

SENATE BILL REPORT

SHB 1396

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, MARCH 30, 1993

Brief Description: Creating a department of financial institutions.

SPONSORS: House Committee on State Government (originally sponsored by Representatives Anderson, Zellinsky, Mielke, Reams, Wineberry and Dellwo)

HOUSE COMMITTEE ON STATE GOVERNMENT

HOUSE COMMITTEE ON APPROPRIATIONS

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass as amended.

Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Amondson, Cantu, Fraser, McAuliffe, Newhouse, Pelz, Sutherland, and Wojahn.

Staff: Benson Porter (786-7470)

Hearing Dates: March 23, 1993; March 30, 1993

BACKGROUND:

State-chartered financial institutions are regulated by two separate divisions within the Department of General Administration (GA). The Division of Banking charters, examines, and regulates state-chartered commercial banks, savings banks, trust companies, and alien institutions. The Division of Banking also licenses consumer loan companies and check cashers and sellers. The Division of Savings and Loan charters, examines, and regulates state-chartered credit unions and savings and loan associations. Both divisions maintain their own administrative and examination staff.

A report issued by an industry advisory panel to GA in November 1992 recommends the consolidation of these two divisions into a new Department of Financial Institutions. The new department would have divisions to regulate: (1) FDIC-insured institutions; (2) credit unions; and (3) consumer loan companies and check cashers and sellers. The report also recommended the creation of an advisory board composed of the regulated industries and the general public to promote communications between the department and the regulated industries.

The industry panel cited several reasons for its recommendations. First, a department devoted solely to the regulation of financial institutions will have increased visibility and concentration of effort concerning regulatory

issues. Second, the combination of like functions is anticipated to improve the quality and efficiency of the regulatory process. Third, the unique missions of these two divisions currently make them isolated within GA.

SUMMARY:

The Department of Financial Institutions is created. All powers, duties, functions, assets, documents, rules, pending business and employees of the Division of Banking and the Division of Savings and Loan within GA are transferred to the new department. Existing collective bargaining agreements and civil services laws must be complied within the transfer. The Office of Financial Management will resolve any disputes arising from the transfer.

The director of the department is appointed by the Governor with the advice of the financial institutions advisory panel. The director is granted all powers and functions currently possessed by GA with respect to the entities regulated by the Division of Banking and the Division of Savings and Loan.

The new department will have at least the following divisions: (1) A division of FDIC-insured institutions; (2) a division of credit unions; and (3) a division of consumer affairs. The director will appoint assistant directors for each division.

A financial institutions advisory board is created. The board will: (1) Advise the Governor on the appointment of the director; (2) advise the director, at his or her request, on broad policy and operational issues; and (3) provide information to their respective groups on the administration of the department. The board will have eight members and will be composed of two members of the general public and six industry members, including one member each of state-chartered commercial banks, consumer loan companies, credit unions, savings banks, savings and loan associations, and trust companies.

SUMMARY OF PROPOSED SENATE AMENDMENT:

The powers, functions, and duties of the Securities Division from the Department of Licensing are transferred to the new department. The Securities Division will be funded through a dedicated, appropriated account.

The financial institutions advisory board is eliminated.

The transfers of functions and authorities to the new department are effective October 1, 1993.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

A consolidated department will provide enhanced focus and coordination of regulatory issues. The industry advisory board will facilitate communication with the department.

TESTIMONY AGAINST: None

TESTIFIED: Scott Gaspard, Washington Savings League; Gary Gardner, Washington Credit Union League