

SENATE BILL REPORT

SB 5270

AS REPORTED BY COMMITTEE ON LABOR & COMMERCE, FEBRUARY 10, 1993

Brief Description: Creating a department of financial institutions.

SPONSORS: Senators Moore, Prentice and Amondson

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5270 be substituted therefor, and the substitute bill do pass.

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

Staff: Benson Porter (786-7470)

Hearing Dates: February 2, 1993; February 10, 1993

BACKGROUND:

State-chartered financial institutions are regulated by two separate divisions within the Department of General Administration. The Division of Banking charters, examines, and regulates state-chartered commercial banks, savings banks, trust companies, and alien institutions. In addition, the Division of Banking 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 recent report by an industry advisory panel to the Department of General Administration recommends the consolidation of these two divisions into a new department with an advisory board. The panel recommends the new department contain the following divisions: a division for the regulation of all FDIC-insured institutions, a division for the regulation of credit unions, and a division for consumer affairs to regulate consumer loan companies and check cashers and sellers.

The panel cited several reasons for its recommendations. For example, by being devoted solely to the regulation of financial institutions, the new department will have increased visibility and concentration concerning regulatory issues. The combination of similar functions also is anticipated to improve the quality and efficiency of the regulatory process. Moreover, the advisory board is seen as providing access for open and direct communication with the regulated industries.

SUMMARY:

The Department of Financial Institutions is created.

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 the Department of General Administration with respect to the entities regulated by the Divisions of Banking and Savings and Loan.

A financial institutions advisory panel is created. In addition to advising the Governor on the appointment of the director, the panel provides information to the director about the respective industries and advises the director, at his or her request, on broad policy and operational issues. The panel may have no more than 12 members, and the panel's general composition is prescribed to provide representation from the regulated industry and the general public.

EFFECT OF PROPOSED SUBSTITUTE:

The regulatory authority of the Securities Division within the Department of Licensing is transferred to the new Department of Financial Institutions. The Division of Securities is to be funded by a nonappropriated dedicated fund into which 13 percent of all monies received by the division are deposited with the remainder going to the general fund. Monies deposited in the fund may only be used for the expenses of regulation performed by the Division of Securities.

The codification of and provisions concerning the Financial Institutions Advisory Panel are deleted.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR (original bill):

A consolidated financial institution regulator can effectively use staff expertise and state resources to provide more visibility and concentration of interests in the regulation of related industries.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Scott Gaspard, WA Savings League; Tom Lundbom, Twin County Credit Union; Bill Brandt, Washington State Employees Credit Union; Dave Adams, WA Credit Union League