
**Financial Institutions &
Insurance Committee**

ESSB 5997

Brief Description: Regulating out-of-state banks, savings banks, and mutual savings banks branches.

Sponsors: Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Spanel and Benton).

Brief Summary of Engrossed Substitute Bill

- Allows an out-of-state bank or savings bank to establish branches in Washington on the same or less favorable terms as are imposed on a Washington-chartered banks or savings banks seeking to establish branches in the state where the institution is chartered or has its principal place of business.
- Allows an acquiring depository association to seek to acquire control of a Washington savings bank under the same or less favorable terms as are applied to a Washington mutual savings bank or holding company of a mutual savings bank seeking to acquire control of an entity in the home state of the acquiring depository institution.
- Defines "acquiring depository institution."

Hearing Date: 3/29/05

Staff: Jon Hedegard (786-7127).

Background:

The Department of Financial Institutions regulates Washington's state-chartered commercial banks, stock savings banks, mutual savings, alien banks, and savings and loans.

Federal law allows states choose from several approaches in regulating interstate branches of banks. A state may:

- allow an out-of-state entity to have in-state branches without imposing requirements;
- allow an out-of-state entity to have in-state branches only if the state where the entity is chartered or has its principal place of business has reciprocal requirements. This is called "de novo" branching;

- allow an out-of-state entity to have in-state branches if it acquires a domestic bank. There is often a requirement that the purchased bank must have been in business for a fixed period of time before the acquisition;
- impose strict barriers on out-of-state entity that seek in-state branches; or
- prohibit an out-of-state entity from having in-state branches.

In 1996, the Legislature permitted interstate branching by out-of-state banks and savings banks though the acquisition of an entire domestic bank that has been doing business for at least five years. There an exception to this general requirement, an out-of-state commercial bank may charter a de novo savings bank as a subsidiary and merge the savings bank into the commercial branch as a branch.

A bank or bank holding company in existence for three consecutive years or a converted mutual savings bank or the holding company of a mutual savings bank are required only to notify the Director of the Department of Financial Institutions of an intention to acquire control of a converted savings bank.

Summary of Bill:

An out-of-state bank or savings bank may establish branches in Washington on the same or less favorable terms as are imposed on a Washington-chartered banks or savings banks seeking to establish branches in the state where the institution is chartered or has its principal place of business. If the other state allows for a de novo branch for a Washington-chartered bank, then an out-of-state bank may have a de novo branch under the same terms. If another state imposes a requirement that a Washington bank must acquire existing branches, similar terms will apply to the banks from that other state.

An acquiring depository association may seek to acquire control of a Washington savings bank under the same or less favorable terms as are applied to a Washington mutual savings bank or holding company of a mutual savings bank seeking to acquire control of an entity in the home state of the acquiring depository institution.

"Acquiring depository institution" is defined to include bank or bank holding company, a converted mutual savings bank, or a savings and loan or the holding company of a savings and loan association.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.