

HOUSE BILL REPORT

HB 1036

As Passed House:

February 20, 2001

Title: An act relating to the investigation of alien banks.

Brief Description: Investigating alien banks.

Sponsors: Representatives Benson and Hatfield; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/23/01 [DP].

Floor Activity:

Passed House: 2/20/01, 97-0.

Brief Summary of Bill

- Requires the director of the Department of Financial Institutions to examine the operation of alien banks at least once every 18 months.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 10 members. Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; Cairnes, DeBolt, Keiser, Miloscia, Roach, Santos and Simpson.

Staff: Thamas Osborn (786-7129).

Background:

State law requires the director of the Department of Financial Institutions (the department) to visit the office of an alien bank— at least once every year for the purpose of examining the operation of the bank. More frequent examinations may be conducted by the director, at his discretion. An alien bank— is defined as any bank which is organized under the laws of a foreign country and has its principle place of business in that country.

The Federal Reserve, together with other federal banking agencies, has issued a joint rule that will make some branches and some agencies of foreign banks eligible for an 18-month examination cycle. The department conducts its examinations of foreign banks in coordination with its federal regulatory agency counterparts. The department has proposed making state law consistent with the rules governing the examination of alien banks by these federal banking agencies

Summary of Bill:

The director of the Department of Financial Institutions is required to visit the office of an alien bank at least once every 18 months for the purpose of examining the operation of the bank.

The director will continue to have discretionary authority to conduct such examinations on a more frequent basis than the 18-month cycle required by the proposed amendment.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill amends state law so as to allow the Department of Financial Institutions to examine alien banks once every 18 months, rather than every 12 months, as is currently required. The bill will make state law consistent with federal regulations governing the examination of alien banks, and thus enable the state banking regulators to better coordinate with their federal counterparts.

Testimony Against: None

Testified: David Kroeger, Assistant Director, Division of Banks, Department of Financial Institutions.