

# FINAL BILL REPORT

## HB 1211

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Synopsis as Enacted

**Brief Description:** Creating the financial services regulation fund.

By Representatives Benson, Simpson, Barlean and Hatfield; by request of Department of Financial Institutions.

**House Committee on Financial Institutions & Insurance**

**House Committee on Appropriations**

**Senate Committee on Labor, Commerce & Financial Institutions**

**Background:**

The operation of the Department of Financial Institutions (DFI) is supported by three discrete funds: (1) the bank examination fund, (2) the credit union examination fund, and (3) the securities regulation fund. The bank and credit union funds are dedicated, non-appropriated funds. All money received pursuant to those activities is deposited in its respective fund. Thirteen percent of the money received by the Division of Securities is deposited in the securities regulation fund, with the balance going to the state general fund. The dedicated, non-appropriated status of the bank and credit union funds allows the DFI to respond to regulatory developments without waiting for legislative appropriation.

This system of separate, discrete funds reflects a time when the regulatory lines between the various financial institutions were distinct and separate. With financial modernization and globalization, these lines have become blurred, requiring the DFI to pursue functional regulation across traditional divisional lines. For example, securities analysts determine compliance of broker/dealers located at banks, and banks examiners determine whether debenture companies are in unsound condition.

**Summary:**

A new financial services regulation fund is created, which is dedicated, non-appropriated, and the sole fund for the Department of Financial Institutions. All money received by the various divisions is deposited into the unified fund, with the exception of the Division of Securities, which will deposit 13 percent of money received into the unified fund. The remaining 87 percent of the money received by the Division of Securities will continue to be deposited into the general fund. The current level of fees, assessments, and fines is unchanged.

The credit unions examination fund and the securities regulation fund are both repealed.

**Votes on Final Passage:**

House 98 0

Senate 48 0

**Effective:** May 7, 2001