SENATE BILL REPORT

SB 6285

AS PASSED SENATE, FEBRUARY 10, 1994

Brief Description: Regulating financial institutions and securities.

SPONSORS: Senators Moore and Sellar; by request of Department of Financial Institutions

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass.
Signed by Senators Moore, Chairman; Prentice, Vice Chairman; Amondson, Deccio, Fraser, McAuliffe, Newhouse, Pelz, Prince, Sellar, Sutherland, Vognild and Wojahn.

Staff: Catherine Mele (786-7470)

Hearing Dates: January 26, 1994; January 28, 1994

BACKGROUND:

The 1993 Legislature created the Department of Financial Institutions (DFI). The DFI regulates banks, savings banks, foreign bank branches, savings and loan associations, credit unions, consumer loan companies, mortgage brokers, check cashers and sellers, and trust companies and departments. The DFI's Securities Division regulates securities, business opportunities, franchises, commodities, and other speculative investments.

In October 1993 DFI began a process of identifying unnecessary regulatory burdens in current laws governing financial institutions. DFI's goal was to identify current laws placing unwarranted restrictions on the business activities of financial institutions, while assuring current laws meaningfully addressing public interest were not compromised.

In the process of reviewing current law, DFI sent letters to 200 state chartered financial institutions. These institutions included commercial banks, savings banks, savings and loan associations, and credit unions. In this correspondence, DFI requested each institution submit recommendations for improving current law. DFI also contacted internal examiners and key department personnel for their opinions regarding current law.

DFI met several times with various groups offering suggestions for change. After many meetings with financial institutions, DFI drafted legislation and submitted it to the industry for comments.

SUMMARY:

Securities: Several sections are amended in anticipation of the Securities Registration Depository where filings will be made electronically. The term "investment advisor representative" replaces "investment advisor salesperson." The dollar amounts for aggregate sales prices for offerings for which financial statements must be audited are increased. Changes in corporate governance allowing boards of directors and managers additional discretion in managing and operating investment companies are provided. Specific authority is granted to allow broker-dealers and investment advisors to maintain a surety bond as an alternative means to comply with capital requirements.

Banks: Statutory accounting treatments are deleted and commercial banks are required to carry assets and liabilities according to generally accepted accounting principles. Current powers of commercial banks that allow them to engage in business activities Congress or the federal reserve system deem closely related to the business of banking are updated. Changes in corporate governance are provided, allowing boards of directors and managers additional discretion in managing and operating commercial banks.

Credit Unions: It is confirmed state chartered credit unions are corporations and subject to applicable regulation under the Washington corporations statute. Changes in corporate governance are provided, allowing boards of directors and managers more discretion in managing and operating credit unions. Additional flexibility in a credit union's ability to offer loans is provided.

Savings Banks: The director is authorized to update by rule authority of savings banks to exercise powers granted to federal savings banks. Statutorily mandated accounting is deleted and valuation of assets and liabilities according to generally accepted accounting principles is required. The authority of savings banks to merge with federal and state chartered financial institutions is clarified.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

In the spirit of regulatory reform, the Department of Financial Institutions desires to regulate to the exception and not to the rule. The Department of Financial Institutions seeks to promote competition without compromising the public interest. The bill does not jeopardize the enforcement powers of the Department of Financial Institutions.

TESTIMONY AGAINST: None

TESTIFIED: Parker Cann, Special Asst. to Director of Financial Institutions; John Bley, Director of Financial Institutions