

SB 5107 - H COMM AMD

By Committee on Consumer Protection & Business

ADOPTED 04/12/2019

1 Strike everything after the enacting clause and insert the  
2 following:

3 **"Sec. 1.** RCW 7.60.025 and 2011 c 214 s 27 and 2011 c 34 s 1 are  
4 each reenacted and amended to read as follows:

5 (1) A receiver may be appointed by the superior court of this  
6 state in the following instances, but except in any case in which a  
7 receiver's appointment is expressly required by statute, or any case  
8 in which a receiver's appointment is sought by a state agent whose  
9 authority to seek the appointment of a receiver is expressly  
10 conferred by statute, or any case in which a receiver's appointment  
11 with respect to real property is sought under (b)(ii) of this  
12 subsection, a receiver shall be appointed only if the court  
13 additionally determines that the appointment of a receiver is  
14 reasonably necessary and that other available remedies either are not  
15 available or are inadequate:

16 (a) On application of any party, when the party is determined to  
17 have a probable right to or interest in property that is a subject of  
18 the action and in the possession of an adverse party, or when the  
19 property or its revenue-producing potential is in danger of being  
20 lost or materially injured or impaired. A receiver may be appointed  
21 under this subsection (1)(a) whether or not the application for  
22 appointment of a receiver is combined with, or is ancillary to, an  
23 action seeking a money judgment or other relief;

24 (b) Provisionally, after commencement of any judicial action or  
25 nonjudicial proceeding to foreclose upon any lien against or for  
26 forfeiture of any interest in real or personal property, on  
27 application of any person, when the interest in the property that is  
28 the subject of such an action or proceeding of the person seeking the  
29 receiver's appointment is determined to be probable and either:

30 (i) The property or its revenue-producing potential is in danger  
31 of being lost or materially injured or impaired; or

1 (ii) The appointment of a receiver with respect to the real or  
2 personal property that is the subject of the action or proceeding is  
3 provided for by agreement or is reasonably necessary to effectuate or  
4 enforce an assignment of rents or other revenues from the property.  
5 For purposes of this subsection (1)(b), a judicial action is  
6 commenced as provided in superior court civil rule 3(a), a  
7 nonjudicial proceeding is commenced under chapter 61.24 RCW upon the  
8 service of notice of default described in RCW 61.24.030(8), and a  
9 proceeding for forfeiture is commenced under chapter 61.30 RCW upon  
10 the recording of the notice of intent to forfeit described in RCW  
11 61.30.060;

12 (c) After judgment, in order to give effect to the judgment;

13 (d) To dispose of property according to provisions of a judgment  
14 dealing with its disposition;

15 (e) To the extent that property is not exempt from execution, at  
16 the instance of a judgment creditor either before or after the  
17 issuance of any execution, to preserve or protect it, or prevent its  
18 transfer;

19 (f) If and to the extent that property is subject to execution to  
20 satisfy a judgment, to preserve the property during the pendency of  
21 an appeal, or when an execution has been returned unsatisfied, or  
22 when an order requiring a judgment debtor to appear for proceedings  
23 supplemental to judgment has been issued and the judgment debtor  
24 fails to submit to examination as ordered;

25 (g) Upon an attachment of real or personal property when the  
26 property attached is of a perishable nature or is otherwise in danger  
27 of waste, impairment, or destruction, or where the abandoned  
28 property's owner has absconded with, secreted, or abandoned the  
29 property, and it is necessary to collect, conserve, manage, control,  
30 or protect it, or to dispose of it promptly, or when the court  
31 determines that the nature of the property or the exigency of the  
32 case otherwise provides cause for the appointment of a receiver;

33 (h) In an action by a transferor of real or personal property to  
34 avoid or rescind the transfer on the basis of fraud, or in an action  
35 to subject property or a fund to the payment of a debt;

36 (i) In an action against any person who is not an individual if  
37 the object of the action is the dissolution of that person, or if  
38 that person has been dissolved, or if that person is insolvent or is  
39 not generally paying the person's debts as those debts become due

1 unless they are the subject of bona fide dispute, or if that person  
2 is in imminent danger of insolvency;

3 (j) In accordance with RCW 7.08.030 (4) and (6), in cases in  
4 which a general assignment for the benefit of creditors has been  
5 made;

6 (k) In quo warranto proceedings under chapter 7.56 RCW;

7 (l) As provided under RCW 11.64.022;

8 (m) In an action by the department of licensing under RCW  
9 18.35.220(3) with respect to persons engaged in the business of  
10 dispensing of hearing aids, RCW 18.85.430 in the case of persons  
11 engaged in the business of a real estate broker, associate real  
12 estate broker, or real estate salesperson, or RCW 19.105.470 with  
13 respect to persons engaged in the business of camping resorts;

14 (n) In an action under RCW 18.44.470 or 18.44.490 in the case of  
15 persons engaged in the business of escrow agents;

16 (o) Upon a petition with respect to a nursing home in accordance  
17 with and subject to receivership provisions under chapter 18.51 RCW;

18 (p) (~~Under RCW 19.40.071(3),~~) In connection with a proceeding  
19 for relief with respect to a voidable transfer (~~fraudulent~~) as to a  
20 present or future creditor (~~or creditors~~) under RCW 19.40.041 or a  
21 present creditor under RCW 19.40.051;

22 (q) Under RCW 19.100.210(1), in an action by the attorney general  
23 or director of financial institutions to restrain any actual or  
24 threatened violation of the franchise investment protection act;

25 (r) In an action by the attorney general or by a prosecuting  
26 attorney under RCW 19.110.160 with respect to a seller of business  
27 opportunities;

28 (s) In an action by the director of financial institutions under  
29 RCW 21.20.390 in cases involving actual or threatened violations of  
30 the securities act of Washington or under RCW 21.30.120 in cases  
31 involving actual or threatened violations of chapter 21.30 RCW with  
32 respect to certain businesses and transactions involving commodities;

33 (t) In an action for or relating to dissolution of a business  
34 corporation under RCW 23B.14.065, 23B.14.300, 23B.14.310, or  
35 23B.14.320, for dissolution of a nonprofit corporation under RCW  
36 24.03.271, for dissolution of a mutual corporation under RCW  
37 24.06.305, or in any other action for the dissolution or winding up  
38 of any other entity provided for by Title 23, 23B, 24, or 25 RCW;

39 (u) In any action in which the dissolution of any public or  
40 private entity is sought, in any action involving any dispute with

1 respect to the ownership or governance of such an entity, or upon the  
2 application of a person having an interest in such an entity when the  
3 appointment is reasonably necessary to protect the property of the  
4 entity or its business or other interests;

5 (v) Under RCW 25.05.215, in aid of a charging order with respect  
6 to a partner's interest in a partnership;

7 (w) Under and subject to RCW (~~(30.44.100, 30.44.270, and~~  
8 ~~30.56.030)~~) 30A.44.100, 30A.44.270, and 30A.56.030, in the case of a  
9 state commercial bank, section 71 of this act, in the case of a  
10 (~~bank or~~) state trust company (~~or, under and subject to~~), RCW  
11 32.24.070 (~~through~~), 32.24.073, 32.24.080, and 32.24.090, in the  
12 case of a (~~mutual~~) state savings bank;

13 (x) Under and subject to RCW 31.12.637 and 31.12.671 through  
14 31.12.724, in the case of credit unions;

15 (y) Upon the application of the director of financial  
16 institutions under RCW 31.35.090 in actions to enforce chapter 31.35  
17 RCW applicable to agricultural lenders, under RCW 31.40.120 in  
18 actions to enforce chapter 31.40 RCW applicable to entities engaged  
19 in federally guaranteed small business loans, under RCW 31.45.160 in  
20 actions to enforce chapter 31.45 RCW applicable to persons licensed  
21 as check cashers or check sellers, or under RCW 19.230.230 in actions  
22 to enforce chapter 19.230 RCW applicable to persons licensed under  
23 the uniform money services act;

24 (z) Under RCW 35.82.090 or 35.82.180, with respect to a housing  
25 project;

26 (aa) Under RCW 39.84.160 or 43.180.360, in proceedings to enforce  
27 rights under any revenue bonds issued for the purpose of financing  
28 industrial development facilities or bonds of the Washington state  
29 housing finance commission, or any financing document securing any  
30 such bonds;

31 (bb) Under and subject to RCW 43.70.195, in an action by the  
32 secretary of health or by a local health officer with respect to a  
33 public water system;

34 (cc) As contemplated by RCW 61.24.030, with respect to real  
35 property that is the subject of nonjudicial foreclosure proceedings  
36 under chapter 61.24 RCW;

37 (dd) As contemplated by RCW 61.30.030(3), with respect to real  
38 property that is the subject of judicial or nonjudicial forfeiture  
39 proceedings under chapter 61.30 RCW;

1 (ee) Under RCW 64.32.200(2), in an action or proceeding commenced  
2 under chapter 61.12 or 61.24 RCW to foreclose upon a lien for common  
3 expenses against a dwelling unit subject to the horizontal property  
4 regimes act, chapter 64.32 RCW. For purposes of this subsection  
5 (1)(ee), a judicial action is commenced as provided in superior court  
6 civil rule 3(a) and a nonjudicial proceeding is commenced under  
7 chapter 61.24 RCW upon the service of notice of default described in  
8 RCW 61.24.030(8);

9 (ff) Under RCW 64.34.364(10), in an action or proceeding  
10 commenced under chapter 61.12 or 61.24 RCW by a unit owners'  
11 association to foreclose a lien for nonpayment of delinquent  
12 assessments against condominium units. For purposes of this  
13 subsection (1)(ff), a judicial action is commenced as provided in  
14 superior court civil rule (3)(a) and a nonjudicial proceeding is  
15 commenced under chapter 61.24 RCW upon the service of notice of  
16 default described in RCW 61.24.030(8);

17 (gg) Upon application of the attorney general under RCW  
18 64.36.220(3), in aid of any writ or order restraining or enjoining  
19 violations of chapter 64.36 RCW applicable to timeshares;

20 (hh) Under RCW 70.95A.050(3), in aid of the enforcement of  
21 payment or performance of municipal bonds issued with respect to  
22 facilities used to abate, control, or prevent pollution;

23 (ii) Upon the application of the department of social and health  
24 services under RCW 74.42.580, in cases involving nursing homes;

25 (jj) Upon the application of the utilities and transportation  
26 commission under RCW 80.28.040, with respect to a water company or  
27 wastewater company that has failed to comply with an order of such  
28 commission within the time deadline specified therein;

29 (kk) Under RCW 87.56.065, in connection with the dissolution of  
30 an irrigation district;

31 (ll) Upon application of the attorney general or the department  
32 of licensing, in any proceeding that either of them are authorized by  
33 statute to bring to enforce Title 18 or 19 RCW; the securities act of  
34 Washington, chapter 21.20 RCW; the Washington commodities act,  
35 chapter 21.30 RCW; the land development act, chapter 58.19 RCW; or  
36 under chapter 64.36 RCW relating to the regulation of timeshares;

37 (mm) Upon application of the director of financial institutions  
38 in any proceeding that the director of financial institutions is  
39 authorized to bring to enforce chapters 31.35, 31.40, and 31.45 RCW;  
40 or

1 (nn) In such other cases as may be provided for by law, or when,  
2 in the discretion of the court, it may be necessary to secure ample  
3 justice to the parties.

4 (2) The superior courts of this state shall appoint as receiver  
5 of property located in this state a person who has been appointed by  
6 a federal or state court located elsewhere as receiver with respect  
7 to the property specifically or with respect to the owner's property  
8 generally, upon the application of the person or of any party to that  
9 foreign proceeding, and following the appointment shall give effect  
10 to orders, judgments, and decrees of the foreign court affecting the  
11 property in this state held by the receiver, unless the court  
12 determines that to do so would be manifestly unjust or inequitable.  
13 The venue of such a proceeding may be any county in which the person  
14 resides or maintains any office, or any county in which any property  
15 over which the receiver is to be appointed is located at the time the  
16 proceeding is commenced.

17 (3) At least seven days' notice of any application for the  
18 appointment of a receiver must be given to the owner of property to  
19 be subject thereto and to all other parties in the action, and to  
20 other parties in interest as the court may require. If any execution  
21 by a judgment creditor under Title 6 RCW or any application by a  
22 judgment creditor for the appointment of a receiver, with respect to  
23 property over which the receiver's appointment is sought, is pending  
24 in any other action at the time the application is made, then notice  
25 of the application for the receiver's appointment also must be given  
26 to the judgment creditor in the other action. The court may shorten  
27 or expand the period for notice of an application for the appointment  
28 of a receiver upon good cause shown.

29 (4) The order appointing a receiver in all cases must reasonably  
30 describe the property over which the receiver is to take charge, by  
31 category, individual items, or both if the receiver is to take charge  
32 of less than all of the owner's property. If the order appointing a  
33 receiver does not expressly limit the receiver's authority to  
34 designated property or categories of property of the owner, the  
35 receiver is a general receiver with the authority to take charge over  
36 all of the owner's property, wherever located.

37 (5) The court may condition the appointment of a receiver upon  
38 the giving of security by the person seeking the receiver's  
39 appointment, in such amount as the court may specify, for the payment  
40 of costs and damages incurred or suffered by any person should it

1 later be determined that the appointment of the receiver was  
2 wrongfully obtained.

3 **Sec. 2.** RCW 30B.04.005 and 2014 c 37 s 302 are each amended to  
4 read as follows:

5 Unless the context clearly requires otherwise, the definitions in  
6 this section apply throughout this title.

7 The definitions in this section shall be liberally construed to  
8 accomplish the purposes of this title. Additional definitions, as  
9 applicable, are contained elsewhere in this title. The department may  
10 adopt by rule other definitions to accomplish the purposes of this  
11 title.

12 (1) "Account" means the client relationship established with a  
13 trust company involving the transfer of funds or property to the  
14 trust company, including a relationship in which the trust company  
15 acts as trustee, executor, administrator, guardian, custodian,  
16 conservator, bailee, receiver, registrar, or agent, but excluding a  
17 relationship in which the trust company acts solely in an advisory  
18 capacity.

19 (2) "Administer" with respect to real or tangible personal  
20 property means, as an agent or in another representative capacity, to  
21 possess, purchase, sell, lease, insure, safekeep, or otherwise manage  
22 the property.

23 (3) "Affiliate" means a company that (~~directly or indirectly~~)  
24 controls, is controlled by, or is under common control with a trust  
25 institution (~~or other company~~).

26 (4) "Authorized trust institution" means a trust institution with  
27 authority to engage in trust business in Washington state pursuant to  
28 (~~statute~~) federal or state law.

29 (5) "Bank" has the meaning set forth in 12 U.S.C. Sec. 1813(h);  
30 provided that the term "bank" does not include any "foreign bank" as  
31 defined in 12 U.S.C. Sec. 3101(7), except for any such foreign bank  
32 organized under the laws of a territory of the United States, Puerto  
33 Rico, Guam, American Samoa, or the Virgin Islands, the deposits of  
34 which are insured by the federal deposit insurance corporation.

35 (6) "Bank supervisory agency" means:

36 (a) Any agency of another state with primary responsibility for  
37 chartering and supervising a trust institution; and

1 (b) The office of the comptroller of the currency, the federal  
2 deposit insurance corporation, the board of governors of the federal  
3 reserve system, and any successor to these agencies.

4 (7) "Capital" has the meaning ascribed to that term by generally  
5 accepted accounting principles and applicable rules of the financial  
6 accounting standards board, and includes surplus and undivided  
7 profits.

8 (8) "Charter," (~~means~~) "chartered," and "chartering" mean a  
9 charter or other certificate of authority issued by (~~the director~~  
10 ~~or~~) a (~~bank~~) financial services supervisory agency of an  
11 applicable governmental entity authorizing a trust institution to  
12 engage in business in its home state or other jurisdiction, or the  
13 act of granting or having had granted such a charter.

14 (9) "Client" means a person to whom a trust institution owes a  
15 duty or obligation under a trust or other account administered by the  
16 trust institution or as an advisor or agent, regardless of whether  
17 the trust institution owes a fiduciary duty to the person. The term  
18 includes the noncontingent beneficiaries of an account.

19 (10) "Company" includes a bank, trust company, corporation,  
20 limited liability company, partnership, association, business trust,  
21 or another trust.

22 (11) "Conservator" means the director or an agent of the director  
23 exercising the powers and duties provided (~~by RCW 30B.46.010~~) in  
24 section 85 of this act.

25 (12) "Control," (~~means~~) "controls," "controlled," and  
26 "controlling," except as defined in RCW 30B.53.005 and as used in RCW  
27 30B.04.040(12), 30B.08.030, 30B.12.020 (1) and (2), and  
28 30B.38.080(1), mean and refer to:

29 (a) The ownership of or ability or power to vote, directly,  
30 acting through one or more other persons, or otherwise indirectly,  
31 more than (~~twenty-five~~) fifty percent of the outstanding shares of  
32 a class of voting securities of a state trust company or other  
33 company;

34 (b) The ability to control the election of a majority of the  
35 board of a state trust company or other company;

36 (c) The power to exercise, directly or indirectly, a controlling  
37 influence over the management or policies of the state trust company  
38 or other company as determined by the director after notice and an  
39 opportunity for hearing; or



1 (d) The conditioning of the transfer of more than (~~twenty-five~~)  
2 fifty percent of the outstanding shares or participation shares of a  
3 class of voting securities of a state trust company or other company  
4 on the transfer of more than (~~twenty-five~~) fifty percent of the  
5 outstanding shares of a class of voting securities of another state  
6 trust company or other company.

7 (13) "Custodial account" means an account, established by a  
8 person with a bank as defined in 26 U.S.C. Sec. 408(n), or with  
9 another person approved by the internal revenue service as satisfying  
10 the requirements to be a nonbank trustee or a nonbank passive trustee  
11 set forth in United States treasury regulations under 26 U.S.C. Sec.  
12 408, that is governed by an instrument concerning the establishment  
13 or maintenance, or both, of an individual retirement account,  
14 qualified retirement plan, Archer medical savings account, health  
15 savings account, Coverdell education savings account, any similar  
16 retirement or savings vehicle permitted under the internal revenue  
17 code of 1986, or as otherwise defined by the director by rule.

18 (14) "Department" means the Washington state department of  
19 financial institutions.

20 (15) "Depository institution" means any company chartered to act  
21 as a fiduciary and included for any purpose within any of the  
22 definitions of "insured depository institution" as set forth in 12  
23 U.S.C. Sec. 1813(c)(2) and (3).

24 (16) "Director" means the director of the Washington state  
25 department of financial institutions.

26 (17) "Fiduciary record" means a matter written, transcribed,  
27 recorded, received, or otherwise in the possession or control of a  
28 trust company, whether in physical or electronic form, that is  
29 necessary to preserve information concerning an act or event relevant  
30 to an account or a client of a trust company.

31 (18) "Foreign bank" means a foreign bank, as defined in section  
32 1(b)(7) of the international banking act of 1978, chartered to act as  
33 a fiduciary in a state other than Washington state. As used in this  
34 title, "foreign bank" excludes an alien bank authorized to do  
35 business in (~~this~~) Washington state under chapter 30A.42 RCW.

36 (19) "Home state" means:

37 (a) With respect to a federally chartered trust institution and a  
38 foreign bank, the state in which such institution maintains its  
39 principal office; and

1 (b) With respect to any other trust institution, the state which  
2 chartered such institution.

3 (20) "Home state regulator" means the trust institutions  
4 supervisory agency with primary responsibility for chartering and  
5 supervising an out-of-state trust institution.

6 (21) "Host state" means a state, other than the home state of a  
7 trust institution, or a foreign country in which the trust  
8 institution maintains or seeks to acquire or establish an office.

9 (22) "Insolvent" means a circumstance or condition in which a  
10 state trust company:

11 (a) Has actual cash market value of its assets which are  
12 insufficient to pay its liabilities to its creditors;

13 (b) Is unable or lacks the means to meet its current obligations  
14 as they come due in the regular and ordinary course of business, even  
15 if the value of its assets exceeds its liabilities;

16 (c) Sells or attempts to sell substantially all of its assets  
17 other than as provided in RCW 30B.44A.050 or merges or attempts to  
18 merge substantially all of its assets or business with another entity  
19 other than as provided by chapter 30B.53 RCW; or

20 (d) Attempts to dissolve or liquidate without approval of the  
21 director under chapter 30B.44A RCW;

22 (e) After demand in writing by the director, fails to cure any  
23 deficiency in its reserves as required by statute or rule;

24 (f) After written demand by the director, the stockholders fail  
25 to cure within the time prescribed by the director an impairment of  
26 the state trust company's capital or surplus; or

27 (g) Is insolvent within the meaning of the United States  
28 bankruptcy code.

29 (23) "Instrument" means a revocable or irrevocable trust document  
30 created inter vivos or testamentary or any custodial account  
31 agreement.

32 (24) "Internet trust business" means a trust business that holds  
33 itself out as a trustee or fiduciary to the general public of  
34 (~~this~~) Washington state by means of the internet or other  
35 electronic means.

36 (25) "Law firm" means a professional service corporation,  
37 professional limited liability company, or limited liability  
38 partnership, that is duly organized under the laws of (~~this~~)  
39 Washington state and whose shareholders, members, or partners,  
40 respectively, are exclusively attorneys.

1 (26) "Limited liability trust company" means an entity organized  
2 or reorganized under the ~~((limited liability company act of this~~  
3 ~~state that is chartered as a trust company under this title))~~  
4 provisions of RCW 30B.08.020 to operate as a state trust company in  
5 limited liability company form pursuant to the authority of the  
6 director under chapter 30B.08 RCW.

7 (27) "Loans and extensions of credit" means direct or indirect  
8 advances of funds by a state trust company to a person that are  
9 conditioned on the obligation of the person to repay the funds or  
10 that are repayable from specific property pledged by or on behalf of  
11 the person.

12 (28) "Manager" means a person elected to the board of a limited  
13 liability trust company.

14 (29) "Officer" means the presiding officer of the board, the  
15 principal executive officer, or another officer appointed by the  
16 board of a state trust company or other company, or a person or group  
17 of persons acting in a comparable capacity for the state trust  
18 company or other company.

19 (30) "Out-of-state trust institution" means a trust institution  
20 that is not a state trust company under this title.

21 (31) "Person" means an individual, a company, or any other legal  
22 entity.

23 (32) "Principal shareholder" means a person who owns or has the  
24 ability or power to vote, directly, acting through one or more other  
25 persons, or otherwise indirectly, ten percent or more of the  
26 outstanding shares or participation shares of any class of voting  
27 securities of a state trust company or other company.

28 (33) "Private trust" has the meaning set forth in RCW 30B.64.005.

29 (34) "Private trust company" has the meaning set forth in RCW  
30 30B.64.005.

31 ~~(35) ("Savings association" means a depository institution,~~  
32 ~~other than a credit union, that is not a bank.~~

33 ~~(36))~~ (36) "Share((s))" means ~~((the))~~ a unit((s)) into which ~~((the))~~  
34 a proprietary interest((s)) of a ~~((state))~~ trust ~~((company are))~~  
35 institution is divided or subdivided by means of class((es)), series,  
36 relative rights, or preferences, and includes beneficial interests in  
37 a state trust company organized as a corporation or limited liability  
38 company.

39 ~~((37))~~ (37) "State" means a state of the United States, the  
40 District of Columbia, a territory of the United States, Puerto Rico,

1 Guam, American Samoa, the Trust Territory of the Pacific Islands, the  
2 Virgin Islands, and the Northern Mariana Islands.

3 ~~((38))~~ (37) "State bank" means a bank authorized under Title  
4 30A or 32 RCW to engage in trust business or an alien bank chartered  
5 or authorized under chapter 30A.42 RCW to ~~((engage in))~~ exercise  
6 trust ~~((business))~~ powers in ~~((this))~~ Washington state.

7 ~~((39))~~ ~~"State savings association" means a savings association~~  
8 ~~chartered or otherwise authorized under Title 33 RCW to act as a~~  
9 ~~fiduciary by Washington state.~~

10 ~~(40))~~ (38) "State trust company" means a corporation or a  
11 limited liability company organized or reorganized under this title,  
12 including a trust company organized under the laws of Washington  
13 state before January 5, 2015.

14 ~~((41))~~ (39) "State trust institution," as used in chapter  
15 30B.10 RCW, means a state trust company or an out-of-state trust  
16 institution engaged in trust business in ~~((this))~~ Washington state.

17 ~~((42))~~ ~~"Subsidiary" means a company that is controlled by another~~  
18 ~~person. Subsidiary includes a subsidiary of a subsidiary and a lower~~  
19 ~~tier subsidiary.~~

20 ~~(43))~~ (40) "Trust business" means the performance of, or holding  
21 out by, a person to the public by advertisement, solicitation, or  
22 other means that the person is available to perform ~~((the powers of a~~  
23 ~~state trust company))~~ one or more of the essential functions of trust  
24 business set forth in RCW 30B.08.080(1) ~~((b) through (k), together~~  
25 ~~with any other activity authorized for a state trust company by the~~  
26 ~~director pursuant to RCW 30B.08.080(1)(q) that the director~~  
27 ~~designates as trust business)).~~

28 ~~((44))~~ (41) "Trust company" means a state trust company or any  
29 other company chartered to act as a fiduciary that is neither a  
30 depository institution nor a foreign bank.

31 ~~((45))~~ (42) "Trust department" means ~~((that))~~ a division,  
32 subdivision, department, or group ~~((or groups))~~ of officers and  
33 employees of a ~~((trust company organized under the supervision of~~  
34 ~~officers or employees to whom are designated))~~ state bank authorized  
35 by the board of directors ~~((the performance of the fiduciary~~  
36 ~~responsibilities of the trust company, whether or not the group or~~  
37 ~~groups are so named))~~ of the state bank to exercise trust powers  
38 pursuant to authority of the director granted pursuant to RCW  
39 30A.08.150 or 32.08.210, as applicable.

1       (~~(46)~~) (43) "Trust deposits" means the client funds held by a  
2 state trust company and authorized to be deposited with itself  
3 pending investment, distribution, or payment of debts on behalf of  
4 the client.

5       (~~(47)~~) (44) "Trust institution" means a depository  
6 institution(~~(7)~~) or foreign bank engaged in trust business, or a  
7 trust company.

8       (~~(48)~~) (45) "Unauthorized trust activity" means to engage in  
9 trust business in (~~this~~) Washington state without authority or  
10 exemption under this title.

11       (46) "Agent" has the same meaning as an agent at common law.

12       (47) "Federal trust institution" means a special purpose national  
13 banking association authorized by the office of the comptroller of  
14 the currency, pursuant to the national bank act, 12 U.S.C. Sec. 92a,  
15 whose charter is granted for the purpose of it engaging primarily or  
16 solely in trust or other fiduciary activities.

17       (48) "Shareholder" means the holder of a share as defined in this  
18 section.

19       (49) "Third-party service provider" includes an independent  
20 contractor or other person, which a trust institution has engaged to  
21 perform services to facilitate the conduct of its business as a trust  
22 institution or affiliate, to perform the following functions:

23       (a) Noninternet-based data storage;

24       (b) Internet-related services, mobile applications, system and  
25 software development and maintenance, and security architecture,  
26 maintenance, and monitoring;

27       (c) Data processing services;

28       (d) Fiduciary activities or other contracted-for services  
29 constituting "trust business" under RCW 30B.04.005;

30       (e) Activities related to the trading of securities, derivatives,  
31 and other commodities;

32       (f) Bookkeeping, accounting, or similar functions; or

33       (g) Data analytics with respect to customers or prospective  
34 customers, or use of algorithmic technology by the trust institution  
35 in the conduct of fiduciary management.

36       **Sec. 3.** RCW 30B.04.010 and 2014 c 37 s 303 are each amended to  
37 read as follows:

38       (1) A state trust company or out-of-state trust institution may  
39 register any name with the department in connection with establishing

1 an office or otherwise engaged in trust business in ((~~this~~))  
2 Washington state pursuant to this title, except that the director may  
3 determine that a name proposed to be registered is potentially  
4 misleading to the public and require the registrant to select a name  
5 which is not potentially misleading.

6 (2) Use of "trust" as part of a person's name or fictitious trade  
7 name, or as part of a trademark((~~r~~)) or service mark in connection  
8 with transacting business with the public, or as part of advertising  
9 by any person to the public, is subject to the prohibitions and  
10 restrictions under RCW 30A.04.020.

11 **Sec. 4.** RCW 30B.04.040 and 2014 c 37 s 306 are each amended to  
12 read as follows:

13 ((~~Notwithstanding any other provision of this title,~~)) A person  
14 is exempt from the requirement of a certificate of authority or  
15 approval under this title((~~, or from regulation by the director~~  
16 ~~pursuant to this title,~~)) if the person is:

17 (1) An individual, sole proprietor, or general partnership or  
18 joint venture composed of individuals;

19 (2) Engaging in business in ((~~this~~)) Washington state (a) as a  
20 national banking association or (b) as a federal mutual savings bank,  
21 federal stock savings bank, or federal savings and loan association  
22 under authority of the office of the comptroller of the currency;

23 (3) Acting in a manner otherwise authorized by law and within the  
24 scope of authority as an agent of a trust institution with respect to  
25 an activity which is not an unauthorized trust activity;

26 (4) Acting as a fiduciary solely by reason of being appointed by  
27 a court to perform the duties of a trustee, guardian, conservator, or  
28 receiver;

29 (5) While holding oneself out to the public as an attorney-at-  
30 law, law firm, or limited license legal technician, performing a  
31 service customarily performed as an attorney-at-law, law firm, or  
32 limited license legal technician in a manner approved and authorized  
33 by the supreme court of the state of Washington;

34 (6) Acting as an escrow agent pursuant to the escrow agent  
35 registration act, chapter 18.44 RCW, or in one's capacity as an  
36 authorized title agent under Title 48 RCW;

37 (7) Acting as trustee under a deed of trust delivered only as  
38 security for the payment of money or for the performance of another  
39 act;

1 (8) Receiving and distributing rents and proceeds of sale as a  
2 licensed real estate broker on behalf of a principal in a manner  
3 authorized by the Washington department of licensing;

4 (9) Engaging in a commodities or securities transaction or  
5 providing an investment advisory service in the capacity of a  
6 (~~licensed and~~) registered broker-dealer, investment advisor, or  
7 registered representative thereof, provided the activity is regulated  
8 by the department, the United States commodities futures trading  
9 commission, or the United States securities and exchange commission;

10 (10) Engaging in the sale and administration of an insurance  
11 product by an insurance company or agent licensed by the office of  
12 the insurance commissioner to the extent that the activity is  
13 regulated by the office of the insurance commissioner;

14 (11) Acting as trustee under a voting trust as provided by  
15 Washington state law;

16 (12) Acting as trustee by a public, private, or independent  
17 institution of higher education or a university system authorized  
18 under Washington state law, including its affiliated foundations or  
19 corporations, with respect to endowment funds or other funds owned,  
20 controlled, provided to, or otherwise made available to such  
21 institution with respect to its educational or research purposes;

22 (13) Acting as a private trust or private trust company to the  
23 extent exempt from regulation of the department as set forth in  
24 chapter 30B.64 RCW; or

25 (14) Engaging in other activities expressly excluded from the  
26 application of this title by rule of the director.

27 **Sec. 5.** RCW 30B.04.110 and 2014 c 37 s 313 are each amended to  
28 read as follows:

29 A state trust company may not pledge or create a lien on any of  
30 its assets except to secure the repayment of money borrowed or as  
31 (~~otherwise~~) specifically authorized (~~or required by rules adopted~~  
32 ~~under this chapter~~) by RCW 30B.20.010, or by rule, or by a finding  
33 of the director that such conduct does not violate any other  
34 applicable law and serves the convenience of the state trust company  
35 and the public. An act, deed, conveyance, pledge, or contract in  
36 violation of this section is void.

37 **Sec. 6.** RCW 30B.08.020 and 2014 c 37 s 323 are each amended to  
38 read as follows:

1           (1)    (~~The provisions of RCW 30A.08.025 shall govern the~~  
2 ~~organization, conversion, approval of the director, and other matters~~  
3 ~~incidental to the formation and operation of a state trust company as~~  
4 ~~a limited liability company.~~

5           ~~(2) The director may adopt rules necessary to clarify, interpret,~~  
6 ~~and implement this section.)~~ If the conditions of this section are  
7 met, an applicant to become a state trust company may organize as a  
8 limited liability trust company pursuant to this chapter. An  
9 applicant to become a state trust company, which is already organized  
10 as a limited liability company pursuant to chapter 25.15 RCW, may  
11 reorganize as and convert to a limited liability trust company under  
12 this title and be granted a certificate of authority pursuant to this  
13 chapter to operate as a state trust company if all conditions of this  
14 title are met.

15           (2) (a) Before a state trust company organized as a corporation  
16 may reorganize and convert to a limited liability trust company, the  
17 state trust company must obtain approval of the director.

18           (b) (i) To obtain approval under this subsection from the  
19 director, the state trust company must file a request for approval  
20 with the director at least sixty days before the day on which the  
21 state trust company becomes a limited liability trust company.

22           (ii) If the director does not disapprove the request for approval  
23 within sixty days from the day on which the director receives the  
24 request, the request is considered approved.

25           (iii) When taking action on a request for approval filed pursuant  
26 to this subsection, the director may:

27           (A) Approve the request;

28           (B) Approve the request subject to terms and conditions the  
29 director considers necessary; or

30           (C) Disapprove the request.

31           (3) To approve a request, the director must find that:

32           (a) The state trust company will operate in a safe and sound  
33 manner under a limited liability trust company structure; and

34           (b) The state trust company as a limited liability trust company  
35 has the characteristics set forth in subsections (4) and (5) of this  
36 section.

37           (4) Notwithstanding any provision to the contrary contained in  
38 chapter 25.15 RCW, a state trust company organized as or reorganized  
39 and converted to a limited liability trust company must be perpetual.



1 (5) (a) All rights, privileges, powers, duties, and obligations of  
2 a state trust company, which is organized as a limited liability  
3 trust company, and its members and managers shall be consistent with  
4 chapter 25.15 RCW, except the following:

5 (i) Permitting automatic dissolution or suspension of a limited  
6 liability company as set forth in RCW 25.15.265(1), pursuant to a  
7 statement of limited duration in a certificate of formation;

8 (ii) Permitting automatic dissolution or suspension of a limited  
9 liability company, pursuant to the limited liability company  
10 agreement, as set forth in RCW 25.15.265(2);

11 (iii) Permitting dissolution of the limited liability company  
12 agreement based upon agreement of all the members, as set forth in  
13 RCW 25.15.265(3);

14 (iv) Permitting dissociation of all the members of the limited  
15 liability company, as set forth in RCW 25.15.265(4); and

16 (v) Permitting automatic dissolution or suspension of a limited  
17 liability company, pursuant to operation of law, as otherwise set  
18 forth in chapter 25.15 RCW.

19 (b) Notwithstanding (a) of this subsection:

20 (i) For purposes of transferring a member's interests in the  
21 state trust company, a member's interest is treated like a share of  
22 stock in a corporation; and

23 (ii) If a member's interest is transferred voluntarily or  
24 involuntarily to another person, the person who receives the member's  
25 interest obtains the member's entire rights associated with the  
26 member's interest, including all economic rights and all voting  
27 rights.

28 (6) (a) Notwithstanding any provision of chapter 25.15 RCW or this  
29 section to the contrary, all voting members remain liable and  
30 responsible as fiduciaries of the limited liability trust company,  
31 regardless of resignation, dissociation, or disqualification, to the  
32 same extent that directors of a state trust company organized as a  
33 corporation would be or remain liable or responsible to the  
34 department.

35 (b) If death, incapacity, or disqualification of all members of  
36 the limited liability trust company would result in a complete  
37 dissociation of all members, then the state trust company is deemed  
38 nonetheless to remain in existence for purposes of the department  
39 having standing under chapter 30B.44B RCW to exercise the powers and  
40 authorities of a liquidating agent for the state trust company.

1       **Sec. 7.** RCW 30B.08.030 and 2014 c 37 s 324 are each amended to  
2 read as follows:

3       (1) An application (~~(to organize)~~) for a certificate of authority  
4 to become a state trust company (~~(charter)~~) must be made under oath  
5 and in the form required by the director and must be supported by  
6 information, data, records, and opinions of counsel that the director  
7 requires including, without limitation and as requested by the  
8 department, authorizations by the incorporators and any proposed  
9 officer, director, manager, or managing participant to perform third-  
10 party background checks on them, plus fingerprints of these persons  
11 obtained from acceptable fingerprinting authorities.

12       (2) Consistent with RCW 30B.12.020(1), the application to  
13 organize a state trust company must propose as members of the board  
14 of directors not less than five directors, managers, or managing  
15 participants, at least two of whom shall not be officers, employees,  
16 or agents of the state trust company, or otherwise in control of the  
17 state trust company, either as a principal or in a representative  
18 capacity, as "control" is defined in RCW 30B.53.005.

19       (3) Prior to issuance of a certificate of authority by the  
20 department, the proposed members of the board of directors, as  
21 approved by the department, must each submit a declaration in  
22 conformity with RCW 30B.12.020(5).

23       (4) The application must be accompanied by all fees and deposits  
24 required by statute or by rule of the director.

25       (~~(+3)~~) (5) The director shall issue a certificate of authority  
26 to a state trust company (~~(charter)~~) only on proof that one or more  
27 viable markets exist within or outside of (~~(this)~~) Washington state  
28 that may be served in a profitable manner by the establishment of the  
29 proposed state trust company. In making such a determination, the  
30 director shall:

31       (a) Examine the business plan which shall be submitted as part of  
32 the application for a certificate of authority to become a state  
33 trust company (~~(charter)~~); and

34       (b) Consider:

35       (i) The market or markets to be served;

36       (ii) Whether the proposed organizational and capital structure  
37 and amount of initial capitalization is adequate for the proposed  
38 business and location;

1 (iii) Whether the anticipated volume and nature of business  
2 indicates a reasonable probability of success and profitability based  
3 on the market sought to be served;

4 (iv) Whether the proposed officers, directors, and managers, or  
5 managing participants, as a group, have sufficient fiduciary  
6 experience, ability, standing, competence, trustworthiness, and  
7 integrity to justify a belief that the proposed state trust company  
8 will operate in compliance with law and that success of the proposed  
9 state trust company is probable;

10 (v) Whether each principal shareholder or participant has  
11 sufficient experience, ability, standing, competence,  
12 trustworthiness, and integrity to justify a belief that the proposed  
13 state trust company will be free from improper or unlawful influence  
14 or interference with respect to the state trust company's operation  
15 in compliance with law; and

16 (vi) Whether the organizers are acting in good faith.

17 ~~((4))~~ (6) The failure of an applicant to furnish required  
18 information, data, opinions of counsel, other material, or the  
19 required fee is considered an abandonment of the application.

20 **Sec. 8.** RCW 30B.08.040 and 2014 c 37 s 325 are each amended to  
21 read as follows:

22 (1) The director shall notify the organizers when the application  
23 is complete and accepted for filing and all required fees and  
24 deposits have been paid. ~~((Promptly after this notification, the  
25 organizers shall publish notice of the application and solicit  
26 comments in a form specified by the director at locations reasonably  
27 necessary to solicit the views of potentially affected persons  
28 specified by the director by rule.))~~

29 (2) At the expense of the organizers, the director shall  
30 investigate the application and inquire into the identity and  
31 character of each proposed director, manager, officer, managing  
32 participant, and principal shareholder or participant. ~~((The director  
33 shall prepare a written report of the investigation, and any person  
34 may request a copy of the nonconfidential portions of the application  
35 and written report under chapter 42.56 RCW.))~~

36 (3) ~~((Rules adopted under this chapter may specify the  
37 confidential or nonconfidential character of information obtained by  
38 the department under this section.))~~

1       ~~(4))~~) The financial statement of a proposed officer, director,  
2 manager, or managing participant is confidential and not subject to  
3 public disclosure under chapter 42.56 RCW.

4       **Sec. 9.** RCW 30B.08.070 and 2014 c 37 s 328 are each amended to  
5 read as follows:

6       (1) ~~((Notwithstanding any other provision of this title,))~~ A  
7 state trust company shall be deemed a distinct ~~((species))~~ type of  
8 corporation or limited liability trust company whose ~~((charter))~~  
9 certificate of authority may be granted, conditioned, canceled, or  
10 revoked only by the department.

11       (2) Title 23B RCW applies to a state trust company in corporation  
12 form and chapter 25.15 RCW in limited liability company form to the  
13 extent not inconsistent with this title or the business of a state  
14 trust company, except that:

15       (a) Any reference to the secretary of state means the director  
16 unless the context requires otherwise; and

17       (b) The right of shareholders or participants to cumulative  
18 voting in the election of directors or managers exists only if  
19 granted by the state trust company's articles of ~~((association))~~  
20 incorporation or limited liability company agreement.

21       (3) Unless expressly authorized by this title or a rule of the  
22 department, a state trust company may not take an action authorized  
23 by Title 23B RCW or chapter 25.15 RCW regarding its corporate status,  
24 capital structure, or a matter of corporate governance, of the type  
25 for which Title 23B RCW or chapter 25.15 RCW would require a filing  
26 with the secretary of state if the state trust company were a  
27 business corporation, without first submitting the filing to the  
28 director for the same purposes for which it otherwise would be  
29 required to be submitted to the secretary of state.

30       (4) The department may adopt rules to limit or refine the  
31 applicability of subsection (2) of this section to a state trust  
32 company or to alter or supplement the procedures and requirements of  
33 Title 23B RCW or chapter 25.15 RCW applicable to an action taken  
34 under this chapter.

35       **Sec. 10.** RCW 30B.08.080 and 2014 c 37 s 329 are each amended to  
36 read as follows:

37       (1) Upon the issuance of a certificate of authority to a state  
38 trust company as prescribed in this chapter and its commencement of

1 business pursuant to such certificate of authority, ((the persons  
2 named in the articles of incorporation and their successors)) it  
3 shall ((thereupon become)) be a corporation or limited liability  
4 company ((and may engage in trust business and other business,  
5 including without limitation:

6 ~~(a) Subject to RCW 30B.08.070, exercising the powers of a~~  
7 ~~Washington business corporation under Title 23B RCW or a Washington~~  
8 ~~limited liability company under chapter 25.15 RCW reasonably~~  
9 ~~necessary or helpful to enable exercise of its specific powers under~~  
10 ~~this title;~~

11 ~~(b) Receiving for safekeeping personal property of every~~  
12 ~~description;~~

13 ~~(c) Acting as assignee, bailee, conservator, custodian,~~  
14 ~~recordkeeper, escrow agent, registrar, receiver, or transfer agent;~~

15 ~~(d) Acting as financial advisor, investment advisor or manager,~~  
16 ~~agent, or attorney-in-fact in any agreed upon capacity;~~

17 ~~(e) Accepting or executing trusts, including:~~

18 ~~(i) Acting as trustee under a written agreement;~~

19 ~~(ii) Receiving money or other property in its capacity as trustee~~  
20 ~~for investment in real or personal property;~~

21 ~~(iii) Acting as trustee and performing the fiduciary duties~~  
22 ~~committed or transferred to it by a valid and applicable court order;~~

23 ~~(iv) Acting as trustee of the estate of a deceased person;~~

24 ~~(v) Acting as trustee for a minor or incapacitated person;~~

25 ~~(vi) Acting as a trustee of collective investment funds or common~~  
26 ~~trust funds; or~~

27 ~~(vii) Acting as a trustee of statutory or similar trusts;~~

28 ~~(f) Administering in any other fiduciary capacity real or~~  
29 ~~tangible personal property;~~

30 ~~(g) Acting as an executor, administrator, guardian, or~~  
31 ~~conservator;~~

32 ~~(h) Acting as an assignee, receiver, agent, or custodian;~~

33 ~~(i) Acting pursuant to valid and applicable court order as~~  
34 ~~executor or administrator of the estate of a deceased person or as a~~  
35 ~~guardian or conservator for a minor or incapacitated person;~~

36 ~~(j) Acting in any capacity in which one exercises investment~~  
37 ~~discretion on behalf of another;~~

38 ~~(k) Exercising any incidental power or ancillary that is~~  
39 ~~reasonably necessary to enable it to fully exercise, according to~~

1 commonly accepted fiduciary customs and usages, the trust powers  
2 authorized by this title;

3 ~~(l) Acting as a manager of a limited liability company, limited  
4 liability partnership, or similar entity;~~

5 ~~(m) Acting as the registrar of stocks and bonds;~~

6 ~~(n) Acting as an escrow agent, escrow holder, or managing agent;~~

7 ~~(o) Acting as a corporate bond and transfer paying agent;~~

8 ~~(p) Acting as a sponsoring or other member of any clearing  
9 corporation with respect to securities or other property; or~~

10 ~~(q) Acting in any other capacity or for any other activity as  
11 determined or approved by the director)~~ for the purpose of engaging  
12 in trust business under this title, including:

13 (a) Accepting or executing trusts, including:

14 (i) Acting as trustee under a written agreement;

15 (ii) Receiving money or other property in its capacity as trustee  
16 for investment in real or personal property;

17 (iii) Acting as trustee and performing the fiduciary duties  
18 committed or transferred to it by a valid and applicable court order;

19 (iv) Acting as trustee of the estate of a deceased person;

20 (v) Acting as trustee for a minor or incapacitated person;

21 (vi) Acting as a trustee of collective investment funds or  
22 common trust funds; or

23 (vii) Acting as a trustee of statutory or similar trusts;

24 (b) Acting as an attorney-in-fact in any agreed upon capacity;

25 (c) Acting pursuant to court order as executor, administrator,  
26 guardian, or conservator of an estate; or

27 (d) Regularly engaging in any other activity that the director  
28 determines by rule to be an essential function of a trust business in  
29 Washington state upon his or her finding that (i) the proposed

30 activity of the applicant is closely akin to acting as a fiduciary,

31 (ii) the proposed activity cannot be more effectively regulated under  
32 a statute of Washington state other than this title, and (iii) the

33 exercise of such powers by the applicant in Washington state (A)  
34 would serve the convenience and advantage of trustors and

35 beneficiaries, or the general public, and (B) would maintain the  
36 fairness of competition and parity between state trust companies and,

37 as applicable, federal trust institutions or out-of-state trust  
38 institutions.

39 (2) The state trust company also shall be a corporation or  
40 limited liability company for the purposes of engaging in trust

1 business under this title if the director otherwise issues a written  
2 finding, pursuant to a specific application for a certificate of  
3 authority to do business as a state trust institution in Washington  
4 state pursuant to this chapter or chapter 30B.38 RCW, that all of the  
5 criteria set forth in subsection (1)(d) of this section exist in  
6 relation to the applicant.

7 (3) Pursuant to such certificate of authority, a state trust  
8 company may also perform incidental activities, other than trust  
9 business, which include:

10 (a) Acting as a bailee or receiving for safekeeping personal  
11 property;

12 (b) Acting as a custodian for money or its equivalent, or for  
13 other personal property, which conduct has not otherwise been  
14 determined by rule to be trust business pursuant to subsection (1)(d)  
15 of this section;

16 (c) Acting as a recordkeeper for a retirement plan;

17 (d) Acting as the registrar of or transfer agent for stocks and  
18 bonds;

19 (e) Acting as a sponsoring or other member of any clearing  
20 corporation with respect to securities or other property;

21 (f) Acting as an escrow agent, escrow holder, or managing agent;

22 (g) Acting as a receiver;

23 (h) Acting as a manager of a limited liability company, limited  
24 liability partnership, or similar entity; or

25 (i) Conducting such other incidental activities permissible for a  
26 state trust company as the director shall prescribe by rule.

27 (4) The director may prescribe rules for the safe and sound  
28 exercise of the powers enumerated in subsections (1) and (3) of this  
29 section.

30 ~~((3))~~ (5) A trust department of a state commercial bank, to the  
31 extent authorized under ((Title 30A or 32)) RCW 30A.08.150, ((as  
32 applicable,)) or a trust department of a state savings  
33 ((association)) bank, to the extent authorized under ((Title 33)) RCW  
34 32.08.210, may exercise all of the powers and authorities of a state  
35 trust company under this title((, including in relation to corporate  
36 governance matters)).

37 (6) A state trust company, when acting in a fiduciary capacity,  
38 either alone or jointly with an individual or individuals, may, with  
39 the consent of such individual or individuals, who are hereby  
40 authorized to give such consent, cause any stocks, securities, or

1 other property held or acquired to be registered and held in the name  
2 of a nominee or nominees of the state trust company without mention  
3 of the fiduciary relationship. Any such fiduciary shall be liable for  
4 any loss occasioned by the acts of any of its nominees with respect  
5 to such stocks, securities, or other property so registered.

6 **Sec. 11.** RCW 30B.08.090 and 2014 c 37 s 330 are each amended to  
7 read as follows:

8 (1) Notwithstanding any restrictions, limitations, and  
9 requirements of law, in addition to all powers, express or implied,  
10 that a state trust company has under the laws of (~~this~~) Washington  
11 state, a state trust company has the powers and authorities conferred  
12 as of (~~January 5, 2015~~) the effective date of this section, upon a  
13 (~~federally chartered trust company doing business in this state~~)  
14 federal trust institution. A state trust company may exercise the  
15 powers and authorities conferred on a (~~federally chartered trust~~  
16 ~~company~~) federal trust institution after this date only if the  
17 director finds that the exercise of such powers and authorities:

18 (a) Serves the convenience and advantage of trustors and  
19 beneficiaries, or the general public; and

20 (b) Maintains the fairness of competition and parity between  
21 state trust companies and federally chartered trust companies.

22 (2) Notwithstanding any other provisions of law, a state trust  
23 company has the trust-related and fiduciary-related powers and  
24 authorities of an out-of-state trust institution (~~approved by the~~  
25 ~~director under chapter 30B.38 RCW~~) that is not a functionally  
26 unregulated out-of-state institution under RCW 30B.38.090.

27 (3) As used in this section, "powers and authorities" include  
28 without limitation powers and authorities in corporate governance and  
29 operational matters.

30 (4) The restrictions, limitations, and requirements applicable to  
31 specific powers and authorities of federally chartered trust  
32 companies and out-of-state (~~state~~) trust institutions, as  
33 applicable, shall apply to state trust companies exercising those  
34 powers or authorities permitted under this section but only insofar  
35 as the restrictions, limitations, and requirements relate to  
36 exercising the powers or authorities granted trust companies solely  
37 under this section.

38 (5) Notwithstanding any other provisions of law, in addition to  
39 all powers enumerated by this title, and those necessarily implied



1 therefrom, a state trust company may engage in other business  
2 activities that have been determined by the board of governors of the  
3 federal reserve system or by the United States congress to be closely  
4 related to the business of banking, as of ~~((January 5, 2015))~~ the  
5 effective date of this section.

6 (6) A state trust company that desires to perform an activity  
7 that is not authorized by subsection (5) of this section shall first  
8 apply to the director for authorization to conduct such activity.  
9 Within thirty days of the receipt of this application, the director  
10 shall determine whether the activity is closely related to the  
11 business of banking, whether the public convenience and advantage  
12 will be promoted, whether the activity is apt to create an unsafe and  
13 unsound practice by the state trust company, and whether the  
14 applicant is capable of performing such an activity. If the director  
15 finds the activity to be closely related to the business of banking  
16 and the state trust company is otherwise qualified, he or she shall  
17 immediately inform the applicant that the activity is authorized. If  
18 the director determines that such activity is not closely related to  
19 the business of banking or that the state trust company is not  
20 otherwise qualified, he or she shall promptly inform the applicant in  
21 writing. The applicant shall have the right to appeal from an  
22 unfavorable determination in accordance with the procedures of the  
23 administrative procedure act, chapter 34.05 RCW. In determining  
24 whether a particular activity is closely related to the business of  
25 banking, the director shall ~~((be guided))~~ consider but is not bound  
26 by the rulings of the board of governors of the federal reserve  
27 system and the comptroller of the currency ~~((in making determinations~~  
28 ~~in connection with the powers exercisable by bank holding companies,~~  
29 ~~and the activities performed by other commercial banks or their~~  
30 ~~holding companies))~~).

31 (7) Notwithstanding any of the powers and authorities granted to  
32 a state trust company under this section, the director may, upon  
33 written notice to a state trust company, disallow any such power or  
34 authority if the director finds that such power and authority cannot  
35 be exercised by the state trust company in a safe or sound manner.

36 NEW SECTION. Sec. 12. A new section is added to chapter 30B.10  
37 RCW to read as follows:

38 SCOPE OF CHAPTER—NONEXCLUSIVE REMEDIES. (1) This chapter sets  
39 forth the authority of the department to supervise and examine state

1 trust institutions and to seek adjudicative enforcement remedies  
2 against persons, and their affiliates, officers, directors, managers,  
3 employees, and agents, engaged in authorized or nonauthorized and  
4 nonexempt trust business in Washington state.

5 (2) None of the provisions in this chapter shall be deemed to be  
6 an exclusive remedy of the department, and the department may, as  
7 applicable, exercise other remedies set forth elsewhere in this title  
8 and in other Washington law including, without limitation:

9 (a) The issuance of a supervisory directive, nonadjudicative  
10 corrective action order, or nonadjudicative order of conservatorship  
11 pursuant to chapter 30B.46 RCW; and

12 (b) The issuance of nonadjudicative orders for involuntary  
13 dissolution and liquidation of a state trust company pursuant to  
14 chapter 30B.44B RCW.

15 NEW SECTION. **Sec. 13.** A new section is added to chapter 30B.10  
16 RCW to read as follows:

17 DEFINITIONS. As used in this chapter, unless the context clearly  
18 appears otherwise, the terms in this section mean:

19 (1) "Affiliate" means the same as defined in RCW 30B.04.005.

20 (2) "Agent" means the same as defined in RCW 30B.04.005.

21 (3) "Cause of action" means any of the acts or omissions giving  
22 rise to a violation under this chapter for which the department can  
23 pursue administrative remedies.

24 (4) "Presiding officer" means a person who qualifies as a  
25 presiding officer under RCW 34.05.425 and has been authorized to act  
26 as presiding officer in an administrative proceeding under this  
27 chapter.

28 (5) "Respondent" means a person against whom the director has  
29 issued a notice and statement of charges pursuant to this chapter.

30 (6) "Third-party service provider" means the same as in RCW  
31 30B.04.005.

32 **Sec. 14.** RCW 30B.10.005 and 2014 c 37 s 333 are each amended to  
33 read as follows:

34 (1) (~~In addition to his or her supervision authority over the~~  
35 ~~trust business of state banks and state savings associations,)~~ The  
36 director shall exercise supervision authority over state trust  
37 companies and also over out-of-state trust institutions as set forth  
38 in this chapter or to the extent provided for in cooperative

1 agreements made by the director with the home states of out-of-state  
2 trust institutions pursuant to RCW 30B.38.060.

3 (2) The director shall execute and enforce through the department  
4 and such other agents as exist on or after January 5, 2015, all laws  
5 which exist on or after January 5, 2015, relating to state trust  
6 companies and out-of-state trust institutions engaged in trust  
7 business in (~~this~~) Washington state.

8 (3) For the more complete and thorough enforcement of the  
9 provisions of this title, the department is authorized to adopt rules  
10 not inconsistent with the provisions of this title, as may, in its  
11 opinion, be necessary to carry out the provisions of this title and  
12 as may be further necessary to insure safe and sound management of  
13 trust institutions under its supervision taking into consideration  
14 the appropriate interest of the creditors, stockholders,  
15 participants, and the public in their relations with such trust  
16 institutions.

17 (4) A state trust company shall conduct its business in a manner  
18 consistent with all laws relating to trust companies, and all rules,  
19 regulations, and instructions that may be adopted or issued by the  
20 department.

21 NEW SECTION. **Sec. 15.** A new section is added to chapter 30B.10  
22 RCW to read as follows:

23 EXAMINATIONS—REQUIREMENTS FOR DIRECT EXAMINATION OF THIRD-PARTY  
24 SERVICE PROVIDERS. (1) The director shall visit each state trust  
25 company at least once every twenty-four months, and more often as  
26 determined by the director, for the purpose of making a full  
27 investigation into the condition of such state trust company.

28 (2) The director may make such other full or partial examinations  
29 as deemed necessary and may visit and examine any affiliate of a  
30 state trust company, obtain reports of condition for any such  
31 affiliate, and shall have full access to all the books, records,  
32 papers, securities, correspondence, bank accounts, and other papers  
33 of such business for such purposes.

34 (3) Before the director may issue notice of its intent to visit  
35 and directly examine a third-party service provider without a  
36 subpoena pursuant to RCW 30B.10.120, the director must find:

37 (a) That the third-party service provider either:

38 (i) Performs services for the state trust company that appear to  
39 be necessary for the state trust company to meet its fiduciary duty,

1 operate in a safe and sound manner, or otherwise comply with this  
2 title and other applicable law; or

3 (ii) Appears that the state trust company cannot extricate itself  
4 from its client-vendor relationship without adverse material  
5 consequences or prolonged delay, including inability to timely find a  
6 replacement vendor as third-party service provider;

7 (b) That either:

8 (i) The information sought by the director cannot be otherwise  
9 accessed or verified by the records of the state trust company  
10 without direct examination of the records of the third-party service  
11 provider that relate to the state trust company; or

12 (ii) The third-party service provider manages an application,  
13 process, or system for the benefit of the state trust company, the  
14 integrity of which cannot be evaluated without direct examination;  
15 and

16 (c) That it appears prior to direct examination of the third-  
17 party service provider that an act or omission of the third-party  
18 service provider sought to be examined has resulted in a significant  
19 heightened risk of the state trust company not meeting its fiduciary  
20 duty, committing an unsafe practice or operating in an unsafe or  
21 unsound manner, or otherwise violating a provision of this title or  
22 other applicable law.

23 (4) Subject to notice to a state trust company and its third-  
24 party service provider accompanied by a written finding by the  
25 director that the conditions of subsection (3) of this section have  
26 been met, the director may visit and directly examine a third-party  
27 service provider of a state trust company in order to determine  
28 whether the state trust company, on account of an act or omission of  
29 the third-party service provider, is in compliance with this title  
30 and other applicable law including, without limitation, the  
31 provisions of chapter 30B.24 RCW. If prerequisites for direct  
32 examination of such third-party service provider conform to this  
33 subsection, then a subpoena pursuant to RCW 30B.10.120 shall not be  
34 required prior to a visitation and examination of such third-party  
35 service provider.

36 (5) Any willful false swearing in any examination is perjury in  
37 the second degree.

38 (6) The director may enter into cooperative and reciprocal  
39 agreements with the trust institution regulatory authorities of the  
40 United States and other states and United States territories, for the

1 periodic examination of state trust institutions and their  
2 affiliates. The director may accept reports of examination and other  
3 records from such authorities in lieu of conducting his or her own  
4 examinations. The director may enter into joint actions with other  
5 regulatory bodies having concurrent jurisdiction or may enter into  
6 such actions independently to carry out his or her responsibilities  
7 under this title and assure compliance with the laws of Washington  
8 state.

9 (7) Copies from the records, books, and accounts of a state trust  
10 institution or its affiliate shall be competent evidence in all  
11 cases, equal with originals thereof, if there is attached to such  
12 copies (~~((an affidavit taken before a notary public or clerk of a  
13 court under seal,))~~) a declaration under penalty of perjury stating  
14 that the (~~((affiant))~~) declarant is the officer of the state trust  
15 institution or its affiliate having charge of the original records,  
16 and that the copy is true and correct and is full so far as the same  
17 relates to the subject matter therein mentioned.

18 **Sec. 16.** RCW 30B.10.040 and 2014 c 37 s 337 are each amended to  
19 read as follows:

20 (1) The director is authorized to adopt rules governing the  
21 examination standards for a state trust ((companies)) company, trust  
22 department, third-party service provider, and other persons subject  
23 to investigation and examination under this title, including the  
24 application by rule of examination standards of other federal and  
25 state financial institutions regulators and standards adopted  
26 ((incident to)) from cooperative agreements made by the director  
27 under RCW 30B.38.060.

28 (2) Subject to subsection (3) of this section, such rules shall  
29 not be inconsistent with the uniform interagency trust rating system,  
30 or its equivalent, of the federal financial institutions examination  
31 council or its successor agency; and subject to subsection (3) of  
32 this section, the director shall apply the standards of the uniform  
33 interagency trust rating system, or its equivalent, in its  
34 examination and rating of state trust companies and other persons  
35 subject to investigation and examination under this title to the  
36 extent that the department has not adopted applicable rules.

37 (3) Notwithstanding subsection (2) of this section, the director  
38 may, in lieu of or in addition to applicable rules, prescribe special  
39 conditions for a new state trust company or an out-of-state trust

1 company doing business in Washington state, to the extent that such  
2 special conditions contain standards of examination and rating for  
3 the state trust company or out-of-state trust company that the  
4 director deems necessary to address circumstances including, without  
5 limitation, an emerging business model, which do not appear to the  
6 director to be contemplated or adequately addressed by the uniform  
7 interagency trust rating system, or its equivalent, of the federal  
8 financial institutions examination council or its successor agency.

9 **Sec. 17.** RCW 30B.10.050 and 2014 c 37 s 338 are each amended to  
10 read as follows:

11 (1) Each person subject to the requirement of a certificate of  
12 authority ~~((of))~~ or approval from the director ~~((, its subsidiaries,))~~  
13 pursuant to RCW 30B.04.050, and ~~((their—respective))~~ any  
14 director ~~((s)), officer ~~((s)), manager,~~ employee ~~((s)), ~~((and))~~ or~~~~  
15 agent ~~((s)) of such person, shall not engage in any unauthorized trust~~  
16 activity and shall comply with:

17 (a) This title and Title 11 RCW;

18 (b) The rules adopted by the director pertaining to this title  
19 and compliance with Title 11 RCW;

20 (c) Any condition in the department's certificate of authority of  
21 a state trust company or in the department's approval of an out-of-  
22 state trust company doing business in Washington state including,  
23 without limitation, any condition of certificate of authority or  
24 approval made pursuant to RCW 30B.10.040(3);

25 (d) Any lawful ~~((directive or))~~ order of the director;

26 ~~((d))~~ (e) Any lawful supervisory agreement with the director or  
27 supervisory directive of the director; and

28 ~~((e))~~ (f) All applicable federal laws and regulations affecting  
29 trust institutions subject to the authority of the director.

30 (2) Each ~~((holding company))~~ affiliate of a person subject to the  
31 authority of the director under this title, and ~~((its))~~ any  
32 director ~~((s)), officer ~~((s)), manager,~~ employee ~~((s)), ~~((and))~~ or~~~~  
33 agent ~~((s)) of such affiliate, shall not engage in any unauthorized~~  
34 trust activity and shall comply with:

35 (a) The provisions of this title ~~((that are applicable to each of~~  
36 ~~them))~~ and Title 11 RCW, to the extent that any act or omission of  
37 the affiliate, or a director, officer, manager, employee, or agent of  
38 such affiliate, affects the safety and soundness and compliance with  
39 the law of a person subject to the authority of this title;

1 (b) The rules adopted by the director with respect to such  
2 (~~holding companies~~) affiliate;

3 (c) Any lawful (~~direction or~~) order of the director;

4 (d) Any lawful supervisory agreement with the director or  
5 supervisory directive of the director; and

6 (e) All applicable federal laws and regulations affecting a trust  
7 institution(~~s~~) or its affiliate subject to the authority of the  
8 director.

9 (3) The violation of any supervisory agreement, supervisory  
10 directive, order, statute, rule, or regulation referenced in this  
11 section, in addition to any other penalty provided in this title,  
12 shall, at the option of the director, subject the offender to a  
13 penalty of up to ten thousand dollars for each offense, payable upon  
14 issuance of any order or directive of the director, which may be  
15 recovered by the attorney general in a civil action in the name of  
16 the department.

17 **Sec. 18.** RCW 30B.10.060 and 2014 c 37 s 339 are each amended to  
18 read as follows:

19 The powers and duties of the director and required practices and  
20 procedures of the department with respect to all enforcement  
21 authority conferred by this title shall be subject to the Washington  
22 administrative procedure act, chapter 34.05 RCW, consistent with the  
23 administrative procedures applicable to (~~enforcement actions against~~  
24 ~~banks, their holding companies, and their officers, directors,~~  
25 ~~employees, and agents, as set forth in Title 30A RCW, including but~~  
26 ~~not limited to the following:~~

27 ~~(1) Notice of administrative charges under RCW 30A.04.450;~~

28 ~~(2) The provisions relating to grounds for, procedure for~~  
29 ~~obtaining, and the effective date of emergency temporary orders under~~  
30 ~~RCW 30A.04.455 through 30A.04.465, inclusive;~~

31 ~~(3) Enforcement of department orders under RCW 30A.04.470 and~~  
32 ~~30A.04.475;~~

33 ~~(4) Grounds for removal of officers, directors, and employees~~  
34 ~~under RCW 30A.12.040;~~

35 ~~(5) Procedure for suspension of an officer, director, or employee~~  
36 ~~under RCW 30A.12.0401; and~~

37 ~~(6) Notice of charges for removal of officers, directors, and~~  
38 ~~employees under RCW 30A.04.042)) this chapter.~~

1       **Sec. 19.** RCW 30B.10.070 and 2014 c 37 s 340 are each amended to  
2 read as follows:

3       In addition to any other powers conferred by this title, the  
4 director shall have the power, consistent with the requirements of  
5 (~~RCW 30B.10.060~~) this chapter, to order:

6       (1) (~~Order~~) Any person (~~under authority of the director under~~  
7 ~~this title~~), its (~~holding company, its subsidiary~~) affiliate, or  
8 any (~~of their~~) director(~~s~~), officer(~~s~~), manager, employee(~~s~~),  
9 or agent(~~s~~) of such person or its affiliate, subject to the  
10 authority of RCW 30B.10.050, to cease and desist engaging in any  
11 unauthorized trust activity or violating any provision of this title  
12 or any lawful rule;

13       (2) (~~Order~~) Any (~~authorized~~) state trust institution, its  
14 (~~holding company, its subsidiary~~) affiliate, or any (~~of their~~)  
15 director(~~s~~), officer(~~s~~), manager, employee(~~s~~), or agent(~~s~~) of  
16 the state trust institution or its affiliate to cease and desist from  
17 a course of conduct that is unsafe or unsound (~~and~~) or which is  
18 likely to cause insolvency or dissipation of assets or is likely to  
19 jeopardize or otherwise seriously prejudice the interests of the  
20 public in their relationship with the (~~authorized~~) state trust  
21 institution;

22       (3) (~~Order any person to cease engaging in an unauthorized trust~~  
23 ~~activity; and~~

24       (~~Enter any order pursuant to RCW 30B.38.070.~~) Any person, its  
25 affiliate, or any director, officer, manager, employee, or agent of  
26 such person or its affiliate, subject to the authority of RCW  
27 30B.10.050, to take affirmative action to avoid or refrain from  
28 unauthorized trust activity, an unsafe or unsound practice, or other  
29 violation of this title;

30       (4) The imposition of fines;

31       (5) Restitution to beneficiaries, trustors, or other aggrieved  
32 persons;

33       (6) Costs and expenses related to investigation and enforcement,  
34 including attorney fees; and

35       (7) Other remedies authorized by law.

36       NEW SECTION.   **Sec. 20.** A new section is added to chapter 30B.10  
37 RCW to read as follows:

38       HEARING—WHO MAY CONDUCT—AUTHORITY. (1) A hearing pursuant to a  
39 notice of charges under this chapter must be conducted in accordance



1 with chapter 34.05 RCW, except to the extent otherwise provided in  
2 this chapter.

3 (2) Such hearing may be held at a place designated by the  
4 director and, at the option of the director, may be conducted by a  
5 delegated presiding officer whom the director appoints without  
6 referral to the office of administrative hearings.

7 (3) The hearing shall be conducted in accordance with this  
8 chapter, chapter 34.05 RCW, and chapters 10-08 and 208-08 WAC.

9 (4) If the department elects to conduct a hearing as permitted by  
10 subsection (2) of this section, the director must appoint a presiding  
11 officer from outside the division of banks, who may be either an  
12 employee from another division, an independent contractor, or an  
13 administrative law judge of the office of administrative hearings.

14 (5) Such hearing shall be private unless the director determines  
15 that a public hearing is necessary to protect the public interest  
16 upon good cause shown in a motion by the respondent, if any, to make  
17 the hearing public.

18 (6) The director may elect to either retain authority to issue a  
19 final order or may delegate such authority to the presiding officer  
20 appointed pursuant to subsection (2) of this section.

21 NEW SECTION. **Sec. 21.** A new section is added to chapter 30B.10  
22 RCW to read as follows:

23 NOTICE OF CHARGES—REASONS FOR ISSUANCE—GROUNDS—CONTENTS OF  
24 NOTICE. (1) The director may issue and serve a notice of charges  
25 upon:

- 26 (a) A state trust institution;  
27 (b) An affiliate of a state trust institution;  
28 (c) A director, officer, manager, employee, or agent of a state  
29 trust institution or its affiliate; or  
30 (d) Any other person subject to the jurisdiction of the  
31 department under this title including, without limitation, a person  
32 engaged in unauthorized trust activity.

33 (2) Such notice of charges may be issued to and served upon any  
34 person or entity described in subsection (1) of this section whenever  
35 such person or entity:

- 36 (a) Has engaged in an unsafe or unsound practice;  
37 (b) Has violated any provision of RCW 30B.10.050; or  
38 (c) Is planning, attempting, or currently conducting any act  
39 prohibited in (a) or (b) of this subsection.

1 (3) The notice shall contain a statement of the facts  
2 constituting the acts or omissions specified in subsection (2) of  
3 this section.

4 (4) The notice shall set a time and place at which a hearing will  
5 be held to determine whether the following remedies should be  
6 granted:

7 (a) An order to cease and desist any of the acts or omissions  
8 specified in subsection (2) of this section;

9 (b) An order compelling affirmative action to redress any of the  
10 acts or omissions specified in subsection (2) of this section;

11 (c) An order imposing fines as authorized by RCW 30B.10.070;

12 (d) Restitution to beneficiaries, trustors, or other aggrieved  
13 persons;

14 (e) Costs and expenses related to investigation and enforcement,  
15 including attorney fees; and

16 (f) Other remedies authorized by law.

17 NEW SECTION. **Sec. 22.** A new section is added to chapter 30B.10  
18 RCW to read as follows:

19 TIME FOR HEARING—DEFAULT. (1) The hearing shall be held not  
20 earlier than ten days or later than thirty days after service of the  
21 notice set forth in section 21 of this act, unless a later date is  
22 set by the director for good cause as requested by the respondent.

23 (2) Unless the respondent appears at the hearing set forth in  
24 subsection (1) of this section, a default order granting any of the  
25 remedies or sanctions set forth in the notice and statement of  
26 charges may be issued by the presiding officer, consistent with RCW  
27 34.05.440(2).

28 (3) A respondent may file with the presiding officer, within  
29 seven days of service of the default order, a motion to set aside a  
30 default order consistent with RCW 34.05.440(3). If the presiding  
31 officer does not issue a ruling within five business days of the  
32 motion being filed, then the motion to set aside is denied.

33 NEW SECTION. **Sec. 23.** A new section is added to chapter 30B.10  
34 RCW to read as follows:

35 ADMINISTRATIVE HEARING—PROCEDURE—ORDER—NO STAY ON JUDICIAL  
36 REVIEW. (1) The presiding officer shall have sixty days after the  
37 hearing to issue an order, including findings of fact and conclusions  
38 of law, consistent with RCW 34.05.461(3).

1 (2) If the director has not delegated his or her authority to a  
2 presiding officer to issue a final order, a party may bring a  
3 petition for review of the presiding officer's initial order before  
4 the director, consistent with RCW 34.05.464.

5 (3) If the director has previously delegated his or her authority  
6 for the presiding officer to issue a final order, then the order of  
7 such presiding officer shall be final and may be appealable to the  
8 superior court of Washington, consistent with RCW 34.05.514.

9 (4) The commencement of proceedings for judicial review shall not  
10 operate as a stay of any order issued by the director unless  
11 specifically ordered by the court.

12 **Sec. 24.** RCW 30B.10.080 and 2014 c 37 s 341 are each amended to  
13 read as follows:

14 ~~((The director has the power to require the suspension and  
15 removal from office of any officer, director, or employee of any  
16 trust institution subject to the director's authority, its holding  
17 company, or its subsidiary, who shall be found to be dishonest,  
18 incompetent, or reckless in the management of the affairs of the  
19 institution, or who persistently violates the laws of this state or  
20 the lawful orders, instructions, and rules issued or adopted by the  
21 department.))~~ (1) In addition to the remedies set forth in RCW  
22 30B.10.070, the director may, as applicable, issue and serve a  
23 current or former director, officer, manager, or employee of a state  
24 trust company or its affiliate with written notice of intent to  
25 remove such person from office or employment, or to prohibit such  
26 person from participating in the conduct of the affairs of the state  
27 trust company, its affiliate, or any depository institution, trust  
28 company, or affiliate of such depository institution or trust  
29 company, doing business in Washington state, whenever:

30 (a) Such person has committed an unsafe or unsound practice or a  
31 violation or practice involving a breach of fiduciary duty, personal  
32 dishonesty, recklessness, or incompetence; and

33 (b) (i) The state trust company has suffered or is likely to  
34 suffer substantial financial loss or other damage as a result of the  
35 person's acts or omissions as set forth in (a) of this subsection; or

36 (ii) The interests of beneficiaries, trustors, shareholders, or  
37 the general public could be seriously prejudiced by reason of the  
38 person's acts or omissions as set forth in (a) of this subsection.

1       (2) The director may also serve upon the same respondent a  
2 written notice and order suspending the respondent from further  
3 participation in any manner in the conduct of the affairs of the  
4 state trust company, its affiliate, or any depository institution,  
5 trust company, or affiliate of such depository institution or trust  
6 company, doing business in Washington state, pending resolution of  
7 the charges made pursuant to subsection (1) of this section, if the  
8 director determines that such an action is necessary for the  
9 protection of: The state trust company or its affiliate; the  
10 interests of beneficiaries, trustors, or shareholders of the state  
11 trust company or its affiliate; the interests of any depository  
12 institution or its depositors, trust beneficiaries, borrowers, or  
13 shareholders; or the general public.

14       (3) A suspension order issued by the director is effective upon  
15 service and, unless the superior court issues a stay of such order,  
16 such order shall remain in effect and enforceable until:

17       (a) The director dismisses the charges contained in the notice  
18 served on the person; or

19       (b) The effective date of a final order for removal of such  
20 person.

21       NEW SECTION. Sec. 25. A new section is added to chapter 30B.10  
22 RCW to read as follows:

23       EMERGENCY ORDER—ISSUANCE—DIRECT JUDICIAL REVIEW ONLY—LIMITATION  
24 OR TIME—STANDARD OF JUDICIAL REVIEW. (1) When the director finds it  
25 necessary for one or more of the purposes set forth in subsection (2)  
26 of this section, the director may issue and serve an emergency order  
27 upon:

28       (a) A state trust institution, its affiliate, a director,  
29 officer, manager, employee, or agent of such state trust institution  
30 or its affiliate, or any person subject to the authority of this  
31 title, requiring the respondent to take immediate affirmative action  
32 or immediately cease and desist from any act, practice, or omission  
33 or failure to act; or

34       (b) A director, officer, manager, or employee of a state trust  
35 company or its affiliate to suspend or remove such person from his or  
36 her office or employment with the state trust company or its  
37 affiliate pursuant to RCW 30B.10.080.

38       (2) Such emergency order may be issued to:

- 1 (a) Ensure the safety or soundness of the authorized trust  
2 institution;
- 3 (b) Prevent the state trust institution's insolvency or inability  
4 to pay its obligations in the ordinary course of business;
- 5 (c) Prevent significant or critical undercapitalization or  
6 substantial dissipation of assets;
- 7 (d) Compel timely compliance with a supervisory agreement,  
8 supervisory directive, or order of the director;
- 9 (e) Compel production of or access to its books, papers, records,  
10 or affairs as directed by the department or other applicable  
11 financial services regulator;
- 12 (f) Prevent immediate and irreparable harm to the public  
13 interest, interests of the trustors or beneficiaries, or condition of  
14 the state trust institution; or
- 15 (g) Prevent fraudulent activity.
- 16 (3) The emergency order must:
- 17 (a) Be served upon each entity or person subject to the order by  
18 personal delivery or registered or certified mail, return receipt  
19 requested, to the entity or person's last known address;
- 20 (b) State the specific acts or omissions at issue and require the  
21 entity or person to immediately comply with the order; and
- 22 (c) Contain a notice that a request for hearing may be filed by  
23 the respondent within ten days of service with the superior court, as  
24 set forth in subsection (5) of this section.
- 25 (4) Unless a respondent against whom the order is directed files  
26 a petition for judicial review with the court within ten days after  
27 the order is served under this section, the order is nonappealable  
28 and any right to a hearing is deemed conclusively waived as to that  
29 respondent.
- 30 (5) A petition for judicial review must:
- 31 (a) Be filed with the superior court of the county of the  
32 principal place of business of the respondent or, in the case of the  
33 respondent not being domiciled in Washington state, the Thurston  
34 county superior court;
- 35 (b) State the specific respondents seeking review of the order;  
36 and
- 37 (c) State the specific grounds and authority to set aside or  
38 modify the order.
- 39 (6) Upon receipt of a timely filed petition for review, the court  
40 shall set the time and place of a hearing, no later than ten business

1 days after the petition for review is filed, unless otherwise agreed  
2 by the parties.

3 (7) The department shall bear the burden of proof by a  
4 preponderance of evidence.

5 (8) Pending judicial review, the emergency order shall continue  
6 in full force and effect unless the order is stayed by the  
7 department.

8 NEW SECTION. **Sec. 26.** A new section is added to chapter 30B.10  
9 RCW to read as follows:

10 ORDER OF PROHIBITION AGAINST THIRD-PARTY SERVICE PROVIDERS—  
11 GROUNDS—NOTICE. (1) The director may issue and serve a state trust  
12 institution, or its affiliate, with written notice of intent to  
13 prohibit it from permitting a third-party service provider of such  
14 state trust institution or affiliate from participating in the  
15 conduct of the affairs of the state trust institution, whenever:

16 (a) The third-party service provider commits an unsafe or unsound  
17 practice, or a violation or practice involving a breach of fiduciary  
18 duty, personal dishonesty, recklessness, or incompetence; and

19 (b) (i) The state trust institution or its affiliate has suffered  
20 or is likely to suffer substantial financial loss or other damage; or

21 (ii) The interests of the state trust institution, or its  
22 affiliate, or their beneficiaries, trustors, shareholders, or the  
23 general public in Washington state could be seriously prejudiced by  
24 reason of the violation or practice of the third-party service  
25 provider.

26 (2) The director shall also serve any affected third-party  
27 service provider with the notice described in subsection (1) of this  
28 section, and such third-party service provider shall be deemed a real  
29 party in interest with the same right to notice and right to  
30 intervene in the administrative action and defend against it as if  
31 the third-party service provider were the respondent.

32 NEW SECTION. **Sec. 27.** A new section is added to chapter 30B.10  
33 RCW to read as follows:

34 NOTICE OF INTENTION TO REMOVE OR PROHIBIT PARTICIPATION IN  
35 CONDUCT OF AFFAIRS—HEARING—ORDER OF REMOVAL AND/OR PROHIBITION. (1)  
36 A notice pursuant to RCW 30B.10.080 or section 26 of this act shall:

1 (a) Contain a statement of the facts that constitute grounds for  
2 removal or prohibition; and

3 (b) Set a time and place at which a hearing will be held.

4 (2) The hearing shall be set not earlier than ten days or later  
5 than thirty days after the date of service of the notice unless an  
6 earlier or later date is set by the director at the request of the  
7 board trustee or director, officer, or employee for good cause shown  
8 or at the request of the attorney general of the state.

9 (3) Unless the respondent appears at the hearing personally or by  
10 a representative authorized under WAC 208-08-030, the respondent  
11 shall be deemed to have consented to the issuance of an order of  
12 removal or prohibition or both. In the event of such consent or if  
13 upon the record made at the hearing the director finds that any of  
14 the grounds specified in the notice have been established, the  
15 director may issue such order of removal or prohibition from  
16 participation in the conduct of the affairs of the state trust  
17 company, out-of-state trust company doing business in Washington  
18 state, or affiliate, as the director may consider appropriate.

19 (4) Any order under this section shall become effective at the  
20 expiration of ten days after service upon the respondent, except that  
21 an order issued upon consent shall become effective at the time  
22 specified in the order.

23 (5) An order shall remain effective except to the extent it is  
24 stayed, modified, terminated, or set aside by the director or a  
25 reviewing court.

26 NEW SECTION. **Sec. 28.** A new section is added to chapter 30B.10  
27 RCW to read as follows:

28 AUTHORITY OF DIRECTOR TO SEEK REMOVAL BY THE BOARD OF A STATE  
29 TRUST COMPANY. (1) In addition to any other remedy set forth in this  
30 chapter, the director may notify, in writing, the board of directors  
31 of any state trust company that the director has information that any  
32 member of the board of directors, officer, manager, employee, or  
33 agent of the state trust company or affiliate of the state trust  
34 company is dishonest, reckless, or incompetent, or is failing to  
35 perform any duty required of the state trust company or such  
36 affiliate.

37 (2) The board shall then meet to consider such matter as soon as  
38 reasonably feasible, but no later than thirty calendar days of the  
39 director's notice.

1 (3) The director shall have notice of the time and place of such  
2 meeting and an opportunity to appear at such meeting and address the  
3 board of directors concerning the director's information.

4 (4) If the board finds the director's information to be well-  
5 founded, and the affected member of the board of directors, officer,  
6 employee, or agent of the state trust company or such affiliate is  
7 working under an employment contract or independent contractor  
8 agreement that prohibits termination without cause, the board shall  
9 notify such member of the board of directors, officer, employee, or  
10 agent of the board's intent to remove him or her from the position,  
11 or to otherwise instruct such affiliate to do so, as applicable. Such  
12 notice shall be in writing and include:

13 (a) Notice of the allegations;

14 (b) Specific facts supporting the allegations; and

15 (c) A time and place at which such member of the board of  
16 directors, officer, employee, or agent will have an opportunity to be  
17 heard before a final action is taken by the board.

18 (5) Pursuant to subsection (4) of this section, the board shall  
19 set the time and place of the meeting no sooner than ten business  
20 days after such member of the board of directors, officer, employee,  
21 or agent receives notice of the board's intent to remove or terminate  
22 the contract.

23 (6) If the board finds the director's information to be well-  
24 founded, and the affected member of the board of directors, officer,  
25 manager, employee, or agent may be terminated without cause, such  
26 director, officer, manager, employee, or agent may be removed by the  
27 state trust company or such affiliate, or their contract may be  
28 terminated, at the option of the board.

29 (7) If the board does not remove such director, officer,  
30 employee, or agent, or if the board fails to meet, consider, or act  
31 upon the director's information within twenty days after receiving  
32 the same, then the director may within twenty days after, or earlier  
33 in the case of the necessity of an emergency order under RCW  
34 30B.10.070, seek removal of such person by complying with the  
35 applicable provisions of this chapter.

36 (8) This section shall not be deemed to be an exclusive remedy of  
37 the department. The department may exercise any other remedies  
38 available to it under this chapter.



1        NEW SECTION.    **Sec. 29.**    A new section is added to chapter 30B.10  
2    RCW to read as follows:

3        JURISDICTION OF COURTS AS TO THE DEPARTMENT'S ENFORCEMENT ORDERS.

4    (1) The director may apply to a superior court of Washington for the  
5    enforcement of any effective and outstanding final order issued  
6    pursuant to this chapter, and the superior court shall have  
7    jurisdiction to order compliance with such final order.

8    (2) No court shall have jurisdiction to affect by injunction or  
9    otherwise the department's issuance or enforcement of any order  
10   pursuant to this chapter, or to review, modify, suspend, terminate,  
11   or set aside such order, except as provided in this chapter.

12   (3) The venue for enforcement of a final order by the department  
13   under this chapter shall be the superior court in the county of the  
14   principal place of business of the person upon whom the order is  
15   imposed or, in the case of such person not being domiciled in  
16   Washington state, the venue shall be Thurston county superior court.

17        **Sec. 30.**    RCW 30B.10.100 and 2014 c 37 s 343 are each amended to  
18   read as follows:

19        ((Any)) A present or former director, officer, ((or)) manager,  
20   employee, or agent of a state trust institution or ((holding company  
21   under authority of the director)) affiliate, or any other person  
22   against whom there is outstanding an effective final order under  
23   authority of this chapter which has been duly served ((upon the)) is  
24   guilty of a gross misdemeanor punishable under chapter 9A.20 RCW, if  
25   such person ((and who)) thereafter:

26        (1) Participates in any manner in the conduct of the affairs of a  
27   state trust institution ((involved, or who)) or affiliate;

28        (2) Directly or indirectly solicits or procures, transfers or  
29   attempts to transfer, or votes or attempts to vote any proxies,  
30   consents, or authorizations with respect to any voting rights in the  
31   state trust institution((, or who,)) or affiliate;

32        (3) Without the prior approval of the ((director)) department,  
33   votes for a director ((or));

34        (4) Serves or acts as a director, officer, manager, employee, or  
35   agent of any ((bank, savings association)) depository institution,  
36   trust company, or ((holding company shall upon conviction for a  
37   violation of any order, be guilty of a gross misdemeanor punishable  
38   as prescribed under chapter 9A.20 RCW)) affiliate of a depository  
39   institution or trust company doing business in Washington state.

1       **Sec. 31.** RCW 30B.10.110 and 2014 c 37 s 344 are each amended to  
2 read as follows:

3       (1) Notwithstanding any other provision of this title, the  
4 director may by rule or order prohibit any person from engaging in a  
5 trust business in ~~((this))~~ Washington state contrary to the  
6 requirements of this title if the conduct of the trust business in  
7 ~~((this))~~ Washington state by such person harms or is likely to harm  
8 the general public, or if it adversely affects the business of state  
9 trust institutions.

10       (2) The director may issue ~~((a temporary))~~ an emergency cease and  
11 desist order against such person in the manner provided for in ~~((this~~  
12 ~~chapter))~~ section 25 of this act if the general public or state trust  
13 institutions are likely to be substantially injured by delay in  
14 issuing a cease and desist order.

15       (3) An order or rule made by the director pursuant to this  
16 section may require that any applicable person obtain a certificate  
17 of authority under chapter 30B.08 RCW as a condition of continuing to  
18 engage in a trust business in ~~((this))~~ Washington state, subject to  
19 meeting all qualifications for grant of a state trust company  
20 certificate of authority under this title.

21       (4) This section does not apply to a person conducting business  
22 pursuant to RCW 30B.04.040, except for a person identifiable solely  
23 by reason of RCW 30B.04.040(1).

24       NEW SECTION.   **Sec. 32.** A new section is added to chapter 30B.10  
25 RCW to read as follows:

26       GENERAL PENALTY—EFFECT OF CONVICTION. (1) A person who shall  
27 knowingly violate or knowingly aid or abet the violation of any  
28 provision of RCW 30B.10.050 shall be guilty of a misdemeanor.

29       (2) A director, officer, manager, employee, or agent of a state  
30 trust institution or affiliate who has had imposed upon him or her a  
31 criminal conviction for the violation of this title or any other  
32 financial services law of this or any other state or of the United  
33 States shall not be permitted to engage in or become or remain a  
34 board director, officer, manager, employee, or agent of any state  
35 trust company or its affiliate doing business in Washington state.

36       NEW SECTION.   **Sec. 33.** A new section is added to chapter 30B.10  
37 RCW to read as follows:

1           STATUTE OF LIMITATIONS. (1) An action seeking any remedy under  
2 RCW 30B.10.070, 30B.10.080, or section 26 of this act shall commence  
3 no later than five years after the cause of action accrued.

4           (2) A cause of action under this section is deemed to have  
5 accrued at the later of the following events:

6           (a) The occurrence of the act or omission;

7           (b) When the department discovers or should have discovered that  
8 the act or omission has occurred;

9           (c) When the department discovers or should have discovered that  
10 the act or omission has negatively impacted the capital status or  
11 other element of safety or soundness of a state trust company or out-  
12 of-state trust company doing business in Washington state; or

13           (d) Where an act or omission is part of a pattern or practice,  
14 upon the occurrence of the most recent act or omission comprising the  
15 pattern or practice. A cause of action under this subsection may  
16 include all acts or omissions comprising the pattern or practice if  
17 the cause of action is timely as to the most recent act or omission.

18           **Sec. 34.** RCW 30B.12.020 and 2014 c 37 s 348 are each amended to  
19 read as follows:

20           (1) The board of a state trust company must consist of not fewer  
21 than five directors, managers, or managing participants, at least two  
22 of whom shall not be officers, managers, employees, or agents of the  
23 state trust company, or otherwise in control of the state trust  
24 company, either as a principal or in a representative capacity, as  
25 "control" is defined in RCW 30B.53.005. Except for a limited  
26 liability trust company in which management has been retained by its  
27 participants, the principal executive officer of the state trust  
28 company is a member of the board. The principal executive officer  
29 acting in the capacity of board member is the board's presiding  
30 officer unless the board elects a different presiding officer to  
31 perform the duties as designated by the board.

32           (2) Unless the director consents otherwise in writing, a person  
33 may not serve as director, manager, or managing participant of a  
34 state trust company if:

35           (a) The state trust company incurs an unreimbursed loss  
36 attributable to a charged-off obligation of or holds a judgment  
37 against the person or an entity that was controlled by the person at  
38 the time of funding and at the time of default on the loan that gave

1 rise to the judgment or charged-off obligation as determined by the  
2 definition of "control" set forth in RCW 30B.53.005;

3 (b) The person has been convicted of a felony or a crime  
4 involving personal dishonesty; or

5 (c) The person has violated a provision of Washington state law,  
6 relating to loan of trust funds and purchase or sale of trust  
7 property by the trustee, and the violation has not been corrected.

8 (3) If a state trust company other than a limited liability trust  
9 company operated by managing participants does not elect directors or  
10 managers before the sixty-first day after the date of its regular  
11 annual meeting, the director may appoint a conservator under this  
12 title to operate the state trust company and elect directors or  
13 managers, as appropriate. If the conservator is unable to locate or  
14 elect persons willing and able to serve as directors or managers, the  
15 director may close the state trust company for liquidation.

16 (4) A vacancy on the board that reduces the number of directors,  
17 managers, or managing participants to fewer than five must be  
18 (~~filled~~) filled not later than the thirtieth day after the date the  
19 vacancy occurs. A limited liability trust company with fewer than  
20 five managing participants must add one or more new participants or  
21 elect a board of managers of not fewer than five persons to resolve  
22 the vacancy. After thirty days after the date the vacancy occurs, the  
23 director may appoint a conservator under this title to operate the  
24 state trust company and elect a board of not fewer than five persons  
25 to resolve the vacancy. If the conservator is unable to locate or  
26 elect five persons willing and able to serve as directors or  
27 managers, the director may close the state trust company for  
28 liquidation.

29 (5) Before each term to which a person is elected to serve as a  
30 director or manager of a state trust company, or annually for a  
31 person who is a managing participant, the person shall submit (~~an~~  
32 ~~affidavit~~) a declaration under penalty of perjury for filing in the  
33 minutes of the state trust company stating that the person, to the  
34 extent applicable:

35 (a) Accepts the position and is not disqualified from serving in  
36 the position;

37 (b) Will not violate or knowingly permit an officer, director,  
38 manager, managing participant, or employee of the state trust company  
39 to violate any law applicable to the conduct of business of the state  
40 trust company; and

1 (c) Will diligently perform the duties of the position.

2 (6) An advisory director or manager is not considered a director  
3 if the advisory director or manager:

4 (a) Is not elected by the shareholders or participants of the  
5 state trust company;

6 (b) Does not vote on matters before the board or a committee of  
7 the board and is not counted for purposes of determining a quorum of  
8 the board or committee; and

9 (c) Provides solely general policy advice to the board.

10 (7) Notwithstanding any other provision of this section to the  
11 contrary, a state trust company shall have directors, managers, or  
12 managing participants, and committees or subcommittees composed of  
13 such directors, managers, or managing participants, consistent with  
14 the requirements of section 42 of this act and in conformity with the  
15 contents of the state trust company's written statement of principles  
16 of trust management, pursuant to section 43 of this act, as adopted  
17 by the board and subject to approval of the department.

18 **Sec. 35.** RCW 30B.12.040 and 2014 c 37 s 350 are each amended to  
19 read as follows:

20 (1) The board shall annually appoint the officers of the state  
21 trust company, who serve at the pleasure of the board. The state  
22 trust company must have a principal executive officer primarily  
23 responsible for the execution of board policies and operation of the  
24 state trust company and an officer responsible for the maintenance  
25 and storage of all corporate books and records of the state trust  
26 company and for required attestation of signatures. These positions  
27 may not be held by the same person. The board may appoint other  
28 officers of the state trust company as the board considers necessary.

29 (2) Unless expressly authorized by a resolution of the board  
30 recorded in its minutes, an officer, manager, or employee may not  
31 create or dispose of a state trust company asset or create or incur a  
32 liability on behalf of the state trust company.

33 (3) Unless otherwise approved by the director, the chief  
34 executive officer, the president, the chief operating officer, or the  
35 chief financial officer of a state trust company, or an officer of  
36 the state trust company with an equivalent function, must be a  
37 Washington state resident.

38 (4) Notwithstanding any other provision of this section to the  
39 contrary, the board of a state trust company shall designate officers

1 and committees or subcommittees composed of such officers, consistent  
2 with the requirements of section 42 of this act and in conformity  
3 with the contents of the state trust company's written statement of  
4 principles of trust management, pursuant to section 43 of this act,  
5 as adopted by the board and subject to approval of the department.

6 **Sec. 36.** RCW 30B.12.060 and 2014 c 37 s 352 are each amended to  
7 read as follows:

8 The board of a state trust company is responsible for the proper  
9 exercise of fiduciary powers by the state trust company and each  
10 matter pertinent to the exercise of fiduciary powers, including:

11 (1) The determination of policies;

12 (2) The investment and disposition of property held in a  
13 fiduciary capacity; ~~((and))~~

14 (3) The direction and review of the actions of each officer,  
15 manager, employee, ~~((and))~~ committee, and agent used by the state  
16 trust company in the exercise of its fiduciary powers; and

17 (4) Every other requirement of the board as set forth in section  
18 42 of this act and in conformity with the contents of the state trust  
19 company's written statement of principles of trust management,  
20 pursuant to section 43 of this act, as adopted by the board and  
21 subject to approval of the department.

22 **Sec. 37.** RCW 30B.12.090 and 2014 c 37 s 355 are each amended to  
23 read as follows:

24 (1)(a) The board of directors is responsible for the proper  
25 exercise of fiduciary powers by the trust company. All matters  
26 pertinent thereto, including the determination of policies, the  
27 investment and disposition of property held in a fiduciary capacity,  
28 and the direction and review of the actions of all officers,  
29 employees, and committees utilized by the trust company in the  
30 exercise of its fiduciary powers, are the responsibility of the  
31 board. In discharging this responsibility, the board of directors may  
32 assign, by action duly entered in the minutes, the administration of  
33 such of the trust company's fiduciary powers as it may consider  
34 proper to assign to such directors, officers, employees, or  
35 committees as it may designate.

36 (b) A fiduciary account may not be accepted without the prior  
37 approval of the board, or of the directors, officers, or committees

1 to whom the board may have designated the performance of that  
2 responsibility.

3 (c) A written record shall be made of such acceptances and of the  
4 relinquishment or closing out of all fiduciary accounts. Upon the  
5 acceptance of an account for which the trust company has investment  
6 responsibilities a prompt review of the assets shall be made. The  
7 board shall also ensure that at least once during every calendar year  
8 thereafter, all the assets held in or for each fiduciary account  
9 where the bank has investment responsibilities are reviewed to  
10 determine the advisability of retaining or disposing of such assets.

11 (2) All officers and employees taking part in the operation of  
12 the state trust institution shall be adequately bonded.

13 (3) Every qualified fiduciary subject to this section and  
14 exercising fiduciary powers in (~~this~~) Washington state shall  
15 designate, employ, or retain legal counsel who shall be readily  
16 available to pass upon fiduciary matters and to advise the trust  
17 company and its state trust institution.

18 (4) (a) The state trust institution may utilize personnel and  
19 facilities of other departments of the trust company or its  
20 affiliates, and other departments of the trust company may utilize  
21 the personnel and facilities of the state trust institution or its  
22 affiliates only to the extent not prohibited by law and as long as  
23 the separate identity of the state trust institution is preserved.

24 (b) Pursuant to a written agreement, a trust company exercising  
25 fiduciary powers may perform services related to the exercise of  
26 fiduciary powers for another trust company or other entity, and may  
27 purchase services related to the exercise of fiduciary powers from  
28 another trust company or other entity.

29 (5) Fiduciary records shall be kept separate and distinct from  
30 other records of the trust company and maintained in compliance with  
31 RCW 30B.04.130. All fiduciary records shall be kept and retained for  
32 such time as to enable the fiduciary to furnish such information or  
33 reports with respect thereto as may be required by the director.

34 (6) Every such fiduciary shall keep an adequate record of all  
35 pending litigation to which it is a party in connection with its  
36 exercise of fiduciary powers.

37 (7) Notwithstanding any other provision of this section to the  
38 contrary, a state trust company and its directors, officers,  
39 managers, employees, and committees shall exercise administration of  
40 fiduciary powers consistent with the requirements of section 42 of

1 this act and in conformity with the contents of the state trust  
2 company's written statement of principles of trust management,  
3 pursuant to section 43 of this act, as adopted by the board and  
4 subject to approval of the department.

5 **Sec. 38.** RCW 30B.12.100 and 2014 c 37 s 356 are each amended to  
6 read as follows:

7 ~~((A committee of directors, exclusive of any active officers of~~  
8 ~~the trust company, shall at least once during each calendar year make~~  
9 ~~suitable audits of the state trust institution or cause suitable~~  
10 ~~audits to be made by auditors responsible only to the board of~~  
11 ~~directors, and at such time shall ascertain whether the department~~  
12 ~~has been administered in accordance with law, this section, and sound~~  
13 ~~fiduciary principles. The board of directors may elect, in lieu of~~  
14 ~~such periodic audits, to adopt an adequate continuous audit system. A~~  
15 ~~report of the audits and examination required under this section,~~  
16 ~~together with the action taken thereon, shall be noted in the minutes~~  
17 ~~of the board of directors.))~~ (1) A state trust company shall have a  
18 fiduciary audit committee, which shall exercise fiduciary  
19 responsibilities, administer fiduciary powers, and report to the  
20 board of directors consistent with the requirements of this section,  
21 section 42 of this act, and in conformity with the contents of the  
22 state trust company's written statement of principles of trust  
23 management, pursuant to section 43 of this act.

24 (2) At least once during each calendar year, a state trust  
25 company shall arrange for a suitable audit by internal or external  
26 auditors of all significant fiduciary activities, under the direction  
27 of its fiduciary audit committee, unless the state trust company  
28 adopts a continuous audit system in accordance with subsection (3) of  
29 this section. The state trust company shall note the results of the  
30 audit, including significant actions taken as a result of the audit,  
31 in the minutes of the board of directors.

32 (3) In lieu of performing annual audits under subsection (2) of  
33 this section, a state trust company may adopt a continuous audit  
34 system under which the state trust company arranges for a discrete  
35 audit by internal or external auditors of each significant fiduciary  
36 activity on an activity-by-activity basis, under the direction of its  
37 fiduciary audit committee, at an interval commensurate with the  
38 nature and risk of that activity. Under such a system, certain  
39 fiduciary activities may receive audits at intervals greater or less



1 than one year, as appropriate. A state trust company that adopts a  
2 continuous audit system pursuant to this subsection shall note the  
3 results of all discrete audits performed since the last audit report,  
4 including significant actions taken as a result of the audits, in the  
5 minutes of the board of directors at least once during each calendar  
6 year.

7 (4) A state trust company's fiduciary audit committee may consist  
8 of the entire board of directors, or it may comprise either a  
9 committee of the bank's directors or an audit committee of an  
10 affiliate of the state trust company. However, in either case, the  
11 committee:

12 (a) Must not include any officers of the state trust company or  
13 an affiliate who participate significantly in the administration of  
14 the state trust company's fiduciary activities; and

15 (b) Must consist of a majority of members who are not also  
16 members of any committee to which the board of directors has  
17 delegated power to manage and control the fiduciary activities of the  
18 state trust company.

19 (5) The requirements of subsections (1) through (4) of this  
20 section shall be separate from and in addition to any audits of the  
21 nonfiduciary operations of the state trust company, if any.

22 NEW SECTION. Sec. 39. A new section is added to chapter 30B.12  
23 RCW to read as follows:

24 FIDELITY BONDS—LIABILITY INSURANCE. (1) Except as otherwise  
25 permitted by the director under specified terms and conditions, the  
26 board of directors of a state trust company shall direct and require  
27 good and sufficient fidelity bonds and liability insurance, issued by  
28 a company authorized to engage in the insurance business in the state  
29 of Washington, covering the state trust company and all of its active  
30 directors, officers, managers, and employees. Bonds or coverage shall  
31 provide for indemnity to the state trust company on account of any  
32 losses sustained by it as the result of any dishonest, fraudulent, or  
33 criminal act or omission committed or omitted by directors, officers,  
34 managers, and employees, acting independently or in collusion or  
35 combination with any person. Such bonds or coverage may be  
36 individual, schedule, or blanket form, and premiums shall be paid by  
37 the state trust company.

38 (2) Except as otherwise permitted by the director under specified  
39 terms and conditions, the board of directors of a state trust company

1 shall direct and require good and sufficient liability insurance,  
2 including errors and omissions coverage, for the negligent or  
3 reckless acts and omissions of directors, officers, fiduciary  
4 managers, and employees. Such coverage shall be paid by the state  
5 trust company.

6 (3) Except as otherwise permitted by the director under specified  
7 terms and conditions, the directors shall also direct and require  
8 suitable insurance protection to the state trust company, as  
9 necessary, against burglary, robbery, theft, and other similar  
10 insurance hazards to which the state trust company may be exposed in  
11 the operations of its business on the premises or elsewhere.

12 (4) The directors shall be responsible for prescribing at least  
13 once in each year the amount of such bonds or policies and the  
14 sureties or underwriters to be engaged, after giving due  
15 consideration to all known elements and factors constituting known  
16 risks or hazards. Such action of the directors shall be recorded in  
17 the board minutes.

18 (5) The director may by rule prescribe requirements for bond and  
19 insurance coverage that are more specific and derogation of the  
20 provision of subsections (1) through (4) of this section if the  
21 director determines that such a rule is necessary to conform to the  
22 market availability of certain bond and insurance coverages.

23 **Sec. 40.** RCW 30B.20.020 and 2014 c 37 s 362 are each amended to  
24 read as follows:

25 (1) Consistent with RCW 11.102.010, a state trust company may  
26 establish common trust funds to provide investment to itself as a  
27 fiduciary.

28 (2) The director may adopt rules to administer and carry out this  
29 section and RCW 11.102.010, including but not limited to rules to  
30 establish investment and participation limitations, disclosure of  
31 fees, audit requirements, limit or expand investment authority for  
32 particular classes or categories of securities or other property,  
33 advertising, exemptions, and other requirements that may be necessary  
34 to carry out this section.

35 (3) A state trust company that invests in a collective investment  
36 fund shall make investments as required by section 42 of this act and  
37 in conformity with the contents of the state trust company's written  
38 statement of principles of trust management, pursuant to section 43  
39 of this act, as adopted by the board and subject to approval of the

1 department. A state trust company shall also comply with RCW  
2 30B.24.020 in avoiding conflicts of interest and self-dealing in  
3 relation to a collective investment fund.

4 (4) Unless otherwise prescribed by the director by rule, a state  
5 trust company shall be required to establish and maintain collective  
6 investment funds the same as required for a federally insured state  
7 bank with authorized trust powers, taking into account federal rules  
8 applicable to a federally insured state bank in relation to a  
9 collective trust fund that require a written plan and specific  
10 requirements for fund management including, without limitation,  
11 provision for proportionate interests, methods and frequency of  
12 valuation of all or portions of the fund, admission and withdrawal of  
13 accounts, methods of distribution, segregation of investments, audit  
14 and financial reports related to the collective investment fund,  
15 advertising restrictions, management fees, expenses, and prohibition  
16 against certificates.

17 (5) Notwithstanding the general use of the term "affiliate" in  
18 this title as defined in RCW 30B.04.005, nothing in this chapter  
19 shall be construed as exempting or modifying a requirement of a state  
20 trust institution with respect to RCW 11.102.010.

21 **Sec. 41.** RCW 30B.24.005 and 2014 c 37 s 363 are each amended to  
22 read as follows:

23 (1) Except to the extent federal preemption of state law is  
24 applicable in relation to trusts governed under the federal  
25 employment retirement income security act, a state trust company  
26 (~~(acting as a trustee or other fiduciary)~~) shall comply with all  
27 applicable provisions of this title and with applicable provisions of  
28 Title 11 RCW including, without limitation, chapters 11.97, 11.98,  
29 11.98A, 11.100, 11.102, 11.104A, 11.106, 11.107, and 11.108 RCW, and  
30 with chapter 11.110 RCW, in the case of a charitable trust.

31 (2) The director has broad administrative authority to establish  
32 by rule or interpretation principles-based standards for examination,  
33 supervision, and enforcement of a state trust company by the  
34 department in relation to compliance with this title, including  
35 subsection (1) of this section.

36 (3) A state bank, in relation to its trust department and its  
37 exercise of trust powers, shall comply with:

38 (a) Title 30A RCW, if a state commercial bank, and Title 32 RCW,  
39 if a state savings bank;

1 (b) The applicable provisions of Title 11 RCW including, without  
2 limitation, chapters 11.97, 11.98, 11.98A, 11.100, 11.102, 11.104A,  
3 11.106, 11.107, and 11.108 RCW, and with chapter 11.110 RCW, in the  
4 case of a charitable trust;

5 (c) If the state bank is federally insured, any applicable rules  
6 and guidance of the federal deposit insurance corporation or other  
7 applicable federal law or regulation related to such state bank's  
8 exercise of trust powers; and

9 (d) If the state bank is a member of the federal reserve system,  
10 any rules and guidance of the board of governors of the federal  
11 reserve system related to such state bank's exercise of trust powers.

12 NEW SECTION. Sec. 42. A new section is added to chapter 30B.24  
13 RCW to read as follows:

14 COMPLIANCE WITH FIDUCIARY ACTIVITIES STANDARDS EQUIVALENT TO THAT  
15 OF NATIONAL BANKS—STATEMENT OF PRINCIPLES OF TRUST MANAGEMENT—  
16 MANAGEMENT OF THIRD-PARTY RISK. (1) Unless the director shall  
17 otherwise set forth by rule, a state trust company and, to the extent  
18 applicable, its affiliates, and their respective directors, officers,  
19 managers, employees, and agents, shall comply with such federal  
20 regulations applicable to the fiduciary activities of a federally  
21 insured state bank.

22 (2) The requirements of subsection (1) of this section, as  
23 applicable to a state trust company, shall be at least partially  
24 contained in the state trust company's written statement of  
25 principles of trust management, the contents of which shall be  
26 subject to examination and approval by the department, and upon which  
27 the department may further examine a state trust company as to  
28 whether it is in compliance with such statement.

29 (3) A state trust company and, to the extent applicable, its  
30 affiliate, shall comply with standards for prudent management of  
31 third-party risk under applicable law or as the director may  
32 otherwise adopt by rule or by a written interpretive statement  
33 including, without limitation, management of third-party risk  
34 pursuant to section 46 of this act.

35 NEW SECTION. Sec. 43. A new section is added to chapter 30B.24  
36 RCW to read as follows:

37 CONTENTS OF STATEMENT OF PRINCIPLES OF TRUST MANAGEMENT. (1) The  
38 board of directors of a state trust company shall adopt a written

1 statement of principles of trust management at its first  
2 organizational meeting or at a meeting of the board called for that  
3 purpose, which it must annually reaffirm by written vote, whether or  
4 not such statement is sought to be amended.

5 (2) The statement of principles of trust management shall set  
6 forth the minimum requirements for sound fiduciary management in the  
7 operation of a state trust company. Such minimum requirements shall  
8 provide for sound fiduciary practices in the operation of a state  
9 trust company and provide safeguards for the protection of fiduciary  
10 beneficiaries, principals of agency relationships, creditors,  
11 stockholders, and the public, and shall provide for:

12 (a) Involvement by the board of directors in providing for the  
13 establishment and continuing fiduciary operations;

14 (b) Operation of fiduciary activities separate and apart from  
15 every other activity of the state trust company, with trust assets  
16 separated from other assets owned by the state trust company, and the  
17 assets of each trust account separated from the assets of every other  
18 trust account; and

19 (c) Maintenance of separate books and records for the fiduciary  
20 business in sufficient detail to properly reflect all fiduciary  
21 activities.

22 (3) The statement of principles of trust management shall provide  
23 that the board of directors, by resolution included in its minutes:

24 (a) Designate a competent and qualified officer or manager to be  
25 responsible for and administer the fiduciary activities of the state  
26 trust company;

27 (b) Define such officer's or manager's duties;

28 (c) Name a trust committee consisting of at least three directors  
29 to be responsible for and supervise the fiduciary activities of the  
30 state trust company or state banking institution, which shall  
31 include, if feasible, one or more directors who are not officers of  
32 the state trust company or state banking institution;

33 (d) Receive reports from such trust committee and record actions  
34 taken in its minutes;

35 (e) Review the examination reports of the state trust company by  
36 the department or other applicable financial services regulatory  
37 authority having jurisdiction over the state trust company; and

38 (f) Record all actions taken in its minutes.

39 (4) Nothing in this section is intended to prohibit the board of  
40 directors from authorizing itself to act as the trust committee, or

1 from authorizing itself to appoint additional committees and officers  
2 to oversee account administration and the operation of the state  
3 trust company and its fiduciary activities.

4 (5) When such statement provides for delegating duties to a  
5 subcommittee or officers, the statement shall indicate that the board  
6 and the trust committee remain responsible for the oversight of all  
7 trust company and fiduciary activities. Such statement shall also  
8 reflect that sufficient reporting and monitoring procedures are  
9 required to fulfill this responsibility.

10 (6) The statement of principles of trust management shall provide  
11 that the trust committee:

12 (a) Meet at least quarterly, and more frequently if considered  
13 necessary and prudent to fulfill its supervisory responsibilities;

14 (b) Approve and document:

15 (i) The opening of all new fiduciary accounts;

16 (ii) Purchases and sales of, and changes in, trust assets; and

17 (iii) The closing of trust and agency relationship accounts;

18 (c) Provide for a comprehensive review of all new accounts, for  
19 which the state trust company or trust department has investment  
20 responsibility, promptly following acceptance;

21 (d) Provide for a review of each fiduciary and agency account,  
22 including collective investment funds, at least once during each  
23 calendar year, the scope, frequency, and level of review of which  
24 should be addressed in appropriate written policies that give  
25 consideration to the state trust company's fiduciary  
26 responsibilities, type and size of account, and other relevant  
27 factors, including coverage of both administration of the account and  
28 suitability of the account's investments, distinguishing as between  
29 the scope and components of discretionary and nondiscretionary  
30 reviews;

31 (e) Keep comprehensive minutes of meetings held and actions  
32 taken; and

33 (f) Make periodic reports to the board of directors of its  
34 actions.

35 (7) The statement of principles of trust management shall also  
36 require:

37 (a) Comprehensive written policies which address all important  
38 areas of the state trust company's fiduciary activities;

39 (b) Competent legal counsel to advise trust officers and the  
40 trust committee on legal matters pertaining to fiduciary activities;

1 (c) Adequate internal controls, including appropriate controls  
2 over fiduciary assets; and

3 (d) An adequate annual audit of all fiduciary activities by an  
4 internal or external auditor, as required by the department, the  
5 findings of which, including actions taken as a result of the audit,  
6 must be recorded in its minutes.

7 (8) Notwithstanding subsection (7)(d) of this section, the  
8 statement of principles of trust management may provide that, if a  
9 state trust company adopts a continuous audit process instead of  
10 performing annual audits, such audits may be performed, on an  
11 activity-by-activity basis, at intervals commensurate with the level  
12 of risk associated with that activity. In such case, the statement  
13 must reflect that audit intervals are to be supported and reassessed  
14 regularly to ensure appropriateness, given the current risk and  
15 volume of the activity.

16 **Sec. 44.** RCW 30B.24.020 and 2014 c 37 s 365 are each amended to  
17 read as follows:

18 (1) In addition to the provisions set out in RCW 11.98.078, if a  
19 conflict of interest may reasonably be expected to have a material  
20 adverse impact on the trustee's judgment in its provision of services  
21 to such client, the trustee must provide a reasonable disclosure of  
22 such conflict to such client.

23 (2) Unless authorized by other law, a state trust company may not  
24 invest funds of a fiduciary account over which it has investment  
25 discretion in the shares or obligations of, or in assets acquired  
26 from: The state trust company or any of its directors, officers,  
27 managers, or employees; affiliates of the state trust company or any  
28 of their directors, officers, managers, or employees; or individuals  
29 or organizations with whom there exists an interest that might affect  
30 the exercise of the best judgment of the state trust company.

31 (3) If retention of shares or obligations of the state trust  
32 company or its affiliates in a fiduciary account is consistent with  
33 applicable law, the state trust company may:

34 (a) Exercise rights to purchase additional shares, or securities  
35 convertible into additional shares, when offered pro rata to  
36 shareholders; and

37 (b) Purchase fractional shares to complement fractional shares  
38 acquired through the exercise of rights or the receipt of a share  
39 dividend resulting in fractional share holdings.

1       (4) A state trust company may not lend, sell, or otherwise  
2 transfer assets of a fiduciary account for which a state trust  
3 company has investment discretion to itself or any of its directors,  
4 officers, managers, or employees, or to affiliates of the state trust  
5 company or any of their directors, officers, managers, or employees,  
6 or to individuals or organizations with whom there exists an interest  
7 that might affect the exercise of the best judgment of the state  
8 trust company, unless:

9       (a) The transaction is authorized by other applicable law;

10       (b) Legal counsel advises the state trust company in writing that  
11 the state trust company has incurred, in its fiduciary capacity, a  
12 contingent or potential liability, in which case the state trust  
13 company, upon the sale or transfer of assets, shall reimburse the  
14 fiduciary account in cash at the greater of book or market value of  
15 the assets;

16       (c) In the case of a collective investment fund, the state trust  
17 company purchases for its own account any defaulted investment held  
18 by the fund if, in the judgment of the state trust company, the cost  
19 of segregating the investment is excessive in light of the market  
20 value of the investment: PROVIDED, That the state trust company  
21 purchases the defaulted investment at the greater of market value or  
22 the sum of cost and accrued unpaid interest; or

23       (d) Required in writing by the director.

24       (5) Notwithstanding any other provision of this section, a state  
25 trust company may not lend to any of its directors, officers,  
26 managers, or employees any funds held in trust, except with respect  
27 to employee benefit plans in accordance with the exemptions found in  
28 section 408 of the employee retirement income security act of 1974,  
29 29 U.S.C. Sec. 1108.

30       (6) A state trust company may make a loan to a fiduciary account  
31 and may hold a security interest in assets of the account if the  
32 transaction is fair to the account and is not prohibited by  
33 applicable law.

34       (7) A state trust company may sell assets between any of its  
35 fiduciary accounts if the transaction is fair to both accounts and is  
36 not prohibited by applicable law.

37       (8) A state trust company may make a loan between any of its  
38 fiduciary accounts if the transaction is fair to both accounts and is  
39 not prohibited by applicable law.



1        NEW SECTION.    **Sec. 45.**    A new section is added to chapter 30B.24  
2    RCW to read as follows:

3        QUARTERLY FILING WITH THE DEPARTMENT OF STATEMENT OF CONDITION—  
4    CONFIDENTIALITY. (1) A state trust company shall file no later than  
5    forty-five days after the end of each calendar quarter a statement of  
6    its financial condition and a summary of the condition of its  
7    fiduciary accounts, known as a call report, in a form and content as  
8    prescribed by the director by rule or written policy from which at  
9    least ninety days' advance written notice has been given.

10       (2) Unless otherwise established by rule, such call report shall  
11    be deemed confidential examination information and shall be subject  
12    to RCW 30A.04.075.

13       NEW SECTION.    **Sec. 46.**    A new section is added to chapter 30B.24  
14    RCW to read as follows:

15       COMPLIANCE WITH THE BANK SECRECY ACT—MANAGEMENT OF THIRD-PARTY  
16    RISK—CYBERSECURITY—EXAMINATION. (1) A state trust institution and  
17    its affiliate or third-party service provider, if applicable, shall  
18    comply with the federal financial recordkeeping and reporting of  
19    currency and foreign transactions act, 31 U.S.C. Sec. 5311 et seq.,  
20    also known as the bank secrecy act, and with associated federal  
21    regulations including, without limitation, any requirements under 31  
22    C.F.R. Part 103.

23       (2) A state trust institution and its affiliate or third-party  
24    service provider, if applicable, shall maintain the federal standards  
25    for safeguarding customer information, required pursuant to Title V  
26    of the federal Gramm-Leach-Bliley act, P.L. 106-10, 113 Stat. 1338,  
27    as amended, and shall comply with applicable federal and state laws  
28    and rules related to cybersecurity, or written interpretive statement  
29    of the department to which the state trust institution, affiliate, or  
30    third-party service provider has been furnished notice.

31       (3) A state trust company shall be subject to examination by the  
32    department for compliance with subsections (1) and (2) of this  
33    section. An affiliate of a state trust company may be subject to  
34    examination for compliance with subsections (1) and (2) of this  
35    section upon notice to the state trust company and to the applicable  
36    affiliate. A third-party service provider may be subject to direct  
37    examination in relation to compliance with subsections (1) and (2) of

1 this section as may be required pursuant to section 15 (3) and (4) of  
2 this act.

3 **Sec. 47.** RCW 30B.38.005 and 2014 c 37 s 366 are each amended to  
4 read as follows:

5 (1) An out-of-state trust institution that meets the requirements  
6 of this chapter is not required to maintain a physical trust office  
7 in ~~((this))~~ Washington state.

8 (2) An out-of-state trust institution that does not operate a  
9 trust office in ~~((this))~~ Washington state and that meets the  
10 requirements of this chapter may establish and maintain a new trust  
11 office in ~~((this))~~ Washington state.

12 (3) As used in this chapter, "doing business in Washington  
13 state," with reference to an out-of-state trust institution, means  
14 purposely availing oneself of regularly transacting trust business  
15 with the public in Washington state, or otherwise seeking to  
16 regularly transact trust business with the public in Washington state  
17 by means of solicitation, which the director may so determine if all  
18 or part of the administration of any trust or other agreement to  
19 conduct trust business is administered or sought to be administered  
20 in Washington state, or if a trust or other trust business agreement,  
21 with the assent of the out-of-state trust institution, specifies  
22 Washington state as the situs of the trust or situs of the tangible  
23 or intangible property covered by the trust business agreement.

24 **Sec. 48.** RCW 30B.38.020 and 2014 c 37 s 368 are each amended to  
25 read as follows:

26 (1) Except as authorized by federal law ~~((or))~~, by another law of  
27 ~~((this))~~ Washington state, or by a written finding of the director  
28 waiving some or all of the requirements of this section in the  
29 interest of facilitating financial interstate commerce, an  
30 out-of-state trust institution shall not be permitted to engage in a  
31 trust business in ~~((this))~~ Washington state ~~((on more favorable terms~~  
32 ~~and conditions than the terms and conditions on which state trust~~  
33 ~~companies incorporated under this title and savings banks engaged in~~  
34 ~~trust business under RCW 32.08.140, 32.08.142, 32.08.210, and~~  
35 ~~32.08.215 are permitted to engage in trust business in such other~~  
36 ~~state)) unless the director has approved an out-of-state trust~~  
37 institution's written application to do business in Washington state  
38 in accordance with this section.

1       (2) In order for the director to approve an out-of-state trust  
2 institution's written application to do business in Washington state,  
3 the director must determine in writing that all of the following  
4 conditions have been met, or otherwise in his or her discretion waive  
5 or modify one or more of such conditions in writing:

6       (a) That the out-of-state trust institution is authorized to do  
7 business in its home state, is in good standing with its home state  
8 regulator, is not subject to a supervisory directive, corrective  
9 action order, conservatorship, or the equivalent, from its home state  
10 regulator, and has not had its authority to do business in its home  
11 state, any other state, or a foreign jurisdiction suspended or  
12 revoked;

13       (b) That a state trust company with the same activities as the  
14 out-of-state trust institution would be able to do business in the  
15 home state of the out-of-state trust institution on the same or more  
16 favorable terms as in Washington state, when considering such home  
17 state's laws and its supervision, examination, or other safety and  
18 soundness oversight of a state trust company seeking to do business  
19 in such home state;

20       (c) That the out-of-state trust institution has secured or will  
21 secure as of the effective date of the department's certificate of  
22 authority a fidelity bond or equivalent insurance coverage for  
23 directors, officers, managers, or employees satisfactory to the  
24 director; and

25       (d) That as long as the out-of-state trust institution maintains  
26 a trust office or otherwise conducts trust business in Washington  
27 state, it will comply with all laws of Washington state that are  
28 applicable to an out-of-state trust institution doing business in  
29 Washington state.

30       (3) The director shall deny an application filed under this  
31 section or suspend or revoke the approval of an application, if the  
32 director finds that the standards of organization, supervision,  
33 examination, or other safety and soundness oversight of the out-of-  
34 state trust institution do not conform to the standards for a state  
35 trust company under this title. In considering the standards of  
36 organization, supervision, examination, or other safety and soundness  
37 oversight of the out-of-state trust institution, the director may  
38 also consider the laws of the state in which the applicant is  
39 organized.

1       (4) In implementing this section, the director may cooperate with  
2 trust institution regulators in other states and may share with such  
3 regulators the information received in the administration of this  
4 chapter.

5       (5) The director may enter into supervisory agreements with out-  
6 of-state trust institutions or their regulators to prescribe the  
7 applicable laws and rules governing the powers and authorities of  
8 out-of-state trust institutions seeking to or doing business in  
9 Washington state. Such agreements may address, but are not limited  
10 to, corporate governance and operational matters. Such agreements may  
11 resolve any conflict of laws and further specify the manner in which  
12 examination, supervision, and application processes must be  
13 coordinated between the home state regulator and host state  
14 regulator.

15       (6) The out-of-state trust institution may exercise additional  
16 powers and authorities that are authorized under the laws of its home  
17 state if the director determines in writing that the exercise of the  
18 additional powers and authorities in ((this)) Washington state will  
19 not threaten the safety and soundness of trust institutions in  
20 ((this)) Washington state and serves the convenience and needs of  
21 Washington state consumers.

22       **Sec. 49.** RCW 30B.38.030 and 2014 c 37 s 369 are each amended to  
23 read as follows:

24       An out-of-state trust institution desiring to engage in trust  
25 business in ((this)) Washington state shall provide, or cause its  
26 home state regulator to provide, written notice to the director of  
27 its intent to engage in trust business in ((this)) Washington state,  
28 accompanied by a written application containing:

29       (1) Satisfactory ((written)) evidence of a certificate of  
30 authority to engage in trust business in its home state, or  
31 equivalent, from its home state regulator;

32       (2) A copy of the resolution adopted by the board of directors of  
33 such out-of-state trust institution authorizing the out-of-state  
34 trust institution to engage in trust business in ((this)) Washington  
35 state;

36       (3) ((Written)) Evidence of compliance with the requirements of  
37 the director set forth in ((subsection (1) of this section)) RCW  
38 30B.38.020 or a request for waiver of certain requirements of RCW  
39 30B.38.020 satisfactory to the director; and

1 (4) A filing fee, if any, as prescribed by the director under  
2 authority of RCW 30A.04.070.

3 **Sec. 50.** RCW 30B.38.040 and 2014 c 37 s 370 are each amended to  
4 read as follows:

5 (1) ~~((Except as authorized by RCW 30B.72.010, an out-of-state~~  
6 ~~trust institution may not engage in trust business in this state~~  
7 ~~unless:~~

8 ~~(a) The out-of-state trust institution has confirmed in writing~~  
9 ~~to the director that for as long as it maintains a trust office in~~  
10 ~~this state, it will comply with all applicable laws of this state.~~

11 ~~(b) The out-of-state trust institution has provided satisfactory~~  
12 ~~evidence to the director of compliance with (i) any applicable~~  
13 ~~requirements of chapter 23B.15 or 25.15 RCW and (ii) the applicable~~  
14 ~~requirements of its home state regulator for engaging in trust~~  
15 ~~business in both its home state and this state.~~

16 ~~(c))~~ The director must, ~~((acting))~~ within sixty days after  
17 receiving ~~((notice))~~ a complete written application under RCW  
18 30B.38.030, ~~((has certified to))~~ including any waiver request, notify  
19 the home state regulator ~~((that the requirements of this chapter have~~  
20 ~~been met and the notice has been approved or, if applicable, that any~~  
21 ~~conditions imposed by the director pursuant to subsection (2) of this~~  
22 ~~section have been satisfied.~~

23 ~~(2) The out-of-state trust institution may commence engaging in~~  
24 ~~trust business in this state on the sixty-first day after the date~~  
25 ~~the director receives the notice unless the director specifies an~~  
26 ~~earlier or later date))~~ and the out-of-state trust institution of the  
27 director's approval or denial of the written application or waiver  
28 request, including any other conditions for approval that the  
29 director may require.

30 ~~((3))~~ (2) The sixty-day period of review ~~((in subsection (2) of~~  
31 ~~this section))~~ may be extended by the director on a determination  
32 that the written notice raises issues that require additional  
33 information or additional time for analysis. If the period of review  
34 is extended, the out-of-state trust institution may engage in trust  
35 business in ~~((this))~~ Washington state only on prior written approval  
36 by the director.

37 **Sec. 51.** RCW 30B.38.070 and 2014 c 37 s 373 are each amended to  
38 read as follows:

1 (1) Consistent with (~~the Washington administrative procedure~~  
2 ~~act, chapter 34.05 RCW, and in the manner provided for enforcement~~  
3 ~~action against a state trust company under this title, after notice~~  
4 ~~and opportunity for hearing~~)) chapter 30B.10 RCW, the director may  
5 determine an out-of-state trust institution engaging in trust  
6 business in ((~~this~~)) Washington state, or its affiliate, is in  
7 violation of any provision of ((~~the laws of this state~~)) this title  
8 or is operating in an unsafe and unsound manner.

9 (2) The director shall have the authority to take all such  
10 enforcement actions against an out-of-state trust institution or its  
11 affiliate as he or she ((~~would be~~)) is empowered to take ((~~if the~~  
12 ~~out-of-state trust institution were a state trust company~~)) under  
13 chapter 30B.10 RCW, including but not limited to issuing an order  
14 temporarily or permanently prohibiting the out-of-state trust  
15 institution or its affiliate from engaging in trust business in  
16 ((~~this~~)) Washington state.

17 (3) The director may make a written finding that an out-of-state  
18 trust institution engaging in or proposing to engage in a trust  
19 business in ((~~this~~)) Washington state does not meet the requirements  
20 for engaging in trust business in ((~~this~~)) Washington state pursuant  
21 to this chapter or RCW 30B.72.010, which finding shall be effective  
22 on the date of issuance or such other date as the director shall  
23 determine.

24 (4) In cases involving extraordinary circumstances requiring  
25 immediate action, the director may issue ((~~a temporary~~)) pursuant to  
26 section 25 of this act an emergency order without advance notice or  
27 opportunity for hearing, subject to the right of the out-of-state  
28 trust institution((~~'s right~~)) or, as applicable, its affiliate, to  
29 petition for judicial review in the same manner as a state trust  
30 company under this title.

31 (5) The director will give notice to the home state regulator of  
32 each enforcement action taken against an out-of-state trust  
33 institution or its affiliate and, to the extent practicable, will  
34 consult and cooperate with the home state regulator in pursuing and  
35 resolving such enforcement action.

36 **Sec. 52.** RCW 30B.38.080 and 2014 c 37 s 374 are each amended to  
37 read as follows:

38 Each out-of-state trust institution that maintains an office in  
39 ((~~this~~)) Washington state or otherwise conducts trust business in

1 Washington state pursuant to this chapter, or the home state  
2 regulator of such trust institution, shall give at least thirty days'  
3 prior written notice, or in the case of an emergency transaction,  
4 such shorter notice as is consistent with applicable state or federal  
5 law, to the director of:

6 (1) Any merger, consolidation, or other transaction that would  
7 cause a change of control with respect to such out-of-state trust  
8 institution or any bank holding company that controls such trust  
9 institution, (~~with the result that an application would be required~~  
10 ~~to be filed pursuant to the federal change in bank control act of~~  
11 ~~1978, 12 U.S.C. Sec. 1817(j), or the federal bank holding company act~~  
12 ~~of 1956, 12 U.S.C. Sec. 1841 et seq., or any successor statutes~~  
13 ~~thereto)) as determined by the definition of "control" set forth in  
14 RCW 30B.53.005;~~

15 (2) Any transfer of all or substantially all of the trust  
16 accounts or trust assets of the out-of-state trust institution to  
17 another person; or

18 (3) The closing or disposition of any office in (~~this~~)  
19 Washington state.

20 NEW SECTION. Sec. 53. A new section is added to chapter 30B.38  
21 RCW to read as follows:

22 STATE TRUST COMPANY OPERATING IN ANOTHER STATE—APPROVAL OF  
23 DIRECTOR. (1) Upon written approval of the director, a state trust  
24 company may conduct the business of a trust company in a host state,  
25 subject to the authority, requirements, and restrictions of the host  
26 state, or as otherwise directed by a cooperative agreement between  
27 the department and the host state.

28 (2) The director may enter into a cooperative agreement with the  
29 host state regulator of the host state in which a state trust company  
30 is permitted to and conducts the business of a trust company and may  
31 permit the host state regulator to periodically examine the affairs  
32 of the state trust company in the host state.

33 (3) The director may rely upon the examination of the host state  
34 regulator in lieu of the department itself conducting an examination  
35 of the state trust company's conduct in the host state.

36 **Sec. 54.** RCW 30B.38.090 and 2014 c 37 s 375 are each amended to  
37 read as follows:

1 Notwithstanding any other provision of this chapter, an  
2 out-of-state trust institution engaging in trust business in ~~((this))~~  
3 Washington state, which is not an exempt person under RCW 30B.04.040  
4 and which by reason of the laws of its home state is not, in the  
5 opinion of the director, subject to ~~((any))~~ supervision, examination,  
6 or other safety and soundness oversight by a home state regulator,  
7 shall be subject to all the requirements of a state trust company  
8 under this title.

9 **Sec. 55.** RCW 30B.44A.005 and 2014 c 37 s 376 are each amended to  
10 read as follows:

11 A state trust company may go into voluntary liquidation and be  
12 closed, and may surrender its ~~((charter))~~ certificate of authority  
13 and franchise as a corporation or limited liability company of  
14 ~~((this))~~ Washington state by the affirmative votes of its  
15 shareholders owning two-thirds of its ~~((stock or participation))~~  
16 shares.

17 **Sec. 56.** RCW 30B.44A.010 and 2014 c 37 s 377 are each amended to  
18 read as follows:

19 (1) Shareholder action to liquidate a state trust company shall  
20 be taken at a meeting of the shareholders ~~((or participants))~~ duly  
21 called ~~((by resolution of the board of directors or members, written~~  
22 ~~notice of which, stating the purpose of the meeting, shall be mailed~~  
23 ~~to each shareholder or participant, or in case of a shareholder's or~~  
24 ~~participant's death, to such shareholder's or participant's legal~~  
25 ~~representative or heirs at law, addressed to the shareholder's or~~  
26 ~~participant's last known residence ten days previous to the date of~~  
27 ~~such meeting))~~ and noticed as provided for in Title 23B RCW, if the  
28 state trust company is a corporation, and as provided in chapter  
29 25.15 RCW, if the state trust company is a limited liability company.

30 (2) If ~~((stockholders or participants))~~ the shareholders shall,  
31 by the required vote, elect to liquidate ~~((a))~~ the state trust  
32 company, a ~~((certified))~~ copy of all proceedings of the meeting at  
33 which such action shall have been taken, verified by the oath of the  
34 president or manager and the secretary, shall be transmitted to the  
35 director for approval.

36 **Sec. 57.** RCW 30B.44A.020 and 2014 c 37 s 378 are each amended to  
37 read as follows:



1       (1) If the director approves the liquidation, the director shall  
2 issue to the state trust company (~~(a permit)~~) written notice of  
3 approval for such purpose.

4       (~~A permit~~) (2) Such approval shall (~~not~~) be (~~issued by the~~  
5 ~~director until~~) deemed granted unless the director (~~is satisfied~~)  
6 issues a written determination, no later than sixty days from notice  
7 by the state trust company to voluntarily liquidate, that adequate  
8 provision has not been made (~~by the state trust company~~) to satisfy  
9 (~~and pay off~~) all allowable creditors and further provide for  
10 successor trustees or other disposition of all trust assets under  
11 management.

12       (3) If (~~not so satisfied,~~) the director (~~shall refuse to issue~~  
13 ~~a permit, and~~) has made such a determination within the time set  
14 forth in subsection (2) of this section, the director is authorized  
15 to take possession of the state trust company and its assets and  
16 business(~~, and hold the same~~) and liquidate (~~the state trust~~  
17 ~~company~~) it in the manner provided for in (~~this title~~) chapter  
18 30B.44B RCW.

19       (~~When~~) (4) If the director approves the voluntary liquidation  
20 of a state trust company under this chapter, the (~~directors of~~  
21 ~~that~~) state trust company shall (~~cause to be published in a~~  
22 ~~newspaper in the county in which the same is located, or if no~~  
23 ~~newspaper is published in such county, then in a newspaper having a~~  
24 ~~general circulation in such county, a notice that the state trust~~  
25 ~~company is closing down its affairs and going into liquidation, and~~  
26 ~~notify its creditors to present their claims for payment. Such notice~~  
27 ~~shall be published once a week for four consecutive weeks~~) provide  
28 notice to creditors and the public of voluntary dissolution in the  
29 manner provided for in Title 23B RCW, if the state trust company is a  
30 corporation, and chapter 25.15 RCW, if the state trust company is a  
31 limited liability company.

32       **Sec. 58.** RCW 30B.44A.030 and 2014 c 37 s 379 are each amended to  
33 read as follows:

34       (~~When any~~) While a state trust company is in process of  
35 voluntary liquidation under this chapter, it is subject to  
36 examination by the director(~~r~~) and shall continue to furnish to the  
37 director such reports (~~from time to time as may be called for by the~~  
38 ~~director~~) as required of a state trust company.

1        NEW SECTION.    **Sec. 59.**    A new section is added to chapter 30B.44A  
2    RCW to read as follows:

3        PROCEDURES FOR VOLUNTARY LIQUIDATION. Except as set forth in this  
4    chapter to the contrary, the procedures for voluntary liquidation of  
5    a state trust company shall be consistent with Title 23B RCW, if the  
6    state trust company is a corporation, and chapter 25.15 RCW, if the  
7    state trust company is a limited liability company.

8        **Sec. 60.**    RCW 30B.44A.040 and 2014 c 37 s 380 are each amended to  
9    read as follows:

10       (1) All unclaimed property remaining in the ((hands)) possession  
11    of a ((liquidated)) state trust company that has been voluntarily  
12    liquidated according to this chapter is subject to the provisions of  
13    chapter 11.08 RCW, except to the extent set forth in this section.

14       (2) Any funds, less outstanding fees and assessments owed to the  
15    director under RCW 30A.04.070, payment of allowable third-party  
16    claims, and disposition of fiduciary assets in compliance with this  
17    title, which remain uncalled for and unpaid at the conclusion of the  
18    state trust company's voluntary liquidation, shall be transmitted to  
19    the director and shall be deposited by him or her in a bank to the  
20    director's credit in trust for the benefit of any persons entitled  
21    thereto, and shall be paid by the director to such persons upon  
22    receipt of evidence, reasonably satisfactory to the director, of such  
23    persons' rights to such funds.

24       (3) All moneys so deposited remaining unclaimed for two years  
25    after deposit shall escheat to the state for the benefit of the state  
26    financial literacy and education programs as authorized by RCW  
27    43.320.150 and administered by the department or, in the absence of  
28    such programs, as otherwise directed by the state treasurer.

29       (4) It shall not be necessary to have the escheat adjudged in a  
30    suit or action.

31       NEW SECTION.    **Sec. 61.**    A new section is added to chapter 30B.44A  
32    RCW to read as follows:

33        NAMING OF SUCCESSOR TRUSTEE UPON DISSOLUTION OF STATE TRUST  
34    COMPANY—CONTINGENCY FOR DIRECTOR AS STATUTORY CUSTODIAN. (1) In the  
35    event of a voluntary dissolution of a trust company pursuant to this  
36    chapter, the provisions of RCW 11.98.039 (1), (2), and (3) shall  
37    apply, if applicable, to the selection of a successor trustee,  
38    subject to the director's option to approve a successor trustee as

1 part of the director's approval of a voluntary liquidation under RCW  
2 30B.44A.020.

3 (2) If, however, RCW 11.98.039(4) is applicable but a trust  
4 beneficiary, trustor, if alive, or trustee does not petition the  
5 superior court for appointment of successor trustee within thirty  
6 days of the last publication of notice of the voluntary dissolution  
7 of the trust company pursuant to RCW 30B.44A.020, then the director  
8 may:

9 (a) Appoint himself or herself as a custodian of any affected  
10 trust until such time as the superior court makes a determination of  
11 successor trustee; or

12 (b) At his or her option, bring before the superior court a  
13 petition for appointment of a successor trustee, other than an  
14 employee or independent contractor of the department, pursuant to  
15 chapter 11.96A RCW.

16 (3) In no event may the director or any employee or independent  
17 contractor of the department serve as a successor trustee under  
18 chapter 11.98 RCW or as a receiver of trust assets under chapter 7.60  
19 RCW.

20 **Sec. 62.** RCW 30B.44A.050 and 2014 c 37 s 381 are each amended to  
21 read as follows:

22 (1) Any state trust company may sell and transfer to any other  
23 trust institution(~~(, whether state or federally chartered,)~~) all of  
24 its assets of every kind upon such terms as may be agreed upon and  
25 approved by the director and by two-thirds vote of its (~~board of~~  
26 directors or members)) shareholders.

27 (2) A (~~certified~~) copy of the minutes of any meeting at which  
28 such action is taken(~~(, under the oath of the president and~~  
29 secretary)), together with a copy of the (~~contract of sale and~~  
30 transfer)) asset purchase agreement, shall be filed with the  
31 director. (~~Whenever voluntary liquidation shall be approved by the~~  
32 ~~director or the sale and transfer of the assets of any state trust~~  
33 ~~company shall be approved by the director, a certified copy of such~~  
34 ~~approval, filed in the office of the secretary of state, shall~~  
35 ~~authorize the cancellation of the charter of such state trust~~  
36 ~~company, subject, however, to its continued existence, as provided by~~  
37 ~~this title and the general law relative to corporations.))~~

38 (3) Notwithstanding any other provision of this title, the board  
39 of a state trust company, with the director's approval, may cause a

1 state trust company to sell all or substantially all of its assets,  
2 including the right to control accounts established with the trust  
3 company, without shareholder or participant approval if the director  
4 finds:

5 (a) The interests of the state trust company's clients and  
6 creditors are jeopardized because of insolvency or imminent  
7 insolvency of the state trust company; and

8 (b) The sale is in the best interest of the state trust company's  
9 clients and creditors.

10 (4) A sale under this section must include an assumption and  
11 promise by the buyer to pay or otherwise discharge:

12 (a) All of the state trust company's liabilities to clients and  
13 depositors;

14 (b) All of the state trust company's liabilities for salaries of  
15 the state trust company's employees incurred before the date of the  
16 sale;

17 (c) Obligations incurred by the director arising out of the  
18 supervision or sale of the state trust company; and

19 (d) Fees and assessments due the department.

20 (5) This section does not limit the incidental power of a state  
21 trust company to buy and sell assets in the ordinary course of  
22 business.

23 (6) This section does not affect the director's authority to take  
24 action under state law.

25 NEW SECTION. Sec. 63. A new section is added to chapter 30B.44A  
26 RCW to read as follows:

27 CANCELLATION OF STATE TRUST COMPANY'S CERTIFICATE OF AUTHORITY.  
28 Whenever voluntary liquidation is approved by the director or the  
29 sale and transfer of the assets of any state trust company is  
30 approved by the director pursuant to this chapter, a certified copy  
31 of such approval, filed in the office of the secretary of state,  
32 shall authorize the cancellation of the certificate of authority of  
33 such state trust company, subject, however, to its continued  
34 existence, as either a general corporation under Title 23B RCW or a  
35 general limited liability company under chapter 25.15 RCW.

36 NEW SECTION. Sec. 64. A new section is added to chapter 30B.44B  
37 RCW to read as follows:

1 POSSESSION OF TRUST ASSETS AND COMPANY ASSETS AND PROPERTY WITH  
2 THE DIRECTOR—BAR AGAINST ATTACHMENT PROCEEDINGS. The taking of  
3 possession of any state trust company by the director pursuant to RCW  
4 30B.44B.005 or 30B.44B.010 is sufficient to place all of the state  
5 trust company's fiduciary assets in the custody of the director and  
6 all of the nonfiduciary assets and property of every nature in the  
7 director's possession and bar all attachment proceedings.

8 NEW SECTION. **Sec. 65.** A new section is added to chapter 30B.44B  
9 RCW to read as follows:

10 DIRECTOR'S RIGHT TO TAKE POSSESSION MAY BE CONTESTED. (1) Within  
11 ten days after the director takes possession of a state trust company  
12 pursuant to RCW 30B.44B.005, the state trust company may serve a  
13 notice upon the director to appear before the superior court of the  
14 county where the headquarters of the state trust company is located  
15 and at a time to be fixed by the court, which shall not be less than  
16 five nor more than fifteen days from the date of the service of such  
17 notice, to show cause why the director's action taking possession of  
18 the state trust company should not be affirmed.

19 (2) Upon the return day of such notice, or such further day as  
20 the matter may be continued to, the court shall summarily hear the  
21 show-cause petition and shall dismiss it, if the court finds that  
22 possession of the state trust company was taken by the director in  
23 good faith and for cause. If, however, the court finds that no cause  
24 existed for taking possession of the state trust company, the court  
25 shall require the director to restore the state trust company to  
26 possession of its assets and enjoin the director from further  
27 interference with the state trust company without cause.

28 NEW SECTION. **Sec. 66.** A new section is added to chapter 30B.44B  
29 RCW to read as follows:

30 POWERS AND DUTIES OF DIRECTOR—PROHIBITION AGAINST LIENS. (1) Upon  
31 issuance of an order taking possession of a state trust company  
32 pursuant to RCW 30B.44B.005 or 30B.44B.010, the director must:

33 (a) Take custody of the assets of the state trust company and  
34 preserve, administer, and liquidate the business and assets of the  
35 state trust company as statutory liquidation agent;

36 (b) Furnish written notice:

37 (i) To all persons having possession of any assets of the state  
38 trust company; and

1 (ii) To beneficiaries, trustors, if alive, and appointed advisers  
2 in relation to trust assets that were under management by the state  
3 trust company as of the date and time that the director took  
4 possession of the state trust company, to the extent that the state  
5 trust company has not given prior notice to such beneficiaries or  
6 trustors, if alive, pursuant to RCW 11.98.039, or to such appointed  
7 advisers;

8 (c) Make provision as custodian under authority of this chapter  
9 for the preservation of the trust or other fiduciary assets of the  
10 state trust company while they are in the department's custody; and

11 (d) Upon notice from a trustor or beneficiary, or the like, of a  
12 trust agreement or other fiduciary contract directing the department  
13 to transfer the trust or other fiduciary assets of the state trust  
14 company, or as otherwise provided for by the terms of a trust  
15 agreement or other fiduciary contract, by Title 11 RCW, or by court  
16 order, make provision as custodian under this chapter for the  
17 transfer of trust or other fiduciary assets from the department's  
18 custody to applicable third parties.

19 (2) No person knowing of the taking of such possession by the  
20 director shall have a lien or charge for any payment advanced or  
21 cleared or liability incurred against any of the assets of the state  
22 trust company or any trust assets under management.

23 (3) With the approval of the superior court of the county in  
24 which the headquarters of the state trust company was located, the  
25 director may sell, compound, or compromise bad or doubtful debts, and  
26 upon such terms as the court shall direct, the director may borrow,  
27 mortgage, pledge, or sell all or any part of the real estate and  
28 personal property of the state trust company. The director shall  
29 deliver to each purchaser or lender an appropriate deed, mortgage,  
30 agreement of pledge, or other instrument of title or security. If  
31 real estate is situated outside of the county where the headquarters  
32 of the state trust company was located, a certified copy of the  
33 orders authorizing and confirming the sale or mortgage shall be filed  
34 for record in the county in which such property is situated.

35 (4) The director may appoint special assistants and other  
36 necessary agents to assist in the administration and liquidation of  
37 the state trust company, a certificate of such appointment to be  
38 filed with the clerk of the county where the headquarters of the  
39 state trust company was located.

1 (5) Except for a special assistant who is an employee of the  
2 department, the director shall require such special assistant or  
3 agent to give a surety company bond, conditioned as the director  
4 shall provide, the premium of which shall be paid out of the assets  
5 of the state trust company.

6 (6) The director may also request legal assistance from the  
7 Washington attorney general in such administration and liquidation;  
8 provided, however, that with permission of the Washington attorney  
9 general, the director may employ an attorney in private practice to  
10 perform such delegated functions.

11 NEW SECTION. **Sec. 67.** A new section is added to chapter 30B.44B  
12 RCW to read as follows:

13 NOTICE TO CREDITORS—CLAIMS. (1) The director shall publish on the  
14 department's public web site and also once a week for four  
15 consecutive weeks in a newspaper of general circulation, which the  
16 director shall select, a notice requiring all persons having claims  
17 against the dissolved state trust company to make proof of claim to  
18 the department as specified in the notice not later than ninety days  
19 from the date of the first publication of such notice.

20 (2) The director shall mail similar notices to all persons whose  
21 names appeared as creditors upon the books of the state trust company  
22 as of the date and time of the director taking possession pursuant to  
23 RCW 30B.44B.005 or 30B.44B.010.

24 (3) The director may approve or reject any claims, but shall  
25 serve notice of rejection upon the claimant by mail or personally. A  
26 declaration of service of such notice, signed under penalty of  
27 perjury, shall be deemed a rebuttable presumption that notice has  
28 been given pursuant to this section.

29 (4) No action shall be brought on any claim after ninety days  
30 from the date of service of notice of rejection.

31 (5) After the expiration of the time fixed in the notice, the  
32 director shall have no power to accept any claim.

33 (6) Any claim that has not been filed with the department as  
34 required by this section is barred as a matter of law.

35 NEW SECTION. **Sec. 68.** A new section is added to chapter 30B.44B  
36 RCW to read as follows:

37 ASSUMPTION OR REJECTION OF EXECUTORY CONTRACTS. Upon issuance of  
38 an order taking possession of a state trust company, the director may

1 assume or reject any executory contract or unexpired lease of the  
2 state trust company upon written notice to the parties to such  
3 contract.

4 NEW SECTION. **Sec. 69.** A new section is added to chapter 30B.44B  
5 RCW to read as follows:

6 INVENTORY—LIST OF CLAIMS. (1) Upon taking possession of the  
7 dissolved state trust company, the director shall make an inventory  
8 of the nonfiduciary assets in duplicate, filing one with the  
9 department and one in the office of the superior court clerk.

10 (2) Upon the expiration of the time fixed for the presentation of  
11 claims, the director shall make a duplicate list of claims presented,  
12 segregating those approved and those rejected, and file this list  
13 with the clerk of the superior court.

14 NEW SECTION. **Sec. 70.** A new section is added to chapter 30B.44B  
15 RCW to read as follows:

16 OBJECTIONS TO APPROVED CLAIMS. Objection may be made by any  
17 interested person to any claim approved by the director, which  
18 objection shall be determined by the superior court upon notice to  
19 the claimant and objector as the superior court shall prescribe.

20 NEW SECTION. **Sec. 71.** A new section is added to chapter 30B.44B  
21 RCW to read as follows:

22 TEMPORARY RECEIVER PROHIBITED EXCEPT IN EMERGENCY. (1) A receiver  
23 shall not be appointed by any court for any state trust company, nor  
24 shall any assignment of any state trust company for the benefit of  
25 creditors be valid, except that, in addition to the director's  
26 authority to take possession of a state trust company pursuant to RCW  
27 30B.44B.005 or 30B.44B.010, the superior court otherwise having  
28 jurisdiction may in case of imminent necessity appoint a temporary  
29 receiver to take possession of and preserve the assets of such state  
30 trust company.

31 (2) Immediately upon appointment of a person as temporary  
32 receiver, the clerk of the superior court shall notify the director  
33 in writing of such appointment and the director shall then take  
34 possession of the state trust company, as in case of insolvency, and  
35 the temporary receiver shall, upon demand of the director, surrender  
36 to the director possession of the state trust company and all assets  
37 which shall have come into the possession of such temporary receiver.



1 (3) The director shall in due course pay such temporary receiver  
2 out of the assets of the state trust company.

3 NEW SECTION. **Sec. 72.** A new section is added to chapter 30B.44B  
4 RCW to read as follows:

5 PREFERENCES PROHIBITED—PENALTY. (1) Any transfer of its property  
6 or assets by a state trust company, made (a) in contemplation of  
7 insolvency or after it shall have become insolvent, (b) within ninety  
8 days before the date the director takes possession of such state  
9 trust company, and (c) with a view to the preference of one creditor  
10 over another or to prevent the equal distribution of its property and  
11 assets among its creditors, shall be void.

12 (2) Every director, officer, or employee of a state trust company  
13 making any such transfer of assets is guilty of a class B felony  
14 punishable according to chapter 9A.20 RCW.

15 NEW SECTION. **Sec. 73.** A new section is added to chapter 30B.44B  
16 RCW to read as follows:

17 EXPENSE OF LIQUIDATION—DETERMINATION OF SUPERIOR COURT—PRIORITY  
18 OVER THIRD-PARTY CLAIMS. (1) All expenses incurred by the director in  
19 taking possession, administering, and resolving any state trust  
20 company dissolved pursuant to this chapter, including the expenses of  
21 assistants or agents and reasonable fees for any attorney who may be  
22 employed in connection with such administration and resolution, and  
23 the reasonable compensation of any special assistant or agent placed  
24 in charge of such dissolved state trust company, shall be a priority  
25 charge upon the assets of the dissolved state trust company and shall  
26 be senior to any approved third-party claims.

27 (2) Such charges for expenses as set forth in subsection (1) of  
28 this section shall be fixed by the director, subject to the approval  
29 of the superior court.

30 NEW SECTION. **Sec. 74.** A new section is added to chapter 30B.44B  
31 RCW to read as follows:

32 LIQUIDATION AFTER CLAIMS ARE PAID. When all proper claims of  
33 creditors, excluding shareholders, have been paid, as well as all  
34 expenses of administration and liquidation, and proper provision has  
35 been made for unclaimed or unpaid property and dividends, and assets  
36 still remain in the director's possession, the director shall furnish  
37 written notice to all shareholders of record of the state trust

1 company, as of the date and time the director took possession of the  
2 state trust company pursuant to RCW 30B.44B.005 or 30B.44B.010, of  
3 the existence of any remaining funds according to each shareholder's  
4 proportional beneficial interest in the state trust company.

5 NEW SECTION. **Sec. 75.** A new section is added to chapter 30B.44B  
6 RCW to read as follows:

7 DISPOSITION OF UNCLAIMED PERSONAL PROPERTY—TRUST ASSETS—OTHER  
8 PERSONAL PROPERTY HELD FOR SAFEKEEPING. (1) If, at the conclusion of  
9 the liquidation of a state trust company, there remains unclaimed  
10 personal property, other than monetary deposit accounts, which had  
11 previously been left with it for safekeeping, including unclaimed  
12 trust assets, such property shall be inventoried by the director or  
13 his or her special assistant or agent and segregated and identified  
14 by the name and last known address of the person who appears on the  
15 books of the state trust company, as of the date and time of its  
16 closure, as being entitled to the property.

17 (2) Upon receiving possession of such unclaimed personal  
18 property, the director shall hold it for safekeeping. The liquidated  
19 state trust company, its directors, officers, managers, managing  
20 principals, and shareholders, and the director's special assistant or  
21 agent, if any, shall be relieved of responsibility and liability for  
22 the property so delivered to and received by the director.

23 (3) The director shall then send to each person who appears on  
24 the books and records of the liquidated state trust company as having  
25 the right to such property, at his or her last known address, a  
26 notice that the property listed will be held in his or her name for a  
27 period of not less than one year.

28 (4) At any time after the mailing of such notice, and before the  
29 expiration of one year, such person may require the delivery of the  
30 property so held, by properly identifying himself or herself and  
31 offering evidence of his or her right to such property, to the  
32 satisfaction of the director. The director may condition delivery of  
33 such property upon prior payment to the director of all storage costs  
34 and reasonable costs associated with such delivery.

35 NEW SECTION. **Sec. 76.** A new section is added to chapter 30B.44B  
36 RCW to read as follows:

37 FINAL NOTICE AFTER ONE YEAR—SALE AT AUCTION. (1) After the  
38 expiration of one year from the time of giving notice under section

1 75(3) of this act, the director shall issue and serve by mail a final  
2 notice stating that one year has elapsed since the sending of the  
3 notice referred to in section 75(3) of this act, and that the  
4 director will sell all the property or articles of value set out in  
5 the notice, at a specified time and place, not less than thirty days  
6 after the time of the final notice. Unless the person shall, on or  
7 before such time and to the satisfaction of the director, claim the  
8 property, identify himself or herself, offer evidence of his or her  
9 right to such property, and remit payment to the director of all  
10 storage costs and reasonable costs associated with delivery to such  
11 person, the director may sell all the property or articles of value  
12 listed in the notice, at public auction, at the time and place stated  
13 in the final notice: PROVIDED, That a notice of the time and place of  
14 such sale has been published once within ten days prior to the sale  
15 in a newspaper of general circulation in the county where the  
16 headquarters of the state trust company was located.

17 (2) In addition to subsection (1) of this section, any such  
18 property held by the director, the owner of which is not known, may  
19 be sold at public auction after it has been held by the director for  
20 one year: PROVIDED, That a notice of the time and place of sale has  
21 been published once within ten days prior to the sale in a newspaper  
22 of general circulation in the county where the headquarters of the  
23 state trust company was located.

24 NEW SECTION. **Sec. 77.** A new section is added to chapter 30B.44B  
25 RCW to read as follows:

26 DISPOSITION OF UNCLAIMED PERSONAL PROPERTY—MONETARY FUNDS. (1)  
27 Any monetary funds, including funds obtained from sale of personal  
28 property at auction pursuant to this section, remaining unclaimed and  
29 unpaid in the possession of the director for six months after the  
30 superior court's order of final distribution, shall be deposited by  
31 the director in a bank to his or her credit, in trust for the benefit  
32 of the persons entitled to such funds and subject to the supervision  
33 of the superior court.

34 (2) Such monetary funds shall be paid by the director to the  
35 entitled persons upon receipt of satisfactory evidence of their right  
36 to such funds.

37 (3) All moneys so deposited remaining unclaimed for one year  
38 after deposit shall escheat to the state for the benefit of the state  
39 financial literacy and education programs as authorized by RCW

1 43.320.150 and administered by the department, or, in the absence of  
2 such programs, as otherwise directed by the state treasurer.

3 (4) It shall not be necessary to have the escheat adjudged in a  
4 suit or action.

5 NEW SECTION. **Sec. 78.** A new section is added to chapter 30B.44B  
6 RCW to read as follows:

7 DESTRUCTION OF RECORDS AFTER LIQUIDATION. (1) Where any records  
8 of the state trust company have been taken over and are in the  
9 possession of the director in connection with the involuntary  
10 liquidation of a state trust company, the director may, in his or her  
11 discretion at any time after an order of final liquidation, or  
12 equivalent, by the superior court, destroy any of such records which  
13 may appear to the director to be obsolete or unnecessary for future  
14 reference as part of the liquidation and as files of the department.

15 (2) Such records are exempt from public disclosure, consistent  
16 with RCW 42.56.400(6), 30A.04.075, and 30B.04.060.

17 NEW SECTION. **Sec. 79.** A new section is added to chapter 30B.44B  
18 RCW to read as follows:

19 REOPENING—CONDITIONS. (1) Notwithstanding any other provision of  
20 this chapter, the director may, at any time within ninety days after  
21 taking possession of a state trust company under RCW 30B.44B.005 or  
22 30B.44B.010, permit such state trust company to reopen upon such  
23 terms and conditions as the director shall prescribe, if he or she  
24 has determined that:

25 (a) Sufficient remedy has been made of the state trust company's  
26 impairment and delinquencies; and

27 (b) It is in the best interest of trustors, beneficiaries,  
28 creditors, shareholders, and the general public that the state trust  
29 company be reopened rather than be liquidated.

30 (2) Before being permitted to reopen pursuant to this section, a  
31 state trust company shall pay all of the outstanding fees,  
32 assessment, and expenses of the director as provided for in this  
33 title.

34 NEW SECTION. **Sec. 80.** A new section is added to chapter 30B.46  
35 RCW to read as follows:

36 DEFINITIONS. The definitions in this section apply throughout  
37 this chapter unless the context clearly requires otherwise.

1 (1) "Corrective action measures" refers collectively to  
2 supervisory agreements, memoranda of understanding, supervisory  
3 directives, corrective action orders, and orders of conservatorship.

4 (2) "Corrective action order" means a cease and desist order,  
5 consent order, order compelling action, or order of conservatorship,  
6 as prescribed by this chapter.

7 (3) "Exceeded its powers" includes, without limitation, the  
8 following circumstances:

9 (a) If a state trust company has engaged in unauthorized trust  
10 activity;

11 (b) If a state trust company has refused to permit examination of  
12 its books, papers, accounts, records, or affairs by the director,  
13 assistant director, or examiners; or

14 (c) If a state trust company has neglected or refused to observe  
15 an order of the director including, without limitation, an order to  
16 make good, within the time prescribed, any capital deficiency.

17 (4) "Order of conservatorship" means an order specifically  
18 authorized under this chapter for the appointment for a conservatory  
19 of a state trust company.

20 (5) "Supervisory agreement" or "memorandum of understanding"  
21 means a supervisory directive in which a state trust company has  
22 given its prior consent.

23 (6) "Supervisory directive" means a supervisory directive in  
24 which the state trust company has not given its prior consent.

25 (7) "Unsafe condition" shall mean and include, but not be limited  
26 to, any one or more of the following circumstances:

27 (a) If a state trust company is less than adequately capitalized  
28 as determined by the director;

29 (b) If a state trust company violates the applicable provisions  
30 of this title or any other law or regulation applicable to a state  
31 trust company in a manner that results or is likely to result in a  
32 significant increase in the state trust company's legal or  
33 operational risk;

34 (c) If a state trust company conducts a fraudulent or  
35 questionable practice in the conduct of its business that endangers  
36 its reputation, beneficiaries, shareholders, or trustors, or  
37 threatens its solvency;

38 (d) If a state trust company conducts its business in an unsafe  
39 or unsound manner;

1 (e) If a state trust company engages in unauthorized trust  
2 activity;

3 (f) If a state trust company violates any conditions of its  
4 certificate of authority or any agreement entered with the director;  
5 or

6 (g) If a state trust company willfully fails to carry out any  
7 authorized instruction or direction of the director.

8 NEW SECTION. **Sec. 81.** A new section is added to chapter 30B.46  
9 RCW to read as follows:

10 SCOPE OF CHAPTER—SAFETY AND SOUNDNESS AUTHORITY OF DIRECTOR IN  
11 LIEU OF ADMINISTRATIVE PROCEEDINGS—CORRECTIVE ACTION MEASURES—  
12 JUDICIAL REVIEW. (1) The purpose of this chapter is to provide  
13 expeditious methods for the department to exercise proper supervision  
14 over the safety and soundness of state trust companies in the  
15 interest of Washington state's fiduciary industry and the general  
16 public. To that end, this chapter prescribes a series of progressive  
17 corrective action measures available to the director, as necessary  
18 and in connection with the exercise of his or her examination  
19 authority, the ultimate object of which is to restore a state trust  
20 company to a state of safe and sound condition and practices and to  
21 prevent, if possible, involuntary dissolution of the state trust  
22 company under chapter 30B.44B RCW.

23 (2) In order of progression, these corrective action measures  
24 include:

25 (a) The supervisory directive, which may be issued with the  
26 consent of a state trust company as a supervisory agreement or  
27 memorandum of understanding or without the state trust company's  
28 consent;

29 (b) The corrective action order, which may be issued with or  
30 without the consent of a state trust company; and

31 (c) The order of conservatorship, which may be issued with or  
32 without the consent of a state trust company.

33 (3) The director may issue and impose upon a state trust company,  
34 in lieu of or in addition to his or her authority to issue and serve  
35 a notice and statement of charges pursuant to chapter 30B.10 RCW, the  
36 following:

37 (a) A supervisory agreement or memorandum of understanding;

38 (b) A supervisory directive without the state trust company's  
39 consent;

1 (c) A corrective action order, with or without its consent; and

2 (d) An order of conservatorship, with or without its consent.

3 (4) A supervisory agreement or memorandum of understanding, or  
4 corrective action order or order of conservatorship consented to by a  
5 state trust company, shall not be subject to review except upon a  
6 claim by the state trust company or other person with standing under  
7 RCW 34.05.530, made in good faith, that the terms and conditions of  
8 the supervisory agreement or memorandum of understanding, corrective  
9 action order, or order of conservatorship exceed the authority of the  
10 director under this title and that consent to the supervisory  
11 agreement or memorandum of understanding was unreasonably coerced.

12 (5) A supervisory directive issued and imposed without the  
13 consent of the state trust company shall not be subject to review  
14 except by petition for judicial review in the manner provided by the  
15 Washington administrative procedure act, RCW 34.05.510 through  
16 34.05.598, inclusive.

17 (6) A corrective action order or order of conservatorship issued  
18 and imposed against a state trust company without its consent shall  
19 be deemed an emergency order under section 25 of this act, subject  
20 only to judicial review as permitted by section 25 of this act.

21 (7) No provision in this title shall preclude the director from  
22 issuing a corrective action order without having issued a supervisory  
23 directive, or issuing an order of conservatorship without having  
24 issued a supervisory directive or corrective action order.

25 (8) No provision in this title shall preclude the director from  
26 issuing an order for involuntary dissolution of a state trust company  
27 without first having issued corrective action measures if:

28 (a) Pursuant to RCW 30B.44B.005, the director has determined  
29 there is no reasonable likelihood that a state trust company can be  
30 restored to a safe and sound condition in the foreseeable future; or

31 (b) The state trust company gives its consent pursuant to RCW  
32 30B.44B.010.

33 NEW SECTION. **Sec. 82.** A new section is added to chapter 30B.46  
34 RCW to read as follows:

35 GROUNDS FOR DETERMINING NEED FOR SUPERVISORY DIRECTIVE—ABATEMENT  
36 OF DETERMINATION—SUPERVISORY DIRECTIVE—COMPLIANCE—DIRECTOR'S  
37 AUTHORITY UPON NONCOMPLIANCE. (1) If, upon examination or  
38 investigation, or at any other time, it appears to the director that  
39 a state trust company is in an unsafe condition and its condition is

1 such as to render the continuance of its business, without the  
2 director's supervisory directive, harmful to the public or to its  
3 beneficiaries, shareholders, or trustors, then the director may  
4 either negotiate and enter into a supervisory agreement or memorandum  
5 of understanding with the state trust company, or issue and deliver a  
6 supervisory directive or corrective action order without its consent,  
7 the contents of which shall contain:

8 (a) Notice to the state trust company of the director's  
9 supervisory determination; and

10 (b) A written list and description of the requirements necessary  
11 to abate the director's determination.

12 (2) If placed under a supervisory directive, with or without its  
13 consent, the state trust company shall comply with the director's  
14 lawful requirements as contained in the supervisory directive and  
15 within such time as provided in the supervisory directive.

16 (3) If the state trust company fails to comply with the  
17 supervisory directive within the time provided, the director may  
18 issue and deliver to the state trust company, with or without its  
19 consent, a corrective action order or an order of conservatorship.

20 NEW SECTION. **Sec. 83.** A new section is added to chapter 30B.46  
21 RCW to read as follows:

22 APPOINTMENT OF REPRESENTATIVE TO SUPERVISE. During the period of  
23 a supervisory directive or corrective action order, the director may  
24 appoint a representative to supervise the state trust company.

25 NEW SECTION. **Sec. 84.** A new section is added to chapter 30B.46  
26 RCW to read as follows:

27 SUPERVISORY DIRECTIVE OR CORRECTIVE ACTION ORDER—RESTRICTIONS ON  
28 OPERATIONS—OTHER REQUIREMENTS. A supervisory directive or corrective  
29 action order may provide that the state trust company not do any of  
30 the following during the period of supervisory direction, without the  
31 prior approval of the director or the appointed representative:

32 (1) Dispose of, convey, or encumber any of its assets;

33 (2) Acquire new trust assets under management;

34 (3) Dispose of existing trust assets under management;

35 (4) Withdraw any of its own funds from bank accounts;

36 (5) Lend any of its funds;

37 (6) Invest any of its funds;

38 (7) Transfer any of its property;



- 1 (8) Incur any debt, obligation, or liability;
- 2 (9) Change the composition of the board of directors or  
3 management; or
- 4 (10) Any other written restriction or requirement as determined  
5 by the director.

6 NEW SECTION. **Sec. 85.** A new section is added to chapter 30B.46  
7 RCW to read as follows:

8 CONSERVATOR—APPOINTMENT—GROUNDS—POWERS, DUTIES, AND FUNCTIONS—  
9 IMMUNITY. (1) If the director determines that a state trust company  
10 has failed to comply with the lawful requirements imposed by such  
11 supervisory directive or corrective action order, the director may by  
12 order, with or without consent of the state trust company, appoint a  
13 conservator for the state trust company, who shall immediately take  
14 charge of such state trust company and all of its property, books,  
15 records, and effects.

16 (2) The conservator shall conduct the business of the state trust  
17 company and take such steps toward the removal of the causes and  
18 conditions which necessitated such order of conservatorship, as the  
19 director may specify in the order.

20 (3) During the pendency of the conservatorship, the conservator  
21 shall make such reports to the director from time to time as may be  
22 required by the director, and shall be empowered to take all  
23 necessary measures to preserve, protect, and recover any assets or  
24 property of such state trust company, including claims or causes of  
25 actions belonging to or which may be asserted by such state trust  
26 company, and to deal with the same in his or her own name as  
27 conservator, and shall be empowered to file, prosecute, and defend  
28 any suit and suits which have been filed or which may be filed by or  
29 against such state trust company that are deemed by the conservator  
30 to be necessary to protect all of the interested parties for a  
31 property affected thereby.

32 (4) The director, an assistant director or other officer of the  
33 department, or an independent contractor appointed by the director  
34 may be appointed to serve as conservator.

35 (5) If, after issuance of the order of conservatorship, the  
36 director determines, after consultation with the conservator, that  
37 the state trust company is in an unsafe and unsound condition and  
38 ought not to continue business, the director may proceed to give

1 advance notice to and take possession of the state trust company for  
2 involuntary liquidation pursuant to chapter 30B.44B RCW.

3 (6) The director, in his or her capacity as a conservator, or any  
4 other person appointed as conservator by the director, pursuant to  
5 this chapter is immune from criminal, civil, and administrative  
6 liability for any act done in good faith in the performance of the  
7 duties of conservator.

8 NEW SECTION. **Sec. 86.** A new section is added to chapter 30B.46  
9 RCW to read as follows:

10 COSTS AS CHARGE AGAINST ASSETS. (1) All costs incident to  
11 supervisory direction and the conservatorship shall be fixed and  
12 determined by the director and shall be a charge against the assets  
13 of the state trust company to be allowed and paid as the director may  
14 determine.

15 (2) A member of the board of directors of a state trust company  
16 or, in the case of a limited liability trust company, a managing  
17 participant, may, pursuant to notice and adjudication under chapter  
18 30B.10 RCW, be found liable for such costs incurred that have not  
19 been recouped by the director out of the assets of the state trust  
20 company.

21 NEW SECTION. **Sec. 87.** A new section is added to chapter 30B.46  
22 RCW to read as follows:

23 REQUEST FOR REVIEW OF ACTION—STAY OF ACTION—ORDERS SUBJECT TO  
24 REVIEW. (1) During the period of the supervisory direction or period  
25 of conservatorship, as applicable, the state trust company may  
26 request the director to review an action taken or proposed to be  
27 taken by a representative under a supervisory directive or by the  
28 conservator, specifying that the action complained of is believed not  
29 to be in the best interest of the state trust company.

30 (2) A request made under subsection (1) of this section shall  
31 stay the action of the representative or conservator pending review  
32 of such action by the director.

33 (3) An order by the director pursuant to this section, following  
34 the review of an action or proposed action of the representative or  
35 conservator, shall be subject to judicial review in accordance with  
36 section 25 of this act.

1        NEW SECTION.    **Sec. 88.**    A new section is added to chapter 30B.46  
2    RCW to read as follows:

3        SUIT AGAINST STATE TRUST COMPANY OR CONSERVATOR—WHERE BROUGHT—  
4    SUIT BY CONSERVATOR. (1) A suit filed against a state trust company  
5    or its conservator, after the issuance of an order by the director  
6    placing such state trust company in conservatorship and while such  
7    order is in effect, shall be brought in the superior court of  
8    Thurston county and not elsewhere.

9        (2) The conservator appointed for such state trust company may  
10   file suit in any superior court or other court of competent  
11   jurisdiction against any person for the purpose of preserving,  
12   protecting, or recovering any asset or property of such state trust  
13   company, including claims or causes of action belonging to or which  
14   may be asserted by such state trust company.

15       NEW SECTION.    **Sec. 89.**    A new section is added to chapter 30B.46  
16    RCW to read as follows:

17       DURATION OF CONSERVATOR'S TERM—REHABILITATED STATE TRUST COMPANY  
18   —MANAGEMENT. (1) The conservator shall serve for such time as is  
19   necessary to accomplish the purposes of the conservatorship as  
20   intended by this chapter.

21       (2) If rehabilitated, the rehabilitated state trust company shall  
22   be returned to preexisting management or new management under such  
23   conditions as are reasonable and necessary to prevent recurrence of  
24   the condition which occasioned the conservatorship.

25       NEW SECTION.    **Sec. 90.**    A new section is added to chapter 30B.46  
26    RCW to read as follows:

27       PLENARY AUTHORITY OF THE DIRECTOR—FLEXIBILITY IN USE OF REMEDIES.  
28   (1) If the director determines to act under authority of this  
29   chapter, the sequence of his or her acts and proceedings shall be as  
30   set forth in this chapter.

31       (2) However, the director may, in the exercise of broad  
32   administrative discretion, proceed in lieu of this chapter and  
33   pursuant to other authority including, without limitation, notice and  
34   adjudication under chapter 30B.10 RCW or by means of seeking a direct  
35   judicial remedy in superior court.

1        NEW SECTION.    **Sec. 91.**    A new section is added to chapter 30B.46  
2    RCW to read as follows:

3        RULES.    The director is empowered to adopt and promulgate such  
4    rules as may be further necessary, if at all, for the implementation  
5    of this chapter and its purposes.

6        **Sec. 92.**    RCW 30B.53.002 and 2014 c 37 s 387 are each amended to  
7    read as follows:

8        This chapter applies to any merger or (~~(consolidation))~~ change of  
9    control in which a state trust company is a party.

10       **Sec. 93.**    RCW 30B.53.005 and 2014 c 37 s 388 are each amended to  
11    read as follows:

12       Unless the context clearly requires otherwise, the definitions in  
13    this section apply throughout this chapter.

14       (1) "Acquiring person" means a person acquiring or seeking to  
15    acquire control of a state trust company, directly or indirectly.

16       (2) "Control," "controls," "controlled," and "controlling" mean:

17       (a) The ownership of or ability or power to vote, directly,  
18    acting through one or more other persons, or otherwise indirectly,  
19    twenty-five percent or more of the outstanding shares of a class of  
20    voting securities of a state trust company or other company;

21       (b) The ability to control the election of a majority of the  
22    board of a state trust company or other company;

23       (c) The power to exercise, directly or indirectly, a controlling  
24    influence over the management or policies of the state trust company  
25    or other company as determined by the director after notice and an  
26    opportunity for hearing; or

27       (d) The conditioning of the transfer of twenty-five percent or  
28    more of the outstanding shares or participation shares of a class of  
29    voting securities of a state trust company on the transfer of twenty-  
30    five percent or more of the outstanding shares of a class of voting  
31    securities of another state trust company or other company.

32       (3) "Merger" includes consolidation.

33       (~~(2))~~ (4) "Merging trust company" means a party to a merger.

34       (~~(3))~~ (5) "Resulting trust company" means the trust company  
35    resulting from a merger.

36       (~~(4) "Vote of stockholders" or "vote of classes of stockholders"~~  
37    ~~means only a vote of those entitled to vote under the terms of such~~  
38    ~~shares.))~~

1        NEW SECTION.    **Sec. 94.**    A new section is added to chapter 30B.53  
2    RCW to read as follows:

3        ACQUISITION OF CONTROL—NOTICE AND APPLICATION—REGISTRATION  
4    STATEMENT—VIOLATIONS—PENALTIES. (1) An acquiring person shall not  
5    acquire control of a state trust company until thirty days after  
6    filing with the director a written notice of and application for  
7    change of control containing the following information, plus any  
8    additional information that the director may prescribe as necessary  
9    or appropriate in the particular instance for the protection of  
10   shareholders, trustors, beneficiaries, and the public interest:

11        (a) The identity and trust and other business experience of each  
12    acquiring person by whom or on whose behalf acquisition is to be  
13    made, including the identity and experience of:

14        (i) The officers, managers, and directors of the acquiring  
15    person; and

16        (ii) Any proposed new officers, managers, or directors for the  
17    state trust company in the event of a change of control of the state  
18    trust company;

19        (b) The financial and managerial resources and future prospects  
20    of each person involved in the acquisition;

21        (c) The terms and conditions of any proposed acquisition and the  
22    manner in which the acquisition is to be made;

23        (d) The source and amount of the funds or other consideration  
24    used or to be used in making the acquisition, and a description of  
25    the transaction and the names of the parties if any portion of these  
26    funds or other consideration has been or is to be borrowed or  
27    otherwise obtained for the purpose of making the acquisition;

28        (e) Any plan or proposal which any person making the acquisition  
29    may have to liquidate the state trust company, to sell its assets, to  
30    merge it with another trust institution, or to make any other major  
31    change in its business or corporate structure for management;

32        (f) The identification of any person employed, retained, or to be  
33    compensated by the acquiring person, or by any person on its behalf,  
34    who makes solicitations or recommendations to shareholders for the  
35    purpose of assisting in the acquisition and a brief description of  
36    the terms of the employment, retainer, or arrangement for  
37    compensation; and

38        (g) Copies of all invitations for tenders or advertisements  
39    making a tender offer to shareholders for the purchase of their  
40    shares to be used in connection with the proposed acquisition.

1 (2) When an entity is required to file an application under this  
2 section, the director may require that information required by  
3 subsection (1)(a), (b), and (f) of this section be given for each  
4 officer, manager, and director of such entity, and each person who is  
5 directly or indirectly the beneficial owner of twenty-five percent or  
6 more of the outstanding voting securities of the entity.

7 (3) If any tender offer, request, or invitation for tenders or  
8 other agreements to acquire control is proposed to be made by means  
9 of a registration statement under the securities act of 1933, 48  
10 Stat. 74, 15 U.S.C. Sec. 77(a), as amended, or in circumstances  
11 requiring the disclosure of similar information under the securities  
12 exchange act of 1934, 48 Stat. 881, 15 U.S.C. Sec. 78(a), as amended,  
13 the registration statement or application may be filed with the  
14 director in lieu of the requirements of this section.

15 (4) Any acquiring person shall also deliver a copy of any notice  
16 and application required by this section to the state trust company  
17 proposed to be acquired within two days after the notice and  
18 application is filed with the director.

19 (5) Any acquisition of control in violation of this section shall  
20 be ineffective and void.

21 (6) Any person who willfully or intentionally violates this  
22 section or any rule adopted pursuant to this section is guilty of a  
23 gross misdemeanor pursuant to chapter 9A.20 RCW. Each day's violation  
24 shall be considered a separate violation, and any person shall upon  
25 conviction be fined not more than one thousand dollars for each day  
26 the violation continues.

27 NEW SECTION. **Sec. 95.** A new section is added to chapter 30B.53  
28 RCW to read as follows:

29 ACQUISITION OF CONTROL OF STATE TRUST COMPANY—DISAPPROVAL BY  
30 DIRECTOR—CHANGE OF OFFICERS. (1) The director may disapprove the  
31 acquisition of a state trust company within thirty days after the  
32 filing of a complete application pursuant to section 94 of this act  
33 or an extended period not exceeding an additional fifteen days if:

34 (a) The poor financial condition of any acquiring person might  
35 jeopardize the financial stability of the state trust company or  
36 might prejudice the interests of the state trust company's  
37 shareholders or the trustors or beneficiaries of trusts in which the  
38 state trust company is a trustee or investment advisor;

1 (b) The plan or proposal of the acquiring person to liquidate the  
2 state trust company, to sell its assets or transfer its fiduciary  
3 assets, to merge it with any person, or to make any other major  
4 change in its business or corporate structure or management that is  
5 not fair and reasonable to the state trust company's shareholders or  
6 the trustors or beneficiaries of trusts in which the state trust  
7 company is a trustee or investment advisor;

8 (c) The fiduciary and other business experience and integrity of  
9 any acquiring person who would control the operation of the state  
10 trust company indicates that approval would not be in the interest of  
11 the state trust company's shareholders or the trustors or  
12 beneficiaries of trusts in which the state trust company is a trustee  
13 or investment advisor;

14 (d) The information provided by the application is insufficient  
15 for the director to make a determination or there has been  
16 insufficient time to verify the information provided and conduct an  
17 examination of the qualification of the acquiring person; or

18 (e) The acquisition would not be in the public interest.

19 (2) An acquisition may be made prior to expiration of the  
20 disapproval period if the director issues written notice of intent  
21 not to disapprove the action.

22 (3) The director shall set forth the basis for disapproval of any  
23 proposed acquisition in writing and shall provide a copy of such  
24 findings and order to the applicants and to the state trust company  
25 involved. Such findings and order shall not be disclosed to any other  
26 person and shall not be subject to public disclosure under chapter  
27 42.56 RCW unless the findings or order are appealed pursuant to  
28 chapter 34.05 RCW.

29 (4) Whenever such a change of control occurs, each party to the  
30 transaction shall report promptly to the director any changes or  
31 replacement of its chief executive officer, managers, or any  
32 director, which occurs in the following twelve-month period,  
33 including in its report a statement of the past and present business  
34 and professional affiliations of the new chief executive officer,  
35 managers, or directors.

36 **Sec. 96.** RCW 30B.53.010 and 2014 c 37 s 389 are each amended to  
37 read as follows:

1       Upon approval by the director consistent with this chapter,  
2 merging trust companies, one of which is a state trust company, may  
3 be merged to result in a resulting trust company.

4       **Sec. 97.** RCW 30B.53.020 and 2014 c 37 s 390 are each amended to  
5 read as follows:

6       (1) The board of directors of each merging trust company shall,  
7 by a majority of the entire board, approve a merger agreement that  
8 must contain:

9       (a) The name of each merging trust company and location of each  
10 office;

11       (b) With respect to the resulting trust company, (i) the name and  
12 location of the principal and other offices; (ii) the name and  
13 mailing address of each director to serve until the next annual  
14 meeting of the ((~~stockholders~~)) shareholders; (iii) the name and  
15 mailing address of each officer; (iv) the amount of capital, the  
16 number of shares, and the par value, if any, of each share; and (v)  
17 the amendments to its charters and bylaws;

18       (c) Provisions governing the exchange of shares of the merging  
19 trust companies for such consideration as has been agreed to in the  
20 merger agreement;

21       (d) A statement that the agreement is subject to approval by the  
22 director and the ((~~stockholders~~)) shareholders of each merging trust  
23 company;

24       (e) Provisions governing the manner of disposing of the shares of  
25 the resulting trust company if the shares are to be issued in the  
26 transaction and are not taken by dissenting shareholders of merging  
27 trust companies; and

28       (f) Any other provisions the director requires to discharge his  
29 or her duties with respect to the merger.

30       (2) After approval by the board of directors of each merging  
31 trust company, the merger agreement shall be submitted to the  
32 director for approval, together with certified copies of the  
33 authorizing resolutions of each board of directors showing approval  
34 by a majority of the entire board. Within sixty days after receipt by  
35 the director of the merger agreement and resolutions, the director  
36 shall approve or disapprove of the merger agreement, and if no action  
37 is taken, the agreement is deemed approved. The director shall  
38 approve the agreement if it appears that the:



1 (a) Resulting trust company meets the requirements of state law  
2 as to the formation of a new trust company;

3 (b) Agreement provides an adequate capital in relation to the  
4 deposit liabilities, if any, of the resulting trust company and its  
5 other activities which are to continue or are to be undertaken;

6 (c) Agreement is fair; and

7 (d) Merger is not contrary to the public interest.

8 If the director disapproves an agreement, he or she shall state  
9 his or her objections and give an opportunity to the merging trust  
10 company to amend the merger agreement to obviate such objections.

11 **Sec. 98.** RCW 30B.53.030 and 2014 c 37 s 391 are each amended to  
12 read as follows:

13 (1) To be effective, a merger that is to result in a trust  
14 company must be approved by the (~~stockholders~~) shareholders of each  
15 merging trust company by a vote of two-thirds of the outstanding  
16 voting (~~stock~~) shares of each class at a meeting called to consider  
17 such action. This vote shall constitute the adoption of the charter  
18 and bylaws of the resulting trust company, including the amendments  
19 in the merger agreement.

20 (2) Unless waived in writing, notice of the meeting of  
21 (~~stockholders~~) shareholders shall be given by publication in a  
22 newspaper of general circulation in the place where the principal  
23 office of each merging trust company is located, at least once each  
24 week for four successive weeks, and by mail, at least fifteen days  
25 before the date of the meeting, to each (~~stockholder~~) shareholder  
26 of record of each merging trust company at the address on the books  
27 of the (~~stockholder's~~) shareholder's trust company. No notice of  
28 publication need be given if written waivers are received from the  
29 holders of two-thirds of the outstanding shares of each class of  
30 (~~stock~~) shares. The notice shall state that dissenting  
31 (~~stockholders~~) shareholders will be entitled to payment of the  
32 value of only those shares which are voted against approval of the  
33 plan.

34 **Sec. 99.** RCW 30B.53.040 and 2014 c 37 s 392 are each amended to  
35 read as follows:

36 (1) A merger that is to result in a trust company shall, unless a  
37 later date is specified in the agreement, become effective after the  
38 filing with and upon the approval of the director of the executed

1 agreement together with copies of the resolutions of the  
2 (~~stockholders~~) shareholders of each merging trust company approving  
3 it, certified by the trust company's president or (~~a vice~~  
4 ~~president~~) manager and ((a)) the secretary. The charters of the  
5 merging trust companies, other than the resulting trust company,  
6 shall immediately after that automatically terminate.

7 (2) The director shall immediately after that issue to the  
8 resulting trust company a certificate of merger specifying the name  
9 of each merging trust company and the name of the resulting trust  
10 company. The certificate shall be conclusive evidence of the merger  
11 and of the correctness of all proceedings regarding the merger in all  
12 courts and places, and may be recorded in any office for the  
13 recording of deeds to evidence the new name in which the property of  
14 the merging trust companies is held.

15 **Sec. 100.** RCW 30B.53.060 and 2014 c 37 s 394 are each amended to  
16 read as follows:

17 (1) The owner of shares of a trust company that were voted  
18 against a merger to result in a trust company shall be entitled to  
19 receive their value in cash, if and when the merger becomes  
20 effective, upon written demand made to the resulting trust company at  
21 any time within thirty days after the effective date of the merger,  
22 accompanied by the surrender of the (~~stock~~) share certificates. The  
23 value of the shares shall be determined, as of the date of the  
24 (~~stockholders'~~) shareholders' meeting approving the merger, by  
25 three appraisers, one to be selected by the owners of two-thirds of  
26 the dissenting shares, one by the board of directors of the resulting  
27 trust company, and the third by the two so chosen. The valuation  
28 agreed upon by any two appraisers shall govern. If the appraisal is  
29 not completed within ninety days after the merger becomes effective,  
30 the director shall cause an appraisal to be made.

31 (2) The dissenting shareholders shall bear, on a pro rata basis  
32 based on number of dissenting shares owned, the cost of their  
33 appraisal and one-half of the cost of a third appraisal, and the  
34 resulting trust company shall bear the cost of its appraisal and  
35 one-half of the cost of the third appraisal. If the director causes  
36 an appraisal to be made, the cost of that appraisal shall be borne  
37 equally by the dissenting shareholders and the resulting trust  
38 company, with the dissenting shareholders sharing their half of the  
39 cost on a pro rata basis based on number of dissenting shares owned.

1 (3) The resulting trust company may fix an amount which it  
2 considers to be not more than the fair market value of the shares of  
3 a merging trust company at the time of the ~~((stockholders'))~~  
4 shareholders' meeting approving the merger, that it will pay  
5 dissenting shareholders of the trust company entitled to payment in  
6 cash. The amount due under an accepted offer or under the appraisal  
7 shall constitute a debt of the resulting trust company.

8 **Sec. 101.** RCW 30B.72.010 and 2014 c 37 s 402 are each amended to  
9 read as follows:

10 (1) An out-of-state trust institution that has, prior to  
11 ~~((January 5, 2015))~~ the effective date of this section, obtained  
12 approval from the director under authority of Title 30 RCW, as it  
13 existed ~~((on))~~ before January 5, 2015, or under authority of this  
14 title, as it existed prior to the effective date of this section, to  
15 engage in trust business in ~~((this))~~ Washington state and has  
16 continuously since the date of such approval held itself out to the  
17 public as engaging in trust business in ~~((this))~~ Washington state,  
18 shall be exempt from the requirement of notice to or obtaining  
19 approval from the director pursuant to chapter 30B.38 RCW.

20 (2) For purposes of this section, the term "director" includes  
21 the former office of the supervisor of banks that merged into the  
22 department under authority of chapter 43.320 RCW.

23 (3) For purposes of this section, satisfactory evidence of  
24 approval from the director may be established only by written  
25 evidence that the director gave his or her approval prior to  
26 ~~((January 5, 2015))~~ the effective date of this section, in the form  
27 of a certificate of authority, declaration of reciprocity between  
28 ~~((this))~~ Washington state and the home state of the out-of-state  
29 trust institution, or the equivalent. Authorization from the  
30 secretary of state to transact business in ~~((this))~~ Washington state  
31 as a foreign corporation or foreign limited liability company is not  
32 by itself satisfactory evidence of such approval from the director.

33 (4) For purposes of this section, an out-of-state trust  
34 institution with satisfactory evidence of the director's approval to  
35 engage in trust business prior to ~~((January 5, 2015))~~ the effective  
36 date of this section, is presumed to have:

37 (a) Complied with ~~((RCW 30B.38.040(1)))~~ chapter 30B.38 RCW; and

38 (b) Continuously held itself out to the public as engaging in  
39 trust business in ~~((this))~~ Washington state since the date of the

1 director's approval (~~by demonstrating that it has maintained~~  
2 ~~uninterrupted and without lapse registration with the secretary of~~  
3 ~~state as a foreign corporation under chapter 23B.15 RCW or foreign~~  
4 ~~limited liability company under chapter 25.15 RCW~~).

5 **Sec. 102.** RCW 42.56.400 and 2018 c 260 s 32 and 2018 c 30 s 9  
6 are each reenacted and amended to read as follows:

7 The following information relating to insurance and financial  
8 institutions is exempt from disclosure under this chapter:

9 (1) Records maintained by the board of industrial insurance  
10 appeals that are related to appeals of crime victims' compensation  
11 claims filed with the board under RCW 7.68.110;

12 (2) Information obtained and exempted or withheld from public  
13 inspection by the health care authority under RCW 41.05.026, whether  
14 retained by the authority, transferred to another state purchased  
15 health care program by the authority, or transferred by the authority  
16 to a technical review committee created to facilitate the  
17 development, acquisition, or implementation of state purchased health  
18 care under chapter 41.05 RCW;

19 (3) The names and individual identification data of either all  
20 owners or all insureds, or both, received by the insurance  
21 commissioner under chapter 48.102 RCW;

22 (4) Information provided under RCW 48.30A.045 through 48.30A.060;

23 (5) Information provided under RCW 48.05.510 through 48.05.535,  
24 48.43.200 through 48.43.225, 48.44.530 through 48.44.555, and  
25 48.46.600 through 48.46.625;

26 (6) Examination reports and information obtained by the  
27 department of financial institutions from banks under RCW 30A.04.075,  
28 from savings banks under RCW 32.04.220, from savings and loan  
29 associations under RCW 33.04.110, from credit unions under RCW  
30 31.12.565, from check cashers and sellers under RCW 31.45.030(3), and  
31 from securities brokers and investment advisers under RCW 21.20.100,  
32 all of which is confidential and privileged information;

33 (7) Information provided to the insurance commissioner under RCW  
34 48.110.040(3);

35 (8) Documents, materials, or information obtained by the  
36 insurance commissioner under RCW 48.02.065, all of which are  
37 confidential and privileged;

38 (9) Documents, materials, or information obtained by the  
39 insurance commissioner under RCW 48.31B.015(2) (l) and (m),

1 48.31B.025, 48.31B.030, and 48.31B.035, all of which are confidential  
2 and privileged;

3 (10) Data filed under RCW 48.140.020, 48.140.030, 48.140.050, and  
4 7.70.140 that, alone or in combination with any other data, may  
5 reveal the identity of a claimant, health care provider, health care  
6 facility, insuring entity, or self-insurer involved in a particular  
7 claim or a collection of claims. For the purposes of this subsection:

8 (a) "Claimant" has the same meaning as in RCW 48.140.010(2).

9 (b) "Health care facility" has the same meaning as in RCW  
10 48.140.010(6).

11 (c) "Health care provider" has the same meaning as in RCW  
12 48.140.010(7).

13 (d) "Insuring entity" has the same meaning as in RCW  
14 48.140.010(8).

15 (e) "Self-insurer" has the same meaning as in RCW 48.140.010(11);

16 (11) Documents, materials, or information obtained by the  
17 insurance commissioner under RCW 48.135.060;

18 (12) Documents, materials, or information obtained by the  
19 insurance commissioner under RCW 48.37.060;

20 (13) Confidential and privileged documents obtained or produced  
21 by the insurance commissioner and identified in RCW 48.37.080;

22 (14) Documents, materials, or information obtained by the  
23 insurance commissioner under RCW 48.37.140;

24 (15) Documents, materials, or information obtained by the  
25 insurance commissioner under RCW 48.17.595;

26 (16) Documents, materials, or information obtained by the  
27 insurance commissioner under RCW 48.102.051(1) and 48.102.140 (3) and  
28 (7) (a) (ii);

29 (17) Documents, materials, or information obtained by the  
30 insurance commissioner in the commissioner's capacity as receiver  
31 under RCW 48.31.025 and 48.99.017, which are records under the  
32 jurisdiction and control of the receivership court. The commissioner  
33 is not required to search for, log, produce, or otherwise comply with  
34 the public records act for any records that the commissioner obtains  
35 under chapters 48.31 and 48.99 RCW in the commissioner's capacity as  
36 a receiver, except as directed by the receivership court;

37 (18) Documents, materials, or information obtained by the  
38 insurance commissioner under RCW 48.13.151;

39 (19) Data, information, and documents provided by a carrier  
40 pursuant to section 1, chapter 172, Laws of 2010;

1 (20) Information in a filing of usage-based insurance about the  
2 usage-based component of the rate pursuant to RCW 48.19.040(5)(b);

3 (21) Data, information, and documents, other than those described  
4 in RCW 48.02.210(2) as it existed prior to repeal by section 2,  
5 chapter 7, Laws of 2017 3rd (~~(sp.s.)~~) sp. sess., that are submitted  
6 to the office of the insurance commissioner by an entity providing  
7 health care coverage pursuant to RCW 28A.400.275 as it existed on  
8 January 1, 2017, and (~~(RCW)~~) RCW 48.02.210 as it existed prior to  
9 repeal by section 2, chapter 7, Laws of 2017 3rd (~~(sp.s.)~~) sp. sess.;

10 (22) Data, information, and documents obtained by the insurance  
11 commissioner under RCW 48.29.017;

12 (23) Information not subject to public inspection or public  
13 disclosure under RCW 48.43.730(5);

14 (24) Documents, materials, or information obtained by the  
15 insurance commissioner under chapter 48.05A RCW;

16 (25) Documents, materials, or information obtained by the  
17 insurance commissioner under RCW 48.74.025, 48.74.028, 48.74.100(6),  
18 48.74.110(2)(b) and (c), and 48.74.120 to the extent such documents,  
19 materials, or information independently qualify for exemption from  
20 disclosure as documents, materials, or information in possession of  
21 the commissioner pursuant to a financial conduct examination and  
22 exempt from disclosure under RCW 48.02.065;

23 (26) Nonpublic personal health information obtained by, disclosed  
24 to, or in the custody of the insurance commissioner, as provided in  
25 RCW 48.02.068;

26 (27) Data, information, and documents obtained by the insurance  
27 commissioner under RCW 48.02.230; (~~(and)~~)

28 (28) Documents, materials, or other information, including the  
29 corporate annual disclosure obtained by the insurance commissioner  
30 under RCW 48.195.020.

31 (29) Findings and orders disapproving acquisition of a trust  
32 institution under section 95(3) of this act; and

33 (30) All claims data, including health care and financial related  
34 data received under RCW 41.05.890, received and held by the health  
35 care authority.

36 NEW SECTION. Sec. 103. The following acts or parts of acts are  
37 each repealed:

38 (1) RCW 30A.08.160 (Report of bond liability—Collateral) and 1994  
39 c 92 s 59 & 1955 c 33 s 30.08.160;

1           (2) RCW 30A.08.170 (Securities may be held in name of nominee)  
2 and 1955 c 33 s 30.08.170;  
3           (3) RCW 30B.04.150 (Acquisition of control) and 2014 c 37 s 317;  
4           (4) RCW 30B.44B.020 (Other requirements for involuntary  
5 dissolution and liquidation) and 2014 c 37 s 384;  
6           (5) RCW 30B.46.005 (Supervisory direction) and 2014 c 37 s 385;  
7 and  
8           (6) RCW 30B.46.010 (Conservatorship) and 2014 c 37 s 386."  
9           Correct the title.

EFFECT: Modifies the public records act to include the exemption for the explanatory letter the Department of Financial Institutions issues that states the reasons for disapproval of an acquisition of control of a trust company.

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