum uniformity  
19 in the form and content of registration statements, applications, and  
20 reports wherever practicable. All rules and forms of the director  
21 shall be published.

22 **Sec. 16.** RCW 21.20.720 and 1987 c 421 s 4 are each amended to read  
23 as follows:

24 (1) A director, officer, or controlling person of a debenture  
25 company shall not:

26 (a) Have any interest, direct or indirect, in the gains or profits  
27 of the debenture company, except to receive dividends upon the amounts  
28 contributed by him or her, the same as any other investor or  
29 shareholder and under the same regulations and conditions: PROVIDED,  
30 That nothing in this subsection shall be construed to prohibit salaries  
31 as may be approved by the debenture company's board of directors;

32 (b) Become a member of the board of directors or a controlling  
33 shareholder of another debenture company or a bank, trust company, or  
34 national banking association, of which board enough other directors or  
35 officers of the debenture company are members so as to constitute with  
36 him or her a majority of the board of directors.

37 (2) A director, an officer, or controlling person shall not:

1 (a) For himself or herself or as agent or partner of another,  
2 directly or indirectly use any of the funds held by the debenture  
3 company, except to make such current and necessary payments as are  
4 authorized by the board of directors;

5 (b) Receive directly or indirectly and retain for his or her own  
6 use any commission on or benefit from any loan made by the debenture  
7 company, or any pay or emolument for services rendered to any borrower  
8 from the debenture company in connection with such loan;

9 (c) Become an indorser, surety, or guarantor, or in any manner an  
10 obligor, for any loan made from the debenture company and except when  
11 approval has been given by the director of (~~licensing~~) financial  
12 institutions or the director's administrator of securities upon  
13 recommendation by the company's board of directors.

14 (d) For himself or herself or as agent or partner of another,  
15 directly or indirectly borrow any of the funds held by the debenture  
16 company, or become the owner of real or personal property upon which  
17 the debenture company holds a mortgage, deed of trust, or property  
18 contract. A loan to or a purchase by a corporation in which he or she  
19 is a stockholder to the amount of fifteen percent of the total  
20 outstanding stock, or in which he or she and other directors, officers,  
21 or controlling persons of the debenture company hold stock to the  
22 amount of twenty-five percent of the total outstanding stock, shall be  
23 deemed a loan to or a purchase by such director or officer within the  
24 meaning of this section, except when the loan to or purchase by such  
25 corporation occurred without his or her knowledge or against his or her  
26 protest.

27 **Sec. 17.** RCW 43.17.010 and 1989 1st ex.s. c 9 s 810 are each  
28 amended to read as follows:

29 There shall be departments of the state government which shall be  
30 known as (1) the department of social and health services, (2) the  
31 department of ecology, (3) the department of labor and industries, (4)  
32 the department of agriculture, (5) the department of fisheries, (6) the  
33 department of wildlife, (7) the department of transportation, (8) the  
34 department of licensing, (9) the department of general administration,  
35 (10) the department of trade and economic development, (11) the  
36 department of veterans affairs, (12) the department of revenue, (13)  
37 the department of retirement systems, (14) the department of  
38 corrections, (15) the department of community development, (~~and~~) (16)

1 the department of health, and (17) the department of financial  
2 institutions, which shall be charged with the execution, enforcement,  
3 and administration of such laws, and invested with such powers and  
4 required to perform such duties, as the legislature may provide.

5 **Sec. 18.** RCW 43.17.020 and 1989 1st ex.s. c 9 s 811 are each  
6 amended to read as follows:

7 There shall be a chief executive officer of each department to be  
8 known as: (1) The secretary of social and health services, (2) the  
9 director of ecology, (3) the director of labor and industries, (4) the  
10 director of agriculture, (5) the director of fisheries, (6) the  
11 director of wildlife, (7) the secretary of transportation, (8) the  
12 director of licensing, (9) the director of general administration, (10)  
13 the director of trade and economic development, (11) the director of  
14 veterans affairs, (12) the director of revenue, (13) the director of  
15 retirement systems, (14) the secretary of corrections, (15) the  
16 director of community development, ~~((and))~~ (16) the secretary of  
17 health, and (17) the director of financial institutions.

18 Such officers, except the secretary of transportation, shall be  
19 appointed by the governor, with the consent of the senate, and hold  
20 office at the pleasure of the governor. The director of wildlife,  
21 however, shall be appointed according to the provisions of RCW  
22 77.04.080. If a vacancy occurs while the senate is not in session, the  
23 governor shall make a temporary appointment until the next meeting of  
24 the senate. A temporary director of wildlife shall not serve more than  
25 one year. The secretary of transportation shall be appointed by the  
26 transportation commission as prescribed by RCW 47.01.041.

27 **Sec. 19.** RCW 43.19.010 and 1988 c 25 s 10 are each amended to read  
28 as follows:

29 The department of general administration shall be organized into  
30 divisions, which shall include (1) ~~((the division of banking, (2) the~~  
31 ~~division of savings and loan associations, (3))~~ the division of  
32 capitol buildings, ~~((+4))~~ (2) the division of purchasing, ~~((+5))~~ (3)  
33 the division of engineering and architecture, and ~~((+6))~~ (4) the  
34 division of motor vehicle transportation service.

35 The director of general administration shall have charge and  
36 general supervision of the department. He or she may appoint and  
37 deputize such clerical and other assistants as may be necessary for the

1 general administration of the department. The director of general  
2 administration shall receive a salary in an amount fixed by the  
3 governor.

4 **Sec. 20.** RCW 43.19.020 and 1977 ex.s. c 185 s 1 are each amended  
5 to read as follows:

6 The director of (~~general administration~~) financial institutions  
7 shall appoint (~~and~~), deputize (~~an assistant director to be known as~~  
8 ~~the supervisor of banking, who shall have charge and supervision of the~~  
9 ~~division of banking. With the approval of the director, he may~~  
10 ~~appoint~~), and employ (~~bank~~) examiners and such other assistants and  
11 personnel as may be necessary to carry on the work of the (~~division.~~

12 ~~No person shall be eligible for appointment as supervisor of~~  
13 ~~banking unless he is, and for the last two years prior to his~~  
14 ~~appointment has been, a citizen of the United States and a resident of~~  
15 ~~this state; nor if he is interested in any bank or trust company as~~  
16 ~~director, officer, or stockholder~~) department of financial  
17 institutions.

18 In the event of the (~~supervisor's~~) director's absence the  
19 director (~~of general administration~~) shall have the power to deputize  
20 one of the assistants of the (~~supervisor~~) director to exercise all  
21 the powers and perform all the duties prescribed by law with respect to  
22 banks (~~and~~), savings banks, foreign bank branches, savings and loan  
23 associations, credit unions, consumer loan companies, check cashers and  
24 sellers, trust companies(~~, mutual savings banks, loan agencies~~) and  
25 departments, securities, franchises, business opportunities,  
26 commodities, and other similar institutions or areas that are performed  
27 by the (~~supervisor~~) director so long as the (~~supervisor~~) director  
28 is absent: PROVIDED, That such deputized (~~supervisor~~) assistant  
29 shall not have the power to approve or disapprove new charters,  
30 licenses, branches, and satellite facilities, unless such action has  
31 received the prior written approval of the (~~supervisor~~) director.  
32 Any person so deputized shall possess the same qualifications as those  
33 set out in this section for the (~~supervisor~~) director.

34 **Sec. 21.** RCW 43.19.030 and 1977 ex.s. c 270 s 8 are each amended  
35 to read as follows:

1 Before entering (~~upon his~~) office each (~~bank~~) examiner shall  
2 take and subscribe an oath faithfully to discharge the duties of  
3 (~~his~~) the office.

4 Oaths shall be filed with the secretary of state.

5 Neither the (~~supervisor of banking~~) director of financial  
6 institutions, any (~~deputy supervisor~~) deputized assistant of the  
7 director, nor any (~~bank~~) examiner or employee shall be personally  
8 liable for any act done (~~by him~~) in good faith in the performance of  
9 his or her duties.

10 **Sec. 22.** RCW 43.19.050 and 1965 c 8 s 43.19.050 are each amended  
11 to read as follows:

12 The (~~supervisor of banking~~) director of financial institutions  
13 shall maintain an office at the state capitol, but may with the consent  
14 of the governor also maintain (~~an office~~) branch offices at (~~some~~)  
15 other convenient (~~banking center~~) business centers in this state.  
16 (~~He~~) The director shall keep books of record of all moneys received  
17 or disbursed by (~~him~~) the director into or from the banking  
18 examination fund, the credit union examination fund, the securities  
19 regulation fund, and any other accounts maintained by the department of  
20 financial institutions. (~~He shall adopt an official seal.~~)

21 **Sec. 23.** RCW 43.19.080 and 1965 c 8 s 43.19.080 are each amended  
22 to read as follows:

23 (1) It shall be unlawful for the (~~supervisor or any deputy or~~  
24 ~~employee of his division~~) director of financial institutions, any  
25 deputized assistant of the director, or any employee of the department  
26 of financial institutions to borrow money from any bank (~~or trust~~  
27 ~~company under his jurisdiction~~), consumer loan company, credit union,  
28 foreign bank branch, savings bank, savings and loan association, or  
29 trust company or department, securities broker-dealer or investment  
30 advisor, or similar lending institution under the department's direct  
31 jurisdiction unless the extension of credit:

32 (a) Is made on substantially the same terms (including interest  
33 rates and collateral) as, and following credit underwriting procedures  
34 that are not less stringent than, those prevailing at the time for  
35 comparable transactions by the financial institution with other persons  
36 that are not employed by either the department or the institution; and

1       (b) Does not involve more than the normal risk of repayment or  
2 present other unfavorable features.

3       (2) The director of the office of financial management shall adopt  
4 rules, policies, and procedures interpreting and implementing this  
5 section.

6       (3) Every person who knowingly violates this section shall forfeit  
7 his or her office or employment and be guilty of a gross misdemeanor.

8       **Sec. 24.** RCW 43.19.090 and 1977 c 75 s 43 are each amended to read  
9 as follows:

10       The (~~supervisor~~) director of financial institutions shall file in  
11 his or her office all reports required to be made to (~~him~~) the  
12 director, prepare and furnish to banks (~~and~~), savings banks, foreign  
13 bank branches, savings and loan associations, credit unions, consumer  
14 loan companies, check cashers and sellers, and trust companies and  
15 departments blank forms for such reports as are required of them, and  
16 each year make a report to the governor showing:

17       (1) A summary of the conditions of the banks, savings banks,  
18 foreign bank branches, savings and loan associations, credit unions,  
19 consumer loan companies, check cashers and sellers, and trust companies  
20 and departments at the date of their last report; and

21       (2) A list of those organized or closed during the year.

22       (~~He~~) The director may publish such other statements, reports, and  
23 pamphlets as he or she deems advisable.

24       **Sec. 25.** RCW 43.19.095 and 1981 c 241 s 1 are each amended to read  
25 as follows:

26       There is created a local fund known as the "banking examination  
27 fund" which shall consist of all moneys received by the (~~division of~~  
28 ~~banking~~) department of financial institutions from banks, savings  
29 banks, foreign bank branches, savings and loan associations, consumer  
30 loan companies, check cashers and sellers, and trust companies and  
31 departments, and which shall be used for the purchase of supplies and  
32 necessary equipment and the payment of salaries, wages, utilities, and  
33 other incidental costs required for the proper (~~maintenance of the~~  
34 ~~division~~) regulation of these companies. The state treasurer shall be  
35 the custodian of the fund. Disbursements from the fund shall be on  
36 authorization of the director of (~~general administration or the~~  
37 ~~supervisor of banking~~) financial institutions or the director's (~~or~~

1 ~~supervisor's~~) designee. In order to maintain an effective expenditure  
2 and revenue control, the fund shall be subject in all respects to  
3 chapter 43.88 RCW, but no appropriation is required to permit  
4 expenditures and payment of obligations from the fund.

5 **Sec. 26.** RCW 43.19.112 and 1981 c 241 s 2 are each amended to read  
6 as follows:

7 There is created a local fund known as the "~~(savings and loan~~  
8 ~~associations and)~~ credit unions examination fund" which shall consist  
9 of all moneys received by the ~~((division of savings and loan~~  
10 ~~associations))~~ department of financial institutions from credit unions  
11 and which shall be used for the purchase of supplies and necessary  
12 equipment and the payment of salaries, wages, utilities, and other  
13 incidental costs required for the ~~((proper maintenance of the~~  
14 ~~division))~~ regulation of these institutions. The state treasurer shall  
15 be the custodian of the fund. Disbursements from the fund shall be on  
16 authorization of the director of ~~((general administration or the~~  
17 ~~supervisor of savings and loan associations))~~ financial institutions or  
18 the director's ~~((or supervisor's))~~ designee. In order to maintain an  
19 effective expenditure and revenue control, the fund shall be subject in  
20 all respects to chapter 43.88 RCW, but no appropriation is required to  
21 permit expenditures and payment of obligations from the fund.

22 NEW SECTION. **Sec. 27.** There is created in the state treasury a  
23 fund known as the "securities regulation fund" that shall consist of  
24 thirteen percent of all moneys received by the division of securities  
25 of the department of financial institutions. Expenditures from the  
26 account may be used only for the purchase of supplies and necessary  
27 equipment and the payment of salaries, wages, utilities, and other  
28 incidental costs required for the regulation of securities, franchises,  
29 business opportunities, commodities, and other similar areas regulated  
30 by the division. Moneys in the account may be spent only after  
31 appropriation.

32 NEW SECTION. **Sec. 28.** The following acts or parts of acts are  
33 each repealed:

34 (1) RCW 43.19.040 and 1965 c 8 s 43.19.040;

35 (2) RCW 43.19.100 and 1982 c 3 s 113, 1977 ex.s. c 185 s 2, & 1965  
36 c 8 s 43.19.100; and

1 (3) RCW 43.19.110 and 1965 c 8 s 43.19.110.

2 NEW SECTION. **Sec. 29.** Sections 1 through 13 and 27 of this act  
3 shall constitute a new chapter in Title 43 RCW.

4 NEW SECTION. **Sec. 30.** RCW 43.19.020, 43.19.030, 43.19.050,  
5 43.19.080, 43.19.090, 43.19.095, and 43.19.112 are recodified as  
6 sections in chapter 43.\_\_\_\_ RCW (sections 1 through 13 and 27 of this  
7 act).

8 NEW SECTION. **Sec. 31.** This act takes effect October 1, 1993.

9 NEW SECTION. **Sec. 32.** The directors of the department of general  
10 administration and the department of licensing shall take such steps as  
11 are necessary to ensure that this act is implemented on October 1,  
12 1993."

13 **SHB 1396** - S COMM AMD  
14 By Committee on Labor & Commerce

15

16 On page 1, line 2 of the title, after "institutions;" strike the  
17 remainder of the title and insert "amending RCW 21.20.005, 21.20.450,  
18 21.20.720, 43.17.010, 43.17.020, 43.19.010, 43.19.020, 43.19.030,  
19 43.19.050, 43.19.080, 43.19.090, 43.19.095, and 43.19.112; adding a new  
20 chapter to Title 43 RCW; creating new sections; recodifying RCW  
21 43.19.020, 43.19.030, 43.19.050, 43.19.080, 43.19.090, 43.19.095, and  
22 43.19.112; and repealing RCW 43.19.040, 43.19.100, and 43.19.110."

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