

**SENATE BILL REPORT**

**SB 5803**

**AS OF JANUARY 25, 1994**

**Brief Description:** Regulating bank branching.

**SPONSORS:** Senators Moore, Prince, Wojahn, Sutherland, Vognild, Sellar, Prentice, McAuliffe, McCaslin, A. Smith, Cantu, Drew, Moyer, Hargrove, Loveland, Deccio, West, Bauer and Franklin

**SENATE COMMITTEE ON LABOR & COMMERCE**

**Staff:** Blaine Gibson (786-7375)

**Hearing Dates:** February 24, 1993; January 26, 1994

**BACKGROUND:**

Federal law prohibits nationally-chartered banks and certain state-chartered banks from branching across state lines. While Congress has considered the issue of interstate branching, only a few states, such as Oregon, have authorized certain state-chartered banks to engage in interstate banking.

Under current Washington law, an out-of-state bank can acquire a Washington bank if the acquiring bank's home state allows Washington banks to acquire banks on a reciprocal basis. While allowing interstate banking, Washington's law does not permit interstate branching for state-chartered commercial banks.

**SUMMARY:**

Washington State-chartered commercial banks and trust companies are authorized to obtain and operate branches in other states.

Banks chartered by any one of 11 specified western states may operate branches in Washington under certain conditions. First, the out-of-state bank must obtain the branches by purchasing or merging with a Washington state-chartered bank. Second, the acquired Washington institution must have been operating for at least three years. Third, the home state of the acquiring bank must have reciprocal interstate branching laws, allowing Washington State-chartered banks to operate branches on its territory.

Once an out-of-state institution obtains and operates a branch in Washington, the institution may establish new branches with the approval of the director of the Department of Financial Institutions.

The director is authorized to examine every branch of an out-of-state bank located in Washington.

**EFFECT OF PROPOSED SUBSTITUTE:**

On a reciprocal basis, community banks within 50 miles of the Idaho or Oregon border may establish a new branch out of state without having to purchase an institution.

Out-of-state community development banks may purchase a Washington bank and begin branching without having to meet the reciprocity and three-year operating requirements.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested