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**SUBSTITUTE SENATE BILL 5270**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** Senate Committee on Labor & Commerce (originally sponsored by Senators Moore, Prentice and Amondson)

Read first time 02/11/93.

1 AN ACT Relating to the creation of the department of financial  
2 institutions; amending RCW 21.20.005, 21.20.450, 21.20.720, 43.17.010,  
3 43.17.020, 43.19.010, 43.19.020, 43.19.030, 43.19.050, 43.19.080,  
4 43.19.090, 43.19.095, and 43.19.112; adding a new chapter to Title 43  
5 RCW; creating new sections; recodifying RCW 43.19.020, 43.19.030,  
6 43.19.050, 43.19.080, 43.19.090, 43.19.095, and 43.19.112; and  
7 repealing RCW 43.19.040, 43.19.100, and 43.19.110.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature finds that, given the  
10 overlap of powers and products in the companies regulated, the  
11 consolidation of the agencies regulating financial institutions and  
12 securities into one department will better serve the public interest  
13 through more effective use of staff expertise. Therefore, for the  
14 convenience of administration and the centralization of control and the  
15 more effective use of state resources and expertise, the state desires  
16 to combine the regulation of financial institutions and securities into  
17 one department.

1        NEW SECTION.    **Sec. 2.**    There is hereby created a state department  
2 of financial institutions that is headed by the director of financial  
3 institutions.    The department shall be organized and operated in a  
4 manner which to the fullest extent permissible under applicable law  
5 protects the public interest, protects the safety and soundness of  
6 depository institutions, ensures access to the regulatory process for  
7 all concerned parties, and protects the interests and integrity of the  
8 public and all types of regulated institutions and entities under the  
9 jurisdiction of the director of financial institutions.    The department  
10 of financial institutions shall be structured to reflect the unique  
11 differences in the types of institutions it regulates.

12        NEW SECTION.    **Sec. 3.**    The director of financial institutions shall  
13 be appointed by the governor and shall exercise all powers and perform  
14 all of the duties and functions prescribed by law that are currently  
15 exercised by the department of general administration or the department  
16 of licensing with respect to banks, savings banks, foreign bank  
17 branches, savings and loan associations, credit unions, consumer loan  
18 companies, check cashers and sellers, trust companies and departments,  
19 securities, franchises, business opportunities, and commodities.    The  
20 director may deputize, appoint, and employ examiners and other such  
21 assistants and personnel as may be necessary to carry on the work of  
22 the department.    The director of financial institutions shall receive  
23 a salary in an amount fixed by the governor.

24        NEW SECTION.    **Sec. 4.**    A person shall not be eligible for  
25 appointment as director of financial institutions unless he or she is,  
26 and for the last two years prior to his or her appointment has been, a  
27 citizen of the United States.    A person shall not be eligible for  
28 appointment as director of financial institutions if he or she has an  
29 interest at the time of appointment, as a director, trustee, officer,  
30 or stockholder in any bank, savings bank, savings and loan association,  
31 credit union, consumer loan company, trust company, securities broker-  
32 dealer or investment advisor, or other institution regulated by the  
33 department.

34        NEW SECTION.    **Sec. 5.**    The director of financial institutions may  
35 adopt any rules, under chapter 34.05 RCW, necessary to implement the  
36 powers and duties of the director under this chapter.

1        NEW SECTION.    **Sec. 6.** (1) All powers, duties, and functions of the  
2 department of general administration under Titles 30, 31, 32, 33, and  
3 43 RCW and any other title pertaining to duties relating to banks,  
4 savings banks, foreign bank branches, savings and loan associations,  
5 credit unions, consumer loan companies, check cashers and sellers,  
6 trust companies and departments, and other similar institutions are  
7 transferred to the department of financial institutions. All  
8 references to the director of general administration, supervisor of  
9 banking, or the supervisor of savings and loan associations in the  
10 Revised Code of Washington shall be construed to mean the director of  
11 the department of financial institutions when referring to the  
12 functions transferred in this section. All references to the  
13 department of general administration in the Revised Code of Washington  
14 shall be construed to mean the department of financial institutions  
15 when referring to the functions transferred in this subsection.

16        (2) All powers, duties, and functions of the department of  
17 licensing under chapters 19.100, 19.110, 21.20, and 21.30 RCW and any  
18 other statute pertaining to the regulation of securities and  
19 speculative investments are transferred to the department of financial  
20 institutions. All references to the director or department of  
21 licensing in the Revised Code of Washington shall be construed to mean  
22 the director or department of financial institutions when referring to  
23 the functions transferred in this subsection.

24        NEW SECTION.    **Sec. 7.** All reports, documents, surveys, books,  
25 records, files, papers, or other written or electronically stored  
26 material in the possession of the department of general administration  
27 or the department of licensing and pertaining to the powers, functions,  
28 and duties transferred by section 6 of this act shall be delivered to  
29 the custody of the department of financial institutions. All cabinets,  
30 furniture, office equipment, motor vehicles, and other tangible  
31 property purchased by the division of banking and the division of  
32 savings and loan in carrying out the powers, functions, and duties  
33 transferred by section 6 of this act shall be transferred to the  
34 department of financial institutions. All cabinets, furniture, office  
35 equipment, motor vehicles, and other tangible property employed by the  
36 department of licensing in carrying out the powers, functions, and  
37 duties transferred by section 6 of this act shall be made available to  
38 the department of financial institutions. All funds, credits, or other

1 assets held by the department of general administration or the  
2 department of licensing in connection with the powers, functions, and  
3 duties transferred by section 6 of this act shall be assigned to the  
4 department of financial institutions.

5 Any appropriations made to the department of general administration  
6 or the department of licensing for carrying out the powers, functions,  
7 and duties transferred by section 6 of this act shall, on the effective  
8 date of this section, be transferred and credited to the department of  
9 financial institutions.

10 In the event any dispute arises as to the transfer of any  
11 personnel, funds, books, documents, records, papers, files, equipment,  
12 or other tangible property used or held in the exercise of the powers  
13 and the performance of the duties and functions transferred, the  
14 director of financial management shall make a determination as to the  
15 proper allocation and certify the same to the state agencies concerned.

16 NEW SECTION. **Sec. 8.** The director of financial institutions shall  
17 have the power to appoint assistant directors for each of the divisions  
18 of the department and to delegate to them the power to perform any act  
19 or duty conferred upon the director. The director shall be responsible  
20 for the official acts of these assistant directors.

21 The department of financial institutions shall consist of at least  
22 the following four divisions: The division of FDIC insured  
23 institutions, with regulatory authority over all state-chartered FDIC  
24 insured institutions; the division of credit unions, with regulatory  
25 authority over all state-chartered credit unions; the division of  
26 consumer affairs, with regulatory authority over state-licensed  
27 nondepository lending institutions and other regulated entities; and  
28 the division of securities, with regulatory authority over securities,  
29 franchises, business opportunities, and commodities. The director of  
30 financial institutions is granted broad administrative authority to add  
31 additional responsibilities to these divisions as necessary and  
32 consistent with applicable law.

33 For purposes of this section, "FDIC" means the federal deposit  
34 insurance corporation.

35 NEW SECTION. **Sec. 9.** All employees classified under chapter 41.06  
36 RCW, the state civil service law, who are employees of the department  
37 of general administration or the department of licensing engaged in

1 performing the powers, functions, and duties transferred by section 6  
2 of this act are transferred to the department of financial  
3 institutions. All such employees are assigned to the department of  
4 financial institutions to perform their usual duties upon the same  
5 terms as formerly, without any loss of rights, subject to any action  
6 that may be appropriate thereafter in accordance with the laws and  
7 rules governing state civil service.

8 NEW SECTION. **Sec. 10.** All rules and all pending business before  
9 the department of general administration or the department of licensing  
10 pertaining to the powers, functions, and duties transferred by section  
11 6 of this act shall be continued and acted upon by the department of  
12 financial institutions. All existing contracts and obligations shall  
13 remain in full force and shall be performed by the department of  
14 financial institutions.

15 NEW SECTION. **Sec. 11.** The transfer of the powers, duties,  
16 functions, and personnel of the department of general administration or  
17 the department of licensing under sections 6, 7, 9, and 10 of this act  
18 shall not affect the validity of any act performed by such an employee  
19 prior to the effective date of this section.

20 NEW SECTION. **Sec. 12.** If apportionments of budgeted funds are  
21 required because of the transfers directed by sections 6 through 11 of  
22 this act, the director of financial management shall certify the  
23 apportionments to the agencies affected, to the state auditor, and to  
24 the state treasurer. Each of these shall make the appropriate transfer  
25 and adjustments in funds and appropriation accounts and equipment  
26 records in accordance with the certification.

27 NEW SECTION. **Sec. 13.** Nothing contained in sections 6 through 11  
28 of this act may be construed to alter any existing collective  
29 bargaining unit or the provisions of any existing collective bargaining  
30 agreement until the expiration date of the current agreement or until  
31 the bargaining unit has been modified by action of the personnel board  
32 as provided by law.

33 **Sec. 14.** RCW 21.20.005 and 1989 c 391 s 1 are each amended to read  
34 as follows:

1 The definitions set forth in this section shall apply throughout  
2 this chapter, unless the context otherwise requires:

3 (1) "Director" means the director of (~~(licensing)~~) financial  
4 institutions of this state.

5 (2) "Salesperson" means any individual other than a broker-dealer  
6 who represents a broker-dealer or issuer in effecting or attempting to  
7 effect sales of securities, but "salesperson" does not include an  
8 individual who represents an issuer in (a) effecting a transaction in  
9 a security exempted by RCW 21.20.310(1), (2), (3), (4), (9), (10),  
10 (11), (12), or (13), (~~(as now or hereafter amended,)~~) (b) effecting  
11 transactions exempted by RCW 21.20.320, or (c) effecting transactions  
12 with existing employees, partners, or directors of the issuer if no  
13 commission or other remuneration is paid or given directly or  
14 indirectly for soliciting any person in this state.

15 (3) "Broker-dealer" means any person engaged in the business of  
16 effecting transactions in securities for the account of others or for  
17 that person's own account. "Broker-dealer" does not include (a) a  
18 salesperson, issuer, bank, savings institution, or trust company, (b)  
19 a person who has no place of business in this state if the person  
20 effects transactions in this state exclusively with or through the  
21 issuers of the securities involved in the transactions, other broker-  
22 dealers, or banks, savings institutions, trust companies, insurance  
23 companies, investment companies as defined in the investment company  
24 act of 1940, pension or profit-sharing trusts, or other financial  
25 institutions or institutional buyers, whether acting for themselves or  
26 as trustees, or (c) a person who has no place of business in this state  
27 if during any period of twelve consecutive months that person does not  
28 direct more than fifteen offers to sell or to buy into this state in  
29 any manner to persons other than those specified in subsection (b)  
30 above.

31 (4) "Guaranteed" means guaranteed as to payment of principal,  
32 interest, or dividends.

33 (5) "Full business day" means all calendar days, excluding  
34 therefrom Saturdays, Sundays, and all legal holidays, as defined by  
35 statute.

36 (6) "Investment adviser" means any person who, for compensation,  
37 engages in the business of advising others, either directly or through  
38 publications or writings, as to the value of securities or as to the  
39 advisability of investing in, purchasing, or selling securities, or

1 who, for compensation and as a part of a regular business, issues or  
2 promulgates analyses or reports concerning securities. "Investment  
3 adviser" also includes financial planners and other persons who, as an  
4 integral component of other financially related services, (a) provide  
5 the foregoing investment advisory services to others for compensation  
6 as part of a business or (b) hold themselves out as providing the  
7 foregoing investment advisory services to others for compensation.  
8 Investment adviser shall also include any person who holds himself out  
9 as a financial planner.

10 "Investment adviser" does not include (a) a bank, savings  
11 institution, or trust company, (b) a lawyer, accountant, certified  
12 public accountant licensed under chapter 18.04 RCW, engineer, or  
13 teacher whose performance of these services is solely incidental to the  
14 practice of his or her profession, (c) a broker-dealer, (d) a publisher  
15 of any bona fide newspaper, news magazine, or business or financial  
16 publication of general, regular, and paid circulation, (e) a radio or  
17 television station, (f) a person whose advice, analyses, or reports  
18 relate only to securities exempted by RCW 21.20.310(1), (g) a person  
19 who has no place of business in this state if (i) that person's only  
20 clients in this state are other investment advisers, broker-dealers,  
21 banks, savings institutions, trust companies, insurance companies,  
22 investment companies as defined in the investment company act of 1940,  
23 pension or profit-sharing trust, or other financial institutions or  
24 institutional buyers, whether acting for themselves or as trustees, or  
25 (ii) during any period of twelve consecutive months that person does  
26 not direct business communications into this state in any manner to  
27 more than five clients other than those specified in clause (i) above,  
28 or (h) such other persons not within the intent of this paragraph as  
29 the director may by rule or order designate.

30 (7) "Issuer" means any person who issues or proposes to issue any  
31 security, except that with respect to certificates of deposit, voting  
32 trust certificates, or collateral-trust certificates, or with respect  
33 to certificates of interest or shares in an unincorporated investment  
34 trust not having a board of directors (or persons performing similar  
35 functions) or of the fixed, restricted management, or unit type; the  
36 term "issuer" means the person or persons performing the acts and  
37 assuming the duties of depositor or manager pursuant to the provisions  
38 of the trust or other agreement or instrument under which the security  
39 is issued.

1 (8) "Nonissuer" means not directly or indirectly for the benefit of  
2 the issuer.

3 (9) "Person" means an individual, a corporation, a partnership, an  
4 association, a joint-stock company, a trust where the interest of the  
5 beneficiaries are evidenced by a security, an unincorporated  
6 organization, a government, or a political subdivision of a government.

7 (10) "Sale" or "sell" includes every contract of sale of, contract  
8 to sell, or disposition of, a security or interest in a security for  
9 value. "Offer" or "offer to sell" includes every attempt or offer to  
10 dispose of, or solicitation of an offer to buy, a security or interest  
11 in a security for value.

12 Any security given or delivered with, or as a bonus on account of,  
13 any purchase of securities or any other thing is considered to  
14 constitute part of the subject of the purchase and to have been offered  
15 and sold for value. A purported gift of assessable stock is considered  
16 to involve an offer and sale. Every sale or offer of a warrant or  
17 right to purchase or subscribe to another security of the same or  
18 another issuer, as well as every sale or offer of a security which  
19 gives the holder a present or future right or privilege to convert into  
20 another security of the same or another issuer, is considered to  
21 include an offer of the other security.

22 (11) "Securities Act of 1933((#))," "Securities Exchange Act of  
23 1934((#))," "Public Utility Holding Company Act of 1935((#))," and  
24 "Investment Company Act of 1940" means the federal statutes of those  
25 names as amended before or after June 10, 1959.

26 (12) "Security" means any note; stock; treasury stock; bond;  
27 debenture; evidence of indebtedness; certificate of interest or  
28 participation in any profit-sharing agreement; collateral-trust  
29 certificate; preorganization certificate or subscription; transferable  
30 share; investment contract; investment of money or other consideration  
31 in the risk capital of a venture with the expectation of some valuable  
32 benefit to the investor where the investor does not receive the right  
33 to exercise practical and actual control over the managerial decisions  
34 of the venture; voting-trust certificate; certificate of deposit for  
35 a security; certificate of interest or participation in an oil, gas or  
36 mining title or lease or in payments out of production under such a  
37 title or lease; charitable gift annuity; or, in general, any interest  
38 or instrument commonly known as a "security((#))," or any certificate  
39 of interest or participation in, temporary or interim certificate for,

1 receipt for, guarantee of, or warrant or right to subscribe to or  
2 purchase, any of the foregoing; or any sale of or indenture, bond or  
3 contract for the conveyance of land or any interest therein where such  
4 land is situated outside of the state of Washington and such sale or  
5 its offering is not conducted by a real estate broker licensed by the  
6 state of Washington. "Security" does not include any insurance or  
7 endowment policy or annuity contract under which an insurance company  
8 promises to pay money either in a lump sum or periodically for life or  
9 some other specified period.

10 (13) "State" means any state, territory, or possession of the  
11 United States, as well as the District of Columbia and Puerto Rico.

12 (14) "Investment adviser salesperson" means a person retained or  
13 employed by an investment adviser to solicit clients or offer the  
14 services of the investment adviser or manage the accounts of said  
15 clients.

16 (15) "Relatives", as used in RCW 21.20.310(11) (~~as now or~~  
17 ~~hereafter amended,~~) shall include:

18 (a) A member's spouse;

19 (b) Parents of the member or the member's spouse;

20 (c) Grandparents of the member or the member's spouse;

21 (d) Natural or adopted children of the member or the member's  
22 spouse;

23 (e) Aunts and uncles of the member or the member's spouse; and

24 (f) First cousins of the member or the member's spouse.

25 **Sec. 15.** RCW 21.20.450 and 1979 ex.s. c 68 s 33 are each amended  
26 to read as follows:

27 The administration of the provisions of this chapter shall be under  
28 the department of (~~licensing~~) financial institutions. The director  
29 may from time to time make, amend, and (~~repeal~~) repeal such rules  
30 and forms as are necessary to carry out the provisions of this chapter,  
31 including rules defining any term, whether or not such term is used in  
32 the Washington securities law. The director may classify securities,  
33 persons, and matters within the director's jurisdiction, and prescribe  
34 different requirements for different classes. No rule or form(~~)~~) may  
35 be made unless the director finds that the action is necessary or  
36 appropriate in the public interest or for the protection of investors  
37 and consistent with the purposes fairly intended by the policy and  
38 provisions of this chapter. In prescribing rules and forms the

1 director may cooperate with the securities administrators of the other  
2 states and the securities and exchange commission with a view to  
3 effectuating the policy of this statute to achieve maximum uniformity  
4 in the form and content of registration statements, applications, and  
5 reports wherever practicable. All rules and forms of the director  
6 shall be published.

7 **Sec. 16.** RCW 21.20.720 and 1987 c 421 s 4 are each amended to read  
8 as follows:

9 (1) A director, officer, or controlling person of a debenture  
10 company shall not:

11 (a) Have any interest, direct or indirect, in the gains or profits  
12 of the debenture company, except to receive dividends upon the amounts  
13 contributed by him or her, the same as any other investor or  
14 shareholder and under the same regulations and conditions: PROVIDED,  
15 That nothing in this subsection shall be construed to prohibit salaries  
16 as may be approved by the debenture company's board of directors;

17 (b) Become a member of the board of directors or a controlling  
18 shareholder of another debenture company or a bank, trust company, or  
19 national banking association, of which board enough other directors or  
20 officers of the debenture company are members so as to constitute with  
21 him or her a majority of the board of directors.

22 (2) A director, an officer, or controlling person shall not:

23 (a) For himself or herself or as agent or partner of another,  
24 directly or indirectly use any of the funds held by the debenture  
25 company, except to make such current and necessary payments as are  
26 authorized by the board of directors;

27 (b) Receive directly or indirectly and retain for his or her own  
28 use any commission on or benefit from any loan made by the debenture  
29 company, or any pay or emolument for services rendered to any borrower  
30 from the debenture company in connection with such loan;

31 (c) Become an indorser, surety, or guarantor, or in any manner an  
32 obligor, for any loan made from the debenture company and except when  
33 approval has been given by the director of (~~licensing~~) financial  
34 institutions or the director's administrator of securities upon  
35 recommendation by the company's board of directors.

36 (d) For himself or herself or as agent or partner of another,  
37 directly or indirectly borrow any of the funds held by the debenture  
38 company, or become the owner of real or personal property upon which

1 the debenture company holds a mortgage, deed of trust, or property  
2 contract. A loan to or a purchase by a corporation in which he or she  
3 is a stockholder to the amount of fifteen percent of the total  
4 outstanding stock, or in which he or she and other directors, officers,  
5 or controlling persons of the debenture company hold stock to the  
6 amount of twenty-five percent of the total outstanding stock, shall be  
7 deemed a loan to or a purchase by such director or officer within the  
8 meaning of this section, except when the loan to or purchase by such  
9 corporation occurred without his or her knowledge or against his or her  
10 protest.

11 **Sec. 17.** RCW 43.17.010 and 1989 1st ex.s. c 9 s 810 are each  
12 amended to read as follows:

13 There shall be departments of the state government which shall be  
14 known as (1) the department of social and health services, (2) the  
15 department of ecology, (3) the department of labor and industries, (4)  
16 the department of agriculture, (5) the department of fisheries, (6) the  
17 department of wildlife, (7) the department of transportation, (8) the  
18 department of licensing, (9) the department of general administration,  
19 (10) the department of trade and economic development, (11) the  
20 department of veterans affairs, (12) the department of revenue, (13)  
21 the department of retirement systems, (14) the department of  
22 corrections, (15) the department of community development, (~~and~~) (16)  
23 the department of health, and (17) the department of financial  
24 institutions, which shall be charged with the execution, enforcement,  
25 and administration of such laws, and invested with such powers and  
26 required to perform such duties, as the legislature may provide.

27 **Sec. 18.** RCW 43.17.020 and 1989 1st ex.s. c 9 s 811 are each  
28 amended to read as follows:

29 There shall be a chief executive officer of each department to be  
30 known as: (1) The secretary of social and health services, (2) the  
31 director of ecology, (3) the director of labor and industries, (4) the  
32 director of agriculture, (5) the director of fisheries, (6) the  
33 director of wildlife, (7) the secretary of transportation, (8) the  
34 director of licensing, (9) the director of general administration, (10)  
35 the director of trade and economic development, (11) the director of  
36 veterans affairs, (12) the director of revenue, (13) the director of  
37 retirement systems, (14) the secretary of corrections, (15) the

1 director of community development, ~~((and))~~ (16) the secretary of  
2 health, and (17) the director of financial institutions.

3 Such officers, except the secretary of transportation, shall be  
4 appointed by the governor, with the consent of the senate, and hold  
5 office at the pleasure of the governor. The director of wildlife,  
6 however, shall be appointed according to the provisions of RCW  
7 77.04.080. If a vacancy occurs while the senate is not in session, the  
8 governor shall make a temporary appointment until the next meeting of  
9 the senate. A temporary director of wildlife shall not serve more than  
10 one year. The secretary of transportation shall be appointed by the  
11 transportation commission as prescribed by RCW 47.01.041.

12 **Sec. 19.** RCW 43.19.010 and 1988 c 25 s 10 are each amended to read  
13 as follows:

14 The department of general administration shall be organized into  
15 divisions, which shall include (1) ~~((the division of banking, (2) the  
16 division of savings and loan associations, (3))~~ the division of  
17 capitol buildings, ~~((+4))~~ (2) the division of purchasing, ~~((+5))~~ (3)  
18 the division of engineering and architecture, and ~~((+6))~~ (4) the  
19 division of motor vehicle transportation service.

20 The director of general administration shall have charge and  
21 general supervision of the department. He or she may appoint and  
22 deputize such clerical and other assistants as may be necessary for the  
23 general administration of the department. The director of general  
24 administration shall receive a salary in an amount fixed by the  
25 governor.

26 **Sec. 20.** RCW 43.19.020 and 1977 ex.s. c 185 s 1 are each amended  
27 to read as follows:

28 The director of ~~((general administration))~~ financial institutions  
29 shall appoint ~~((and))~~, and deputize ~~((an assistant director to be known as  
30 the supervisor of banking, who shall have charge and supervision of the  
31 division of banking. With the approval of the director, he may  
32 appoint))~~, and employ ~~((bank))~~ examiners and such other assistants and  
33 personnel as may be necessary to carry on the work of the ~~((division.~~

34 ~~No person shall be eligible for appointment as supervisor of  
35 banking unless he is, and for the last two years prior to his  
36 appointment has been, a citizen of the United States and a resident of  
37 this state; nor if he is interested in any bank or trust company as~~

1 ~~director, officer, or stockholder~~) department of financial  
2 institutions.

3 In the event of the ~~((supervisor's))~~ director's absence the  
4 ~~director ((of general administration))~~ shall have the power to deputize  
5 one of the assistants of the ~~((supervisor))~~ director to exercise all  
6 the powers and perform all the duties prescribed by law with respect to  
7 ~~banks ((and)), savings banks, foreign bank branches, savings and loan~~  
8 associations, credit unions, consumer loan companies, check cashers and  
9 sellers, trust companies~~((, mutual savings banks, loan agencies))~~ and  
10 departments, securities, franchises, business opportunities,  
11 commodities, and other similar institutions or areas that are performed  
12 by the ~~((supervisor))~~ director so long as the ~~((supervisor))~~ director  
13 is absent: PROVIDED, That such deputized ~~((supervisor))~~ assistant  
14 shall not have the power to approve or disapprove new charters,  
15 licenses, branches, and satellite facilities, unless such action has  
16 received the prior written approval of the ~~((supervisor))~~ director.  
17 Any person so deputized shall possess the same qualifications as those  
18 set out in this section for the ~~((supervisor))~~ director.

19 **Sec. 21.** RCW 43.19.030 and 1977 ex.s. c 270 s 8 are each amended  
20 to read as follows:

21 Before entering ~~((upon his))~~ office each ~~((bank))~~ examiner shall  
22 take and subscribe an oath faithfully to discharge the duties of  
23 ~~((his))~~ the office.

24 Oaths shall be filed with the secretary of state.

25 Neither the ~~((supervisor of banking))~~ director of financial  
26 institutions, any ~~((deputy supervisor))~~ deputized assistant of the  
27 director, nor any ~~((bank))~~ examiner or employee shall be personally  
28 liable for any act done ~~((by him))~~ in good faith in the performance of  
29 his or her duties.

30 **Sec. 22.** RCW 43.19.050 and 1965 c 8 s 43.19.050 are each amended  
31 to read as follows:

32 The ~~((supervisor of banking))~~ director of financial institutions  
33 shall maintain an office at the state capitol, but may with the consent  
34 of the governor also maintain ~~((an office))~~ branch offices at ~~((some))~~  
35 other convenient ~~((banking center))~~ business centers in this state.  
36 ~~((He))~~ The director shall keep books of record of all moneys received  
37 or disbursed by ~~((him))~~ the director into or from the banking

1 examination fund, the credit union examination fund, the securities  
2 regulation fund, and any other accounts maintained by the department of  
3 financial institutions. ((He shall adopt an official seal.))

4 **Sec. 23.** RCW 43.19.080 and 1965 c 8 s 43.19.080 are each amended  
5 to read as follows:

6 (1) It shall be unlawful for the ~~((supervisor or any deputy or~~  
7 ~~employee of his division))~~ director of financial institutions, any  
8 deputized assistant of the director, or any employee of the department  
9 of financial institutions to borrow money from any bank ((or trust  
10 company under his jurisdiction)), consumer loan company, credit union,  
11 foreign bank branch, savings bank, savings and loan association, or  
12 trust company or department, securities broker-dealer or investment  
13 advisor, or similar lending institution under the department's direct  
14 jurisdiction unless the extension of credit:

15 (a) Is made on substantially the same terms (including interest  
16 rates and collateral) as, and following credit underwriting procedures  
17 that are not less stringent than, those prevailing at the time for  
18 comparable transactions by the financial institution with other persons  
19 that are not employed by either the department or the institution; and

20 (b) Does not involve more than the normal risk of repayment or  
21 present other unfavorable features.

22 (2) The director of the office of financial management shall adopt  
23 rules, policies, and procedures interpreting and implementing this  
24 section.

25 (3) Every person who knowingly violates this section shall forfeit  
26 his or her office or employment and be guilty of a gross misdemeanor.

27 **Sec. 24.** RCW 43.19.090 and 1977 c 75 s 43 are each amended to read  
28 as follows:

29 The ~~((supervisor))~~ director of financial institutions shall file in  
30 his or her office all reports required to be made to ((him)) the  
31 director, prepare and furnish to banks ((and)), savings banks, foreign  
32 bank branches, savings and loan associations, credit unions, consumer  
33 loan companies, check cashers and sellers, and trust companies and  
34 departments blank forms for such reports as are required of them, and  
35 each year make a report to the governor showing:

36 (1) A summary of the conditions of the banks, savings banks,  
37 foreign bank branches, savings and loan associations, credit unions,

1 consumer loan companies, check cashers and sellers, and trust companies  
2 and departments at the date of their last report; and

3 (2) A list of those organized or closed during the year.

4 ((He)) The director may publish such other statements, reports, and  
5 pamphlets as he or she deems advisable.

6 **Sec. 25.** RCW 43.19.095 and 1981 c 241 s 1 are each amended to read  
7 as follows:

8 There is created a local fund known as the "banking examination  
9 fund" which shall consist of all moneys received by the ~~((division of~~  
10 ~~banking))~~ department of financial institutions from banks, savings  
11 banks, foreign bank branches, savings and loan associations, consumer  
12 loan companies, check cashers and sellers, and trust companies and  
13 departments, and which shall be used for the purchase of supplies and  
14 necessary equipment and the payment of salaries, wages, utilities, and  
15 other incidental costs required for the proper ~~((maintenance of the~~  
16 ~~division))~~ regulation of these companies. The state treasurer shall be  
17 the custodian of the fund. Disbursements from the fund shall be on  
18 authorization of the director of ~~((general administration or the~~  
19 ~~supervisor of banking))~~ financial institutions or the director's ~~((or~~  
20 ~~supervisor's))~~ designee. In order to maintain an effective expenditure  
21 and revenue control, the fund shall be subject in all respects to  
22 chapter 43.88 RCW, but no appropriation is required to permit  
23 expenditures and payment of obligations from the fund.

24 **Sec. 26.** RCW 43.19.112 and 1981 c 241 s 2 are each amended to read  
25 as follows:

26 There is created a local fund known as the "~~((savings and loan~~  
27 ~~associations and))~~ credit unions examination fund" which shall consist  
28 of all moneys received by the ~~((division of savings and loan~~  
29 ~~associations))~~ department of financial institutions from credit unions  
30 and which shall be used for the purchase of supplies and necessary  
31 equipment and the payment of salaries, wages, utilities, and other  
32 incidental costs required for the ~~((proper maintenance of the~~  
33 ~~division))~~ regulation of these institutions. The state treasurer shall  
34 be the custodian of the fund. Disbursements from the fund shall be on  
35 authorization of the director of ~~((general administration or the~~  
36 ~~supervisor of savings and loan associations))~~ financial institutions or  
37 the director's ~~((or supervisor's))~~ designee. In order to maintain an

1 effective expenditure and revenue control, the fund shall be subject in  
2 all respects to chapter 43.88 RCW, but no appropriation is required to  
3 permit expenditures and payment of obligations from the fund.

4 NEW SECTION. **Sec. 27.** There is created a local fund known as the  
5 "securities regulation fund" that shall consist of thirteen percent of  
6 all moneys received by the division of securities of the department of  
7 financial institutions and that shall be used for the purchase of  
8 supplies and necessary equipment and the payment of salaries, wages,  
9 utilities, and other incidental costs required for the regulation of  
10 securities, franchises, business opportunities, commodities, and any  
11 other speculative investment regulated by the division. The state  
12 treasurer shall be the custodian for the account. Only the director of  
13 the department of financial institutions or the director's designee may  
14 authorize expenditures from the account. The account is subject to  
15 allotment procedures under chapter 43.88 RCW, but no appropriation is  
16 required for expenditures.

17 NEW SECTION. **Sec. 28.** The following acts or parts of acts are  
18 each repealed:

19 (1) RCW 43.19.040 and 1965 c 8 s 43.19.040;

20 (2) RCW 43.19.100 and 1982 c 3 s 113, 1977 ex.s. c 185 s 2, & 1965  
21 c 8 s 43.19.100; and

22 (3) RCW 43.19.110 and 1965 c 8 s 43.19.110.

23 NEW SECTION. **Sec. 29.** Sections 1 through 13 and 27 of this act  
24 shall constitute a new chapter in Title 43 RCW.

25 NEW SECTION. **Sec. 30.** RCW 43.19.020, 43.19.030, 43.19.050,  
26 43.19.080, 43.19.090, 43.19.095, and 43.19.112 are recodified as  
27 sections in chapter 43.\_\_\_\_ RCW (sections 1 through 13 and 27 of this  
28 act).

29 NEW SECTION. **Sec. 31.** This act shall be implemented no later than  
30 July 1, 1994.

31 NEW SECTION. **Sec. 32.** The directors of the department of general  
32 administration and the department of licensing shall take such steps as

1 are necessary to ensure that this act is implemented on or before July  
2 1, 1994.

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