

FINAL BILL REPORT

SHB 2560

C 45 L 98

Synopsis as Enacted

Brief Description: Regulating trust companies.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas and Wolfe; by request of Department of Financial Institutions).

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Insurance & Housing

Background: A trust is a form of property ownership that separates responsibility/control of the property from the benefits of ownership. A trust company is a corporation organized under the laws of the state engaged in trust business. In general terms, "trust business" means executing trusts of every description not inconsistent with the law. Trust companies also have all the powers and privileges conferred on banks.

State laws concerning community reinvestment, consumer protection, fair lending, intrastate branching, and antitrust apply to all bank branches in Washington, including out-of-state banks. Washington bank branches located in other states are granted the powers allowed by the host state to bank branches in that state, unless a particular power is prohibited by Washington law. The director of the Department of Financial Institutions may waive the Washington prohibition if the director finds the particular power does not threaten the safety and soundness of the bank.

When trust companies merge, dissenting shareholders are entitled to the value of their shares. Three appraisers determine the value of the dissenters' shares. The resulting trust company (the product of the merger) pays the expenses of the appraisal.

Summary: Unless authorized by federal or state law, Washington will not allow out-of-state companies may not engage in trust business in Washington on more favorable terms than Washington companies enjoy in the home state of the out-of-state company. Furthermore, on approval of the director of the Department of Financial Institutions, Washington trust companies have the same powers as national trust companies. However, when exercising those powers, trust companies are subject to the same restrictions, limitations, and requirements of law as national trust companies.

In a trust company merger, the resulting trust company does not bear the cost of the appraisal.

Votes on Final Passage:

House 96 0

Senate 48 0

Effective: June 11, 1998