

# SENATE BILL REPORT

## SB 5375

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As of January 28, 2011

**Title:** An act relating to the department of financial institutions' regulation of trust companies.

**Brief Description:** Allowing trust companies to be organized as, or convert to, limited liability companies under certain conditions.

**Sponsors:** Senators Hobbs and Benton.

**Brief History:**

**Committee Activity:** Financial Institutions, Housing & Insurance: 2/02/11.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

**Staff:** Edward Redmond (786-7471)

**Background:** Washington State currently allows many types of businesses to form as Limited Liability Companies (LLCs), or convert to LLCs. A LLC is formed by one or more individuals or entities through a special written agreement, which provides such details as management structure and distribution of profits or loss. LLCs are popular because, similar to a corporation, owners have limited personal liability for the debts and actions of the LLC. LLCs also provide management flexibility and the benefit of pass-through taxation generally applied to partnerships.

Trust companies are corporations other than banks, savings banks, or savings associations that provide fiduciary and wealth management services. The Department of Financial Institutions (DFI) charters, examines, and regulates commercial banks, savings banks, and trust companies. In 2006 banks, bank holding companies, and savings banks were authorized to form or convert to LLCs after obtaining approval from DFI.

A qualified financial institution intending to become an LLC must satisfy various regulatory requirements. Such requirements include, but are not limited to meeting minimum safety and soundness standards; prohibiting automatic termination, dissolution, or suspension; and qualifying for insurability of deposits through the Federal Deposit Insurance Corporation.

**Summary of Bill:** A trust company may form or convert to a LLC after obtaining approval from DFI. Approval is based upon the same conditions set for banks, bank holding companies, and savings banks.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

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