WASHINGTON LAWS, 1986

I am vetoing section 46(43) because it would repeal a section of an existing law (RCW 85.20.120) that is also amended by section 36 of this bill.

With the exception of section 46(43), the remainder of Substitute Senate Bill No. 4486 is approved.*

CHAPTER 279
[Engrossed Substitute Senate Bill No. 4917]
BANKS AND TRUST COMPANIES


Be it enacted by the Legislature of the State of Washington:

Sec. 1. Section 30.04.030, chapter 33, Laws of 1955 and RCW 30.04-030 are each amended to read as follows:

The supervisor shall have power to adopt uniform rules and regulations in accordance with the administrative procedure act, chapter 34.04 RCW, to govern examinations and reports of banks and trust companies and the form in which they shall report their assets, liabilities, and reserves, charge off bad debts and otherwise keep their records and accounts, and otherwise to govern the administration of this title. He shall mail a copy of the rules and regulations to each bank and trust company at its principal place of business ((, and they shall be effective thirty days after the mailing thereof: The person doing the mailing shall make and file his affidavit thereof in the office of the supervisor)).

The supervisor shall have the power, and broad administrative discretion, to administer and interpret the provisions of this title to facilitate the delivery of financial services to the citizens of the state of Washington by the banks and trust companies subject to this title.

Sec. 2. Section 1, chapter 245, Laws of 1977 ex. sess. and RCW 30.04.075 are each amended to read as follows:

(1) All examination reports and all information obtained by the supervisor and the supervisor's staff in conducting examinations of banks, trust companies, or alien banks is confidential and privileged information and shall not be made public or otherwise disclosed to any person, firm, corporation, agency, association, governmental body, or other entity ((except as provided by RCW 39.58.105)).
(2) Subsection (1) of this section notwithstanding, the supervisor may furnish all or any part of examination reports prepared by the supervisor's office to:

(a) Federal agencies empowered to examine state banks, trust companies, or alien banks; (to the examined bank, trust company, or alien bank as provided in subsection (4) of this section; and to)

(b) Officials empowered to investigate criminal charges subject to legal process, valid search warrant, or subpoena. If the supervisor furnishes any examination report to officials empowered to investigate criminal charges, the supervisor may only furnish that part of the report which is necessary and pertinent to the investigation, and the supervisor may do this only after notifying the affected bank, trust company, or alien bank and any customer of the bank, trust company, or alien bank who is named in that part of the examination or report (of the order to furnish the part of the examination report) ordered to be furnished unless the officials requesting the report first obtain a waiver of the notice requirement from a court of competent jurisdiction for good cause;

(c) The examined bank, trust company, or alien bank, or holding company thereof;

(d) The attorney general in his or her role as legal advisor to the supervisor;

(e) Liquidating agents of a distressed bank, trust company, or alien bank;

(f) A person or organization officially connected with the bank as officer, director, attorney, auditor, or independent attorney or independent auditor;

(g) The Washington public deposit protection commission as provided by RCW 39.58.105.

(3) All examination reports furnished under subsections (2) and (4) of this section shall remain the property of the division of banking, and be confidential and no person, agency, or authority to whom reports are furnished or any officer, director, or employee thereof shall disclose or make public any of the reports or any information contained therein except in published statistical material that does not disclose the affairs of any individual or corporation: PROVIDED, That nothing herein shall prevent the use in a criminal prosecution of reports furnished under subsection (2) of this section.

(4) The examination report made by the division of banking is designed for use in the supervision of the bank, trust company, or alien bank((, and the supervisor may furnish a copy of the report to the bank, trust company, or alien bank examined)). The report shall remain the property of the supervisor and will be furnished to the bank, trust company, or alien bank solely for its confidential use. Under no circumstances shall the
bank, trust company, or alien bank or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof, to any person or organization not connected with the bank as officer, director, employee, attorney, auditor, or candidate for executive office with the bank. The bank may also, after execution of an agreement not to disclose information in the report, disclose the report or relevant portions thereof to a party proposing to acquire or merge with the bank.

(5) Examination reports and information obtained by the supervisor and the supervisor’s staff in conducting examinations shall not be subject to public disclosure under chapter 42.17 RCW.

(6) In any civil action in which the reports are sought to be discovered or used as evidence, any party may, upon notice to the supervisor, petition the court for an in camera review of the report. The court may permit discovery and introduction of only those portions of the report which are relevant and otherwise unobtainable by the requesting party. This subsection shall not apply to an action brought or defended by the supervisor.

(7) This section shall not apply to investigation reports prepared by the supervisor and the supervisor’s staff concerning an application for a new bank or trust company or an application for a branch of a bank, trust company, or alien bank: PROVIDED, That the supervisor may adopt rules making confidential portions of the reports if in the supervisor’s opinion the public disclosure of the portions of the report would impair the ability to obtain the information which the supervisor considers necessary to fully evaluate the application.

(8) Every person who violates any provision of this section shall be guilty of a gross misdemeanor.

NEW SECTION. Sec. 3. The total loans and extensions of credit by a bank or trust company to a person outstanding at any one time shall not exceed twenty percent of the capital and surplus of such bank or trust company. The following loans and extensions of credit shall not be subject to this limitation:

(1) Loans or extensions of credit arising from the discount of commercial or business paper evidencing an obligation to the person negotiating it with recourse;

(2) Loans or extensions of credit secured by bonds, notes, certificates of indebtedness, or treasury bills of the United States or by other such obligations wholly guaranteed as to principal and interest by the United States;

(3) Loans or extensions of credit to or secured by unconditional take-out commitments or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States;

(4) Loans or extensions of credit fully secured by a segregated deposit account or accounts in the lending bank;
(5) Loans or extensions of credit secured by collateral having a readily ascertained market value of at least one hundred fifteen percent of the outstanding amount of the loan or extension of credit;

(6) Loans or extensions of credit secured by bills of lading, warehouse receipts, or similar documents transferring or securing title to readily marketable staples shall be subject to a limitation of thirty-five percent of capital and surplus in addition to the general limitations, if the market value of the staples securing each additional loan or extension of credit at all times equals or exceeds one hundred fifteen percent of the outstanding amount of the loan or extension of credit. The staples shall be fully covered by insurance whenever it is customary to insure the staples;

(7) The purchase of bankers’ acceptances of the kind described in section 13 of the federal reserve act and issued by other banks shall not be subject to any limitation based on capital and surplus;

(8) The unpaid purchase price of a sale of bank property, if secured by such property.

For the purposes of this section "capital" shall include the amount of common stock outstanding and unimpaired, the amount of preferred stock outstanding and unimpaired, and capital notes or debentures issued pursuant to chapter 30.36 RCW.

For the purposes of this section "surplus" shall include capital surplus, reflecting the amounts paid in excess of the par or stated value of capital stock, or amounts contributed to the bank other than for capital stock, and amounts transferred to surplus from undivided profits pursuant to resolution of the board of directors.

The term "person" shall include an individual, sole proprietor, partnership, joint venture, association, trust, estate, business trust, corporation, sovereign government or agency, instrumentality, or political subdivision thereof, or any similar entity or organization.

The supervisor may prescribe rules to administer and carry out the purposes of this section, including rules to define or further define terms used in this section and to establish limits or requirements other than those specified in this section for particular classes or categories of loans or extensions of credit, and to determine when a loan putatively made to a person shall, for purposes of this section, be attributed to another person.

Sec. 4. Section 30.04.120, chapter 33, Laws of 1955 as amended by section 1, chapter 104, Laws of 1973 1st ex. sess. and RCW 30.04.120 are each amended to read as follows:

The shares of stock of every bank and trust company shall be deemed personal property. No such corporation shall hereafter make any loan or discount on the security of its own capital stock, nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; in which case the stocks so purchased or acquired shall be sold at public or
private sale, or otherwise disposed of, within six months from the time of its purchase or acquisition. Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by any such bank or trust company for its own account of any shares of stock of any corporation, except a federal reserve bank of which such corporation shall become a member, and then only to the extent required by such federal reserve bank: PROVIDED, That any such bank or trust company may purchase, acquire and hold shares of stock in any other corporation which shares have been previously pledged as security to any loan or discount made in good faith and such purchase shall be necessary to prevent loss upon a debt previously contracted in good faith and stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within two years from the time of its purchase or acquisition. Any time limit imposed in this section may be extended by the supervisor upon cause shown. Banks and trust companies are authorized to make loans on the security of the capital stock of a bank or trust company other than the lending corporation.

NEW SECTION. Sec. 5. Unless otherwise prohibited by law, any state bank or trust company may invest in the capital stock of corporations organized to conduct the following businesses:

1. A safe deposit business: PROVIDED, That the amount of investment does not exceed fifteen percent of its capital stock and surplus;

2. A corporation holding the premises of the bank or its branches: PROVIDED, That without the approval of the supervisor, the investment of such stock shall not exceed, together with all loans made to the corporation by the bank, a sum equal to the amount permitted to be invested in the premises by RCW 30.04.210;

3. Stock in a small business investment company licensed and regulated by the United States as authorized by the small business act, Public Law 85-536, 72 Statutes at Large 384, in an amount not to exceed five percent of its capital and surplus;

4. Capital stock of a banking service corporation or corporations. The total amount that a bank may invest in the shares of such corporation may not exceed ten percent of its capital and surplus. A bank service corporation may not engage in any activity other than those permitted by the bank service corporation act, 12 U.S.C. Sec. 1861, et seq., as subsequently amended and in effect on the effective date of this act. The performance of any service, and any records maintained by any such corporation for a bank, shall be subject to regulation and examination by the supervisor and appropriate federal agencies to the same extent as if the services or records were being performed or maintained by the bank on its own premises;

5. Capital stock of a federal reserve bank to the extent required by such federal reserve bank;
(6) A corporation engaging in business activities that have been determined by the board of governors of the federal reserve system or by the United States congress to be closely related to the business of banking, as of the effective date of this act;

(7) A governmentally sponsored corporation engaged in secondary marketing of loans and the stock of which must be owned in order to participate in its marketing activities;

(8) A corporation in which all of the voting stock is owned by the bank and that engages exclusively in nondeposit-taking activities that are authorized to be engaged in by the bank or trust company.

Sec. 6. Section 30.04.130, chapter 33, Laws of 1955 and RCW 30.04-.130 are each amended to read as follows:

Any debt due a bank or trust company on which interest is one year or more past due and unpaid, unless such debt be well secured and in the course of collection by legal process or probate proceedings, or unless such debt be represented by or secured by bonds or other collateral having a determinable readily ascertainable market value (currently quoted on the New York stock exchange,) shall be considered a bad debt, and shall be charged off of the books of such corporation. Such bonds assets shall be carried on the books of such corporation at such value as the supervisor may from time to time direct, but in no event shall such carrying value exceed the market value thereof. A judgment held by a bank or trust company shall not be considered an asset of the corporation after two years from the date of its rendition unless with the written permission of the supervisor specifying an additional period: PROVIDED, That time consumed by any appeal shall be excluded.

All assets or portion thereof that the supervisor may have required a bank or trust company to charge off shall be charged off. No bank or trust company shall enter or at any time carry on its books any of its assets at a valuation exceeding the actual cost. However, accreting the discount on securities is permitted on a pro rata basis, over the life of the security.

Sec. 7. Section 30.04.140, chapter 33, Laws of 1955 as last amended by section 6, chapter 157, Laws of 1983 and RCW 30.04.140 are each amended to read as follows:

No bank or trust company shall pledge or hypothecate any of its securities or assets to any depositor, except that it may qualify as depositary for United States deposits, (postal savings funds) or other public funds, or funds held in trust and deposited by any public officer by virtue of his office, or as a depository for the money of estates under the statutes of the United States pertaining to bankruptcy or funds deposited by a trustee or receiver in bankruptcy appointed by any court of the United States or any referee thereof, or funds held by the United States or the state of Washington, or any officer thereof in trust, or for funds of corporations owned or controlled by the United States, and may give such security for such deposits as are
required by law or by the officer making the same; and it may give security to its trust department for deposits with itself which represent trust funds invested in savings accounts or which represent fiduciary funds awaiting investment or distribution.

Sec. 8. Section 30.04.180, chapter 33, Laws of 1955 as last amended by section 1, chapter 89, Laws of 1981 and RCW 30.04.180 are each amended to read as follows:

No bank or trust company shall declare or pay any dividend to an amount greater than its net profits then on hand (which net profits shall be determined only after deducting:

(1) All losses;
(2) All assets or depreciation that the supervisor or a duly appointed examiner may have required to be charged off, and no bank or trust company shall enter or at any time carry on its books any of its assets at a valuation exceeding the actual cost. However, amortizing the discount on municipal and United States government securities is permitted on a pro rata basis, over the life of the security, providing that the approval of the supervisor has been obtained and maintained by each individual bank;

(3) All expenses, interest and taxes due or accrued from said bank or trust company;
(4) Bad debts as defined by RCW 30.04.130 owing to such bank or trust company).

The board of directors of any bank or trust company may (at any regular meeting thereof) declare a dividend out of so much of the undivided profits of such bank or trust company as they shall judge expedient: PROVIDED, HOWEVER, That before any such dividend is declared or the net profits in any way disposed of, not less than one-tenth of such net profits shall be carried to a surplus fund until the amount in such surplus fund shall be equal to twenty-five percent of the paid-in common capital stock of such bank or trust company: PROVIDED, FURTHER, That for the purposes of this section, any amounts paid into a fund for the retirement of any preferred stock of any such bank and trust company out of its net profits for such period or periods shall be deemed to be additions to its surplus fund if, upon the retirement of such preferred stock, the amounts so paid into such retirement fund may then properly be carried to surplus. In any such case the bank and trust company shall be obligated to transfer to surplus the amounts so paid into such retirement fund on account of the preferred stock as such stock is retired: PROVIDED FURTHER, That the supervisor shall in his discretion have the power to require any bank or trust company to suspend the payment of any and all dividends until all requirements that may have been made by the supervisor (or any duly appointed examiner) shall have been complied with; and upon such notice to suspend dividends no bank or trust company shall thereafter declare or pay any dividends until such notice has
been rescinded in writing. (As to banks or trust companies having segregated savings, sums carried to surplus shall be apportioned between or among departments as the capital is apportioned;) A dividend is payable in property or capital stock.

Sec. 9. Section 30.04.210, chapter 33, Laws of 1955 as last amended by section 4, chapter 329, Laws of 1985 and RCW 30.04.210 are each amended to read as follows:

A bank or trust company may purchase, hold, and convey real estate for the following purposes (and no other):

1. Such as shall be necessary for the convenient transaction of its business, including with its banking offices other space in the same building to rent as a source of income: PROVIDED, That any bank or trust company shall not invest for such purposes more than the greater of:
   a. Fifty percent of its capital, surplus, and undivided profits; or
   b. One hundred twenty-five percent of its capital stock without the approval of the supervisor.

2. Such as shall be purchased or conveyed to it in satisfaction, or on account of, debts previously contracted in the course of its business.

3. Such as it shall purchase at sale under judgments, decrees, liens, or mortgage foreclosures, from debts owed to it.

4. Such as a trust company receives in trust or acquires pursuant to the terms or authority of any trust.

5. Such as it may take title to or for the purpose of investing in real estate conditional sales contracts.

6. Such as shall be purchased, held, or conveyed in accordance with RCW 30.04.212 granting banks the power to invest directly or indirectly in unimproved or improved real estate.

No real estate specified in subdivision (4) shall be considered an asset of the bank or trust company holding the same in trust nor shall any real estate except that specified in subdivision (I) be carried as an asset on the bank’s or trust company’s books for a longer period than five years from the date title is acquired thereto, unless an extension of time be granted by the supervisor.

Sec. 10. Section 7, chapter 136, Laws of 1969 as amended by section 8, chapter 157, Laws of 1983 and RCW 30.04.215 are each amended to read as follows:

1. Notwithstanding any other provisions of law, in addition to all powers enumerated by this title, and those necessarily implied therefrom, a bank may engage in other business activities that have been determined by the board of governors of the federal reserve system or by the United States Congress to be closely related to the business of banking, as of (April 25, 1983) the effective date of this 1986 act. At least thirty days before investment in corporations or other entities under this chapter, notification by
letter shall be made to the supervisor in accordance with such terms and
conditions as the supervisor might establish by rule.

(2) A bank that desires to perform an activity that is not expressly
authorized by subsection (1) of this section shall first apply to the supervisor
for authorization to conduct such activity. Within thirty days of the receipt
of this application, the supervisor shall determine whether the activity is
closely related to the business of banking, whether the public convenience
and advantage will be promoted, whether the activity is apt to create an
unsafe or unsound practice by the bank and whether the applicant is capa-
bile of performing such an activity. If the supervisor finds the activity to be
closely related to the business of banking and the bank is otherwise quali-
fied, he shall forthwith inform the applicant that the activity is authorized.
If the supervisor determines that such activity is not closely related to the
business of banking or the bank is not otherwise qualified, he shall forthwith
inform the applicant in writing. The applicant shall have the right to appeal
from an unfavorable determination in accordance with the procedures of the
Administrative Procedure Act, chapter 34.04 RCW. In determining wheth-
er a particular activity is closely related to the business of banking, the su-
pervisor shall be guided by the rulings of the board of governors of the
federal reserve system and the comptroller of the currency in making deter-
minations in connection with the powers exercisable by bank holding com-
panies, and the activities performed by other commercial banks or their
holding companies. Any activity which may be performed by a bank, except
the taking of deposits, may be performed by a corporation, all of the out-
standing stock of which is owned by the bank. ((A bank shall not invest a
sum greater than twenty-five percent of its capital and surplus in the capital
stock of corporations organized to perform activities authorized by this
section:))

(3) In addition to all powers enumerated by this title, and those neces-
sarily implied therefrom, a bank may engage in other business activities that
are determined by the supervisor, by regulation adopted pursuant to chapter
34.04 RCW, to be closely related to the business of banking, or necessary or
convenient thereto, and the exercise thereof will promote the public conve-
nience and advantage. Provided, however, that such other business activities
shall also have been determined by the board of governors of the federal
reserve system or by the United States congress to be closely related to the
business of banking.

NEW SECTION. Sec. 11. In the absence of an express prohibition in
its articles of incorporation, the making of contributions or gifts for the
public welfare, or for charitable, scientific, or educational purposes by a
state bank or trust company is within its powers and shall be deemed to in-
ure to the benefit of the bank.

Sec. 12. Section 1, chapter 305, Laws of 1985 and RCW 30.04.238 are
each amended to read as follows:

[ 1190 ]
(1) Notwithstanding any other provision of this title, a bank, with the prior approval of the supervisor, may purchase shares of its own capital stock. (However, no bank may purchase and hold at any time more than five percent of its outstanding shares. Shares purchased under this section shall not be held for a period greater than six months.)

(2) When a bank purchases such shares, its capital accounts shall be reduced appropriately. The shares shall be held as authorized but unissued shares but may be resold at any time within six months after acquisition for a price equal to or greater than the higher of the acquisition price or par value. Except as provided in this subsection, shares shall not be sold without the prior written approval of the supervisor.

Sec. 13. Section 9, chapter 104, Laws of 1973 1st ex. sess. and RCW 30.04.380 are each amended to read as follows:

Any bank or trust company may invest an amount not exceeding ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered under the laws of the United States, or of any state thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States, either directly or through the agency, ownership or control of local institutions in foreign countries, or in such dependencies or insular possessions.

Sec. 14. Section 10, chapter 104, Laws of 1973 1st ex. sess. and RCW 30.04.390 are each amended to read as follows:

Any bank or trust company may acquire and hold, directly or indirectly, stock or other evidence of indebtedness or ownership in one or more banks organized under the law of a foreign country or a dependency or insular possession of the United States.

Sec. 15. Section 2, chapter 246, Laws of 1977 ex. sess. as amended by section 5, chapter 305, Laws of 1985 and RCW 30.04.405 are each amended to read as follows:

(1) It is unlawful for any person to acquire control of a bank until thirty days after filing with the supervisor a copy of the notice of change of control required to be filed with the federal deposit insurance corporation or a completed application. The notice or application shall be under oath and contain substantially all of the following information plus any additional information that the supervisor may prescribe as necessary or appropriate in the particular instance for the protection of bank depositors, borrowers, or shareholders and the public interest:

(a) The identity, banking and business experience of each person by whom or on whose behalf acquisition is to be made;

(b) The financial and managerial resources and future prospects of each person involved in the acquisition;
(c) The terms and conditions of any proposed acquisition and the manner in which the acquisition is to be made;

(d) The source and amount of the funds or other consideration used or to be used in making the acquisition, and a description of the transaction and the names of the parties if any part of these funds or other consideration has been or is to be borrowed or otherwise obtained for the purpose of making the acquisition;

(e) Any plan or proposal which any person making the acquisition may have to liquidate the bank, to sell its assets, to merge it with any other bank, or to make any other major change in its business or corporate structure for management;

(f) The identification of any person employed, retained, or to be compensated by the acquiring party, or by any person on its behalf, who makes solicitations or recommendations to shareholders for the purpose of assisting in the acquisition and a brief description of the terms of the employment, retainer, or arrangement for compensation; and

(g) Copies of all invitations for tenders or advertisements making a tender offer to shareholders for the purchase of their stock to be used in connection with the proposed acquisition.

(2) Notwithstanding any other provision of this section, a bank or domestic bank holding company as defined in RCW 30.04.230 need only notify the supervisor of an intent to acquire control and the date of the proposed acquisition of control at least thirty days before the date of the acquisition of control.

(3) When a person, other than an individual or corporation, is required to file an application under this section, the supervisor may require that the information required by subsection (1)(a), (b), and (f) of this section be given with respect to each person, as defined in RCW 30.04.400(3), who has an interest in or controls a person filing an application under this subsection.

(4) When a corporation is required to file an application under this section, the supervisor may require that information required by subsection (1)(a), (b), and (f) of this section be given for the corporation, each officer and director of the corporation, and each person who is directly or indirectly the beneficial owner of twenty-five percent or more of the outstanding voting securities of the corporation.

(5) If any tender offer, request, or invitation for tenders or other agreements to acquire control is proposed to be made by means of a registration statement under the Securities Act of 1933 (48 Stat. 74, 15 U.S.C., Sec. 77(a)), as amended, or in circumstances requiring the disclosure of similar information under the Securities Exchange Act of 1934 (48 Stat. 881, 15 U.S.C., Sec. 78(a)), as amended, the registration statement or application may be filed with the supervisor in lieu of the requirements of this section.
(6) Any acquiring party shall also deliver a copy of any notice or application required by this section to the bank proposed to be acquired within two days after the notice or application is filed with the supervisor.

(7) Any acquisition of control in violation of this section shall be ineffective and void.

((77)) (8) Any person who wilfully or intentionally violates this section or any rule adopted pursuant thereto is guilty of a gross misdemeanor pursuant to chapter 9A.20 RCW. Each day's violation shall be considered a separate violation, and any person shall upon conviction be fined not more than one thousand dollars for each day the violation continues.

NEW SECTION. Sec. 16. Any investment by a bank other than a loan, if legal and authorized when made, may continue to be held by the bank notwithstanding a change in circumstances or change in the law.

Sec. 17. Section 30.08.010, chapter 33, Laws of 1955 as last amended by section 3, chapter 104, Laws of 1973 1st ex. sess. and RCW 30.08.010 are each amended to read as follows:

When authorized by the supervisor, as hereinafter provided, five or more natural persons, citizens of the United States, may incorporate a bank or trust company in the manner herein prescribed. No bank or trust company shall incorporate for less amount nor commence business unless it has a paid-in capital as follows:

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<th>Population</th>
<th>Capital Requirement</th>
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<td>Less than 25,000</td>
<td>$50,000.00</td>
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<td>25,000 to 100,000</td>
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<td>100,000 or more</td>
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PROVIDED, That on request of any persons desiring to incorporate a bank in a city having a population of twenty-five thousand or over, the supervisor shall make an order defining the boundaries of the central business district of such city, which shall include the district in which is carried on the principal retail, financial and office business of such city and banks may be incorporated with a paid-up capital of not less than fifty thousand dollars to be located outside such central business district of such city as defined by the order of the supervisor, which shall be stated in its articles of incorporation, but any such bank which shall be hereafter incorporated to be located outside such central business district, which shall thereafter change its location into such central business district without increasing its capital stock and surplus to the amount required by then existing laws to incorporate a bank within such central business district, shall forfeit its charter and right to do business. The supervisor may from time to time change the boundaries of said central business district, if, in his judgment, such action is proper.
In addition to the foregoing, stock, surplus and undivided profits in the amount as may be determined by the supervisor after consideration of the proposed location, management, and the population and economic characteristics for the area, the nature of the proposed activities and operation of the bank or trust company, and other factors deemed pertinent by the supervisor. Each bank and trust company shall before commencing business have subscribed and paid into it in the same manner as is required for capital stock, an (additional) amount equal to at least ten percent of the capital stock above required, that shall be carried in the undivided profit account and may be used to defray organization and operating expenses of the company. Any sum not so used shall be transferred to the surplus fund of the company before any dividend shall be declared to the stockholders.

Sec. 18. Section 30.08.020, chapter 33, Laws of 1955 as last amended by section 1, chapter 73, Laws of 1981 and RCW 30.08.020 are each amended to read as follows:

Persons desiring to incorporate a bank or trust company shall file with the supervisor a notice of their intention to organize a bank or trust company in such form and containing such information as the supervisor shall prescribe by regulation, together with proposed articles of incorporation, which shall be submitted for examination to the supervisor at his office in Olympia.

The proposed articles of incorporation shall state:
(1) The name of such bank or trust company.
(2) The city, village or locality and county where the head office of such corporation is to be located.
(3) The nature of its business, whether that of a commercial bank, (a savings bank or both) or a trust company.
(4) The amount of its capital stock, which shall be divided into shares of (not less than ten dollars each, nor more than one hundred dollars each) a par or no par value as may be provided in the articles of incorporation.
(5) (The period for which such corporation is organized, which may be for a stated number of years or perpetual)
(6)) The names and places of residence and mailing addresses of the persons who as directors are to manage the corporation until the first annual meeting of its stockholders.

(((7) In articles filed on or before June 1, 1985, for four years from the date of approval of the articles (a) no voting share of the corporation shall, without the prior written approval of the supervisor, be affirmatively voted for any proposal which would have the effect of sale, conversion, merger, or consolidation to or with, any other banking entity or affiliated financial interest, whether through transfer of stock ownership, sale of assets, or otherwise; (b) the corporation shall take no action to consummate any sale,
conversion, merger, or consolidation in violation of this subdivision; (c) this provision of the articles shall not be revoked, altered, or amended by the shareholders without the prior written approval of the supervisor, and (d) all stock issued by the corporation shall be subject to this subdivision and a copy hereof shall be placed upon all certificates of stock issued by the corporation.

(6) If there is to be preferred or special classes of stock, a statement of preferences, voting rights, if any, limitations and relative rights in respect of the shares of each class; or a statement that the shares of each class shall have the attributes as shall be determined by the bank's board of directors from time to time with the approval of the supervisor.

(7) Any provision granting the shareholders the preemptive right to acquire additional shares of the bank and any provision granting shareholders the right to cumulate their votes.

(8) Any provision, not inconsistent with law, which the incorporators elect to set forth in the articles of incorporation for the regulation of the internal affairs of the corporation, including any provision restricting the transfer of shares and any provision which under this title is required or permitted to be set forth in the bylaws.

(9) Any provision the incorporators elect to so set forth, not inconsistent with law or the purposes for which the bank is organized, or any provision limiting any of the powers granted in this title.

It shall not be necessary to set forth in the articles of incorporation any of the corporate powers granted in this title. The articles of incorporation shall be signed by all of the incorporators and acknowledged before an officer to take acknowledgments.

Sec. 19. Section 30.08.050, chapter 33, Laws of 1955 as last amended by section 16, chapter 302, Laws of 1981 and RCW 30.08.050 are each amended to read as follows:

In case of approval the supervisor shall forthwith give notice thereof to the proposed incorporators and file one of the triplicate articles of incorporation in his own office, and shall transmit another triplicate to the secretary of state, and the last to the incorporators. Upon receipt from the proposed incorporators of the same fees as are required for filing and recording other articles of incorporation the secretary of state shall file such articles and record the same. Upon the filing of articles of incorporation ((in triplicate;)) approved as aforesaid by the supervisor, with the secretary of state, all persons named therein and their successors shall become and be a corporation, which shall have the powers and be subject to the duties and obligations prescribed by this title, and whose existence shall continue from the date of the filing of such articles ((for the term mentioned in its articles of incorporation unless sooner)) until terminated pursuant to law; but such corporation shall not transact any business except as is necessarily preliminary to
its organization until it has received a certificate of authority as provided herein.

Sec. 20. Section 30.08.060, chapter 33, Laws of 1955 as last amended by section 17, chapter 302, Laws of 1981 and RCW 30.08.060 are each amended to read as follows:

Before any bank or trust company shall be authorized to do business, and within ninety days after approval of the articles of incorporation or such other time as the supervisor may allow, it shall furnish proof satisfactory to the supervisor that such corporation has a paid-in capital in the amount ((fixed by its articles of incorporation and by this title)) determined by the supervisor, that the requisite surplus or reserve fund has been accumulated or paid in cash, and that it has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this title. If so satisfied, and within thirty days after receipt of such proof, the supervisor shall issue under his hand and official seal, in triplicate, a certificate of authority for such corporation. The certificate shall state that the corporation therein named has complied with the requirements of law, that it is authorized to transact ((at the place designated in its articles of incorporation)) the business of a bank or trust company, or both, as the case may be: PROVIDED, HOWEVER, That the supervisor may make his issuance of the certificate to a bank or trust company authorized to accept deposits, conditional upon the granting of deposit insurance by the federal deposit insurance corporation, and in such event, shall set out such condition in a written notice which shall be delivered to the corporation.

One of the triplicate certificates shall be transmitted by the supervisor to the corporation and one of the other two shall be filed by the supervisor in the ((same offices where the articles of incorporation are filed)) office of the secretary of state and shall be attached to said articles of incorporation((; and the one filed with the secretary of state shall be recorded)): PROVIDED, HOWEVER, That if the issuance of the certificate is made conditional upon the granting of deposit insurance by the federal deposit insurance corporation, the supervisor shall not transmit or file the certificate until such condition is satisfied.

Sec. 21. Section 30.08.070, chapter 33, Laws of 1955 as amended by section 18, chapter 302, Laws of 1981 and RCW 30.08.070 are each amended to read as follows:

Every corporation heretofore or hereafter authorized by the laws of this state to do business as a bank((;)) or trust company, ((mutual savings bank or industrial loan company,)) which corporation shall have failed to organize and commence business within six months after certificate of authority to commence business has been issued by the supervisor, shall forfeit its rights and privileges as such corporation, which fact the supervisor shall certify to the secretary of state, and such certificate of forfeiture shall be
filed and recorded in the office of the secretary of state in the same manner as the certificate of authority: PROVIDED, That the supervisor may, upon showing of cause satisfactory to him, issue an order under his hand and seal extending for not more than three months the time within which such organization may be effected and business commenced, such order to be transmitted to the office of the secretary of state and filed and recorded therein.

Sec. 22. Section 4, chapter 89, Laws of 1981 and RCW 30.08.082 are each amended to read as follows:

(1) Notwithstanding any other provisions of law and if so authorized by its articles of incorporation or amendments thereto made in the manner provided in the case of a capital increase, any bank (and trust company may, pursuant to action taken by its board of directors from time to time with the approval of the supervisor, (and in the manner provided in the case of a capital increase,)) issue shares of preferred (stock of one or more classes) or special classes of stock with the attributes and in such amounts and with such par value, if any, as shall be (approved by) determined by the board of directors from time to time with the approval of the supervisor(, and make such amendments to its articles of incorporation as may be necessary for this purpose; but, in the case of any newly organized bank and trust company which has not yet issued common stock, the requirements of notice to and vote of shareholders shall not apply)). No increase of preferred stock shall be valid until the amount thereof shall have been subscribed and actually paid in and a certificate of increase is received from the supervisor.

(2) If provided in its articles of incorporation, a bank or trust company may issue shares of preferred or special classes having any one or several of the following provisions:

(a) Subjecting the shares to the right of the bank or trust company to repurchase or retire any such shares at the price fixed by the articles of incorporation for the repurchase or retirement thereof;

(b) Entitling the holders thereof to cumulative, noncumulative, or partially cumulative dividends;

(c) Having preference over any other class or classes of shares as to the payment of dividends;

(d) Having preference in the assets of the bank or trust company over any other class or classes of shares upon the voluntary or involuntary liquidation of the bank or trust company;

(e) Having voting or nonvoting rights; and

(f) Being convertible into shares of any other class or into shares of any series of the same or any other class, except a class having prior or superior rights and preferences as to dividends or distribution of assets upon liquidation.
NEW SECTION. Sec. 23. A new section is added to chapter 30.08 RCW to read as follows:

(1) If the articles of incorporation shall expressly vest authority in the board of directors, then, to the extent that the articles of incorporation shall not have established series, and fixed and determined the variations in the relative rights and preferences as between series, the board of directors have authority to divide any or all of the classes into series and, within the limitation set forth in this section and in the articles of incorporation, fix and determine the relative rights and preferences of the shares of any series so established.

(2) In order for the board of directors to establish a series, where authority to do so is contained in the articles of incorporation, the board of directors shall adopt a resolution setting forth the designation of the series and fixing and determining the relative rights and preferences thereof, or so much thereof as is not fixed and determined by the articles of incorporation.

(3) Prior to the issue of any shares of a series established by resolution adopted by the board of directors, the corporation shall file and execute in the manner provided in this section a statement setting forth:

(a) The name of the bank;
(b) A copy of the resolution establishing and designating the series, and fixing and determining the relative rights and preferences thereof;
(c) The date of adoption of such resolution; and
(d) That the resolution was duly adopted by the board of directors.

(4) The statement shall be executed in triplicate by the bank by one of its officers and shall be delivered to the supervisor. If the supervisor finds that the statement conforms to law, the supervisor shall, when all fees have been paid as provided in this title:

(a) Endorse on each of the triplicate originals the word "Filed," and the effective date of the filing thereof;
(b) File two of the originals; and
(c) Return the other original to the bank or its representative.

(5) Upon the filing of the statement by the supervisor with the secretary of state, the resolution establishing and designating the series and fixing and determining the relative rights and preferences thereof shall become effective and shall constitute an amendment of the articles of incorporation.

Sec. 24. Section 5, chapter 89, Laws of 1981 and RCW 30.08.084 are each amended to read as follows:

Notwithstanding any other provisions of law, whether relating to restriction upon the payment of dividends upon capital stock or otherwise, the holders of shares of preferred (stock issued pursuant to section 5 of this act) or special classes of stock shall be entitled to receive such (cumulative) dividends on the purchase price received by the bank (and) or trust company for such stock (and shall have such voting and conversion rights and such control of management and in the event of the retirement of such
stock shall receive such retirement price, not in excess of such purchase price plus all accumulated dividends;) as may be provided by the articles of incorporation or by the board of directors of the bank or trust company with the approval of the supervisor.

((The holders of such preferred stock shall not be held individually responsible as such holders for any debts, contracts, or engagements of such bank and trust company and shall not be liable for assessments to restore impairments in the capital of such bank and trust company as is now provided by law with reference to holders of common stock:))

No dividends shall be declared or paid on common stock until ((the)) cumulative dividends, if any, on the shares of preferred or special classes of stock shall have been paid in full; and, if the supervisor takes possession of a bank or trust company for purposes of liquidation, no payments shall be made to the holders of the common stock until the holders of the shares of preferred or special classes of stock shall have been paid in full such amount as may be provided ((in the articles of incorporation with the approval of the supervisor, not in excess of such purchase price of such preferred stock)) under the terms of said shares plus all accumulated dividends, if any.

Sec. 25. Section 6, chapter 89, Laws of 1981 and RCW 30.08.086 are each amended to read as follows:

If any part of the capital of a bank and trust company consists of preferred stock, the determination of whether or not the capital of such bank is impaired and the amount of such impairment shall be based on the ((par)) value of its stock as established at the time it was issued, or its par value, if any, even though the amount which the holders of such preferred stock shall be entitled to receive in the event of retirement or liquidation shall be in excess of the originally established value or the par value of such preferred stock.

Sec. 26. Section 1, chapter 140, Laws of 1965 as amended by section 1, chapter 106, Laws of 1979 and RCW 30.08.087 are each amended to read as follows:

Any bank or trust company may provide in its articles of incorporation or amendments thereto for authorized but unissued shares of its capital stock ((for the following purposes;)

(1) For issuance and sale pursuant to approved stock option plans; stock purchase plans, stock bonus plans, or other similar plans approved by the supervisor;

(2) For issuing and selling minimum qualifying shares to new directors;

(3) For any other purpose, when the total amount of such shares is not more than fifty percent of the currently issued and outstanding stock.

If such shares are issued pursuant to approved stock option plans, the consideration received for such shares shall not be less than the higher of par value or one hundred percent of fair market value of the shares at the time the option is granted. If such shares are issued pursuant to approved
stock purchase plans, the consideration received for such shares shall not be
less than the higher of par value or one hundred percent of fair market val-
ue of the shares at the time of purchase. If such shares are issued in order
to qualify a new director of the corporation, the consideration received shall
not be less than the higher of par value or ninety-five percent of the fair
value of the shares at the time of the sale). The shares may be issued for
such consideration as shall be established by the board from time to time
but for not less than the par value, if any, and all consideration received
therefor shall be allocated to the capital stock or surplus of the corporation.

Sec. 27. Section 2, chapter 140, Laws of 1965 as amended by section 2,
chapter 106, Laws of 1979 and RCW 30.08.088 are each amended to read
as follows:

((Any amendments to articles of incorporation which provide for auth-
orized but unissued stock shall be made as provided in the case of a capital
increase which is to be paid in full before becoming effective. However,))
The authorized but unissued shares shall not become a part of the capital
stock ((except for the purposes hereof)) until they have been issued and
paid for ((in cash)). Prior to the issuance of authorized but unissued stock,
the bank shall notify the supervisor of the proposed issuance and the con-
sideration to be received therefor and receive the supervisor's approval
thereof, except that such notification and such approval shall not be re-
quired if the authorized but unissued stock is issued to employees of the
bank pursuant to approved stock option, stock purchase, stock bonus or
other similar plans approved by the supervisor.

Sec. 28. Section 30.08.090, chapter 33, Laws of 1955 as amended by
section 3, chapter 140, Laws of 1965 and RCW 30.08.090 are each amend-
ed to read as follows:

Any bank or trust company may increase or decrease its capital stock
or otherwise amend its articles of incorporation, in any manner not incon-
sistent with the provisions of this title, by a vote of the stockholders repre-
senting two-thirds of ((its issued capital stock)) each class of shares entitled
to vote under the terms of the shares at any regular meeting, or special
meeting duly called for that purpose in the manner prescribed by its by-
laws((: PROVIDED, That notice of a meeting to increase or decrease
authorized capital stock shall first be published once a week for four weekly
issues in a newspaper published in the place in which such corporation is
located, or if there be no newspaper published in such place, then in some
newspaper published in the same county. The notice shall state the purpose
of the meeting, the amount of the present authorized capital stock of the
bank or trust company and the proposed new authorized capital stock)). A
certificate of the fact and the terms of the amendment shall be executed by
a majority of the directors and filed as required herein for articles of incor-
poration. ((Except when an amendment provides for authorized but unis-
sued shares as permitted in this title:)) No ((increase of authorized))
issuance of capital stock shall be valid, until the amount thereof shall have been (subscribed and) actually paid in and a certificate of increase is received from the supervisor. No reduction of the capital stock shall be made to an amount less than is required for capital, nor shall any reduction relieve any stockholder from any liability of the corporation incurred prior thereto) by the supervisor. No amendment shall be made whereby a bank becomes a trust company unless such bank shall first receive permission from the supervisor.

Banks having authorized but unissued stock shall disclose on all statements of condition the amount of authorized stock and the amount of issued and paid in stock, as certified by the supervisor. The supervisor shall certify to each bank having authorized but unissued stock the amount of its issued and paid in capital stock and this amount shall be used in all statements of condition and in computing the capital of the bank for purposes of determining loan or investment limits (and branching powers) until a new certificate is issued by the supervisor. In cases where a bank issues authorized but unissued stock as permitted by this title, a new certificate need not be requested upon each stock issue. However, if the bank so requests and the supervisor approves, a certificate of issued and paid in capital stock shall be issued by the supervisor. A new certificate must be requested at such time as any increase of paid in capital stock represents five percent of the authorized capital stock and at such time as there is no remaining authorized but unissued stock.

Sec. 29. Section 30.08.140, chapter 33, Laws of 1955 as amended by section 3, chapter 248, Laws of 1957 and RCW 30.08.140 are each amended to read as follows:

Upon the issuance of a certificate of authority to a bank, the persons named in the articles of incorporation and their successors shall thereupon become a corporation and shall have power:

1. To adopt and use a corporate seal.
2. To have perpetual succession (for the term mentioned in its articles of incorporation).
3. To make contracts.
4. To sue and be sued, the same as a natural person.
5. To elect directors who, subject to the provisions of the corporation's bylaws, shall have power to appoint such officers as may be necessary or convenient, to define their powers and duties and to dismiss them at pleasure, and who shall also have general supervision and control of the affairs of such corporation.
6. (To prescribe by its stockholders bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors and officers elected or appointed, its stockholders convened for general or
special meetings, its property transferred, its general business conducted and
the privileges granted to it by law exercised and enjoyed:

(7) To make and alter bylaws, not inconsistent with its articles of in-
corporation or with the laws of this state, for the administration and regu-
lation of its affairs.

(8) To invest and reinvest its funds in marketable obligations evidenc-
ing the indebtedness of any person, copartnership, association, or corpo-
tion in the form of bonds, notes, or debentures commonly known as
investment securities except as may by regulation be limited by the
supervisor.

(9) To discount and negotiate promissory notes, drafts, bills of ex-
change and other evidences of debt, to receive deposits of money and com-
cmercial paper, to lend money (on real or personal security) secured or
unsecured, to issue all forms of letters of credit, to buy and sell bullion,
coins and bills of exchange.

(10) To take and receive as bailee for hire upon terms and con-
ditions to be prescribed by the corporation, for safekeeping and storage,
metal, plate, money, specie, bullion, stocks, bonds, mortgages, securities
and valuable paper of any kind and other valuable personal property, and to
rent vaults, safes, boxes and other receptacles for safekeeping and storage of
personal property.

(11) If the bank be located in a city of not more than five
thousand inhabitants, to act as insurance agent. A bank exercising this
power may continue to act as an insurance agent notwithstanding a change
of the population of the city in which it is located.

(12) To accept drafts or bills of exchange drawn upon it hav-
ing not more than six months sight to run, which grow out of transactions
involving the importation or exportation of goods; or which grow out of
transactions involving the domestic shipment of goods, providing shipping
documents conveying or securing title are attached at the time of accept-
ance; or which are secured at the time of acceptance by a warehouse receipt
or other such document conveying or securing title to readily marketable
staples. No bank shall accept, either in a foreign or a domestic transaction,
for any one person, company, firm or corporation, to an amount equal at
any one time in the aggregate to more than ten percent of its paid up and
unimpaired capital stock and surplus unless the bank is secured by attached
documents or by some other actual security growing out of the same trans-
action as the acceptance; and no bank shall accept such bills to an amount
equal at any time in the aggregate to more than one-half of its paid up and
unimpaired capital stock and surplus: PROVIDED, HOWEVER, That the
supervisor, under such general regulations applicable to all banks irrespec-
tive of the amount of capital or surplus, as he may prescribe may authorize
any bank to accept such bills to an amount not exceeding at any time in the
aggregate one hundred percent of its paid up and unimpaired capital stock
and surplus: PROVIDED, FURTHER, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty percent of such capital stock and surplus.

(12) To accept drafts or bills of exchange drawn upon it, having not more than three months sight to run, drawn under regulations to be prescribed by the supervisor by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies or insular possessions. Such drafts or bills may be acquired by banks in such amounts and subject to such regulations, restrictions and limitations as may be provided by the supervisor: PROVIDED, HOWEVER, That no bank shall accept such drafts or bills of exchange referred to in this subdivision for any one bank to an amount exceeding in the aggregate ten percent of the paid up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security, and that no such drafts or bills of exchange shall be accepted by any bank in an amount exceeding at any time the aggregate of one-half of its paid up and unimpaired capital and surplus: PROVIDED FURTHER, That compliance by any bank which is a member of the federal reserve system of the United States with the rules, regulations and limitations adopted by the federal reserve board thereof with respect to the acceptance of drafts or bills of exchange by members of such federal reserve system shall be a sufficient compliance with the requirements of this subdivision or paragraph relating to rules, regulations and limitations prescribed by the supervisor.

(12) This section is retroactive as of June 10, 1931, and the powers hereby conferred shall inure to the benefit of any bank now holding such certificate, the persons named in the articles of incorporation of said bank and their successors.)

(13) To have and exercise all powers necessary or convenient to effect its purposes.

(14) To serve as custodian of an individual retirement account and pension and profit sharing plans qualified under internal revenue code section 401(a), the assets of which are invested in deposits of the bank or trust company or are invested, pursuant to directions from the customer owning the account, in securities traded on a national securities market: PROVIDED, That the bank or trust company shall accept no investment responsibilities over the account unless it is granted trust powers by the supervisor.

(15) To be a limited partner in a limited partnership that engages in only such activities as are authorized for the bank.

Sec. 30. Section 30.12.010, chapter 33, Laws of 1955 as last amended by section 8, chapter 196, Laws of 1982 and RCW 30.12.010 are each amended to read as follows:
Every bank and trust company shall be managed by not less than five directors, ((excepting that a bank having a capital of fifty thousand dollars or less may have only three directors)) who need not be residents of this state. Directors shall be elected by the stockholders and hold office for ((one year)) such term as is specified in the articles of incorporation, not exceeding three years, and until their successors are elected and have qualified. In the first instance the directors shall be those named in the articles of incorporation and afterwards, those elected at the annual meeting of the stockholders to be held at least once each year on a day to be specified by the bank's or trust company's bylaws ((but not later than May 15th of each year)). Shareholders may not cumulate their votes unless the articles of incorporation specifically so provide. If for any cause no election is held at that time, it may be held at an adjourned meeting or at a subsequent meeting called for that purpose in the manner prescribed by the corporation's bylaws. The directors shall meet at least once each month and whenever required by the supervisor. A majority of the then serving board of directors shall constitute a quorum for the transaction of business. At all stockholders' meetings, each share shall be entitled to one vote, unless the articles of incorporation provide otherwise. Any stockholder may vote in person or by written proxy. ((Every director must own in his own right shares of the capital stock of the bank or trust company of which he is a director the aggregate par value of which shall not be less than four hundred dollars, unless the capital of the bank or trust company shall not exceed fifty thousand dollars, in which case he must own in his own right shares of such capital stock the aggregate par value of which shall not be less than two hundred dollars, or an equivalent interest, as determined by the supervisor of banking, in any company which has control over such bank or trust company within the meaning of section 2 of the federal bank holding company act of 1956, as now or hereafter amended. Any director who ceases to be the owner of the required number of shares of the stock, or who becomes in any other manner disqualified, shall thereby vacate his place.)

Immediately upon election, each director shall take, subscribe, swear to, and file with the supervisor an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such corporation and will not knowingly violate or willingly permit to be violated any provision of law applicable to such corporation ((and that he is the beneficial owner in good faith of the number of shares of stock required by this section, and that the same is fully paid, is not hypothecated or in any way pledged as security for any loan or debt)). Vacancies in the board of directors shall be filled by the board.

Sec. 31. Section 30.12.020, chapter 33, Laws of 1955 as amended by section 9, chapter 136, Laws of 1969 and RCW 30.12.020 are each amended to read as follows:
All meetings of the stockholders of any bank or trust company, except organization meetings, and meetings held with the consent of all stockholders, must be held in the (town or city) county in which the head office or any branch of the corporation is located. Meetings of the directors of any bank or trust company may be held either within or without this state. Every such corporation shall keep (a book) records in which shall be recorded the names and residences of the stockholders thereof, the number of shares held by each, (when each person became a stockholder) and also the transfers of stock, showing the time when made, the number of shares and by whom transferred. In all actions, suits and proceedings, said (book) records shall be prima facie proof of the facts shown therein. All of the corporate books, including the certificate book, stockholders' ledger and minute book or a copy thereof shall be kept at the corporation's principal place of business (and not elsewhere). Any books, record, and minutes may be in written form or any other form capable of being converted to written form within a reasonable time.

(Whenever in the opinion of the supervisor the condition of any bank or trust company is such that any transfer of the capital stock of such bank or trust company would be detrimental to the interests of its depositors, the supervisor may, by written order served upon the directors of such bank or trust company, direct that no transfer of stock shall be made until further order of the supervisor.)

NEW SECTION. Sec. 32. A new section is added to chapter 30.12 RCW to read as follows:

Any person who has been a shareholder of record at least six months immediately preceding his or her demand or who is the holder of record of at least five percent of all the outstanding shares of a bank or trust company, upon written demand stating the purpose thereof, has the right to examine, in person, or by agent or attorney, at any reasonable time or times, for any proper purpose, the bank or trust company's minutes of the proceedings of its shareholders, its shareholder records, and its existing publicly available records. The person is entitled to make extracts therefrom, except that the person is not entitled to view or make extracts of any portion of minutes that refer or relate to information which is confidential.

Any officer or agent who, or a bank or trust company that, refuses to allow any such shareholder or his or her agent or attorney, to examine and make extracts from its minutes of the proceedings of its shareholders, record of shareholders, or existing publicly available books and records, for any proper purpose, shall be liable to the shareholder for actual damages or other remedy afforded the shareholder by law.

It is a defense to any action for penalties under this section that the person suing therefor has, within two years: (1) Sold or offered for sale any list of shareholders for shares of such bank or trust company or any other bank or trust company; (2) aided or abetted any person in procuring any list
of shareholders for any such purpose; (3) improperly used any information secured through any prior examination of existing publicly available books and records, or minutes, or record of shareholders of such bank or trust company or any other bank or trust company; or (4) not acted in good faith or for a proper purpose in making his or her demand.

Nothing in this section impairs the power of any court of competent jurisdiction, upon proof by a shareholder of proper purpose, irrespective of the period of time during which the shareholder has been a shareholder of record, and irrespective of the number of shares held by him or her, to compel the production for examination by the shareholder of the existing publicly available books and records, minutes, and record of shareholders of a bank or trust company.

Upon the written request of any shareholder of a bank or trust company, the bank or trust company shall mail to the shareholder its most recent financial statements showing in reasonable detail its assets and liabilities and the results of its operations. As used in this section, "shareholder" includes the holder of voting trust certificates for shares.

Sec. 33. Section 30.12.030, chapter 33, Laws of 1955 and RCW 30-12.030 are each amended to read as follows:

(1) Except as otherwise permitted by the supervisor under specified terms and conditions, the board of directors of each bank and trust company shall direct and require good and sufficient surety company fidelity bonds issued by a company authorized to engage in the insurance business in the state of Washington on all active officers and employees, whether or not they draw salary or compensation, which bonds shall provide for indemnity to such bank or trust company, on account of any losses sustained by it as the result of any dishonest, fraudulent or criminal act or omission committed or omitted by them acting independently or in collusion or combination with any person or persons. Such bonds may be individual, schedule or blanket form, and the premiums therefor shall be paid by the bank or trust company.

(2) The said directors shall also direct and require suitable insurance protection to the bank or trust company against burglary, robbery, theft and other similar insurance hazards to which the bank or trust company may be exposed in the operations of its business on the premises or elsewhere.

The said directors shall be responsible for prescribing at least once in each year the amount or penal sum of such bonds or policies and the sureties or underwriters thereon, after giving due consideration to all known elements and factors constituting such risk or hazard. Such action shall be recorded in the minutes of the board of directors ((and thereafter be reported to the supervisor and be subject to his approval)).

Sec. 34. Section 30.12.050, chapter 33, Laws of 1955 and RCW 30-12.050 are each amended to read as follows:
A director, officer, employee or other agent of any bank shall not purchase or be interested in the purchase directly or indirectly of any of its assets without the previous consent of a majority of disinterested directors of the bank: PROVIDED, That if the fair market value of the asset or assets exceed ten thousand dollars, not less than ten days' prior notice of the sale shall be given to the supervisor. 

Sec. 35. Section 30.12.110, chapter 33, Laws of 1955 and RCW 30-12.110 are each amended to read as follows:

(1) No officer, director, agent, employee or stockholder of any bank or trust company shall, directly or indirectly, receive a bonus, commission, compensation, remuneration, gift, speculative interest or gratuity of any kind from any person, firm or corporation other than the bank or as allowed by section 36 of this 1986 act for granting, procuring or endeavoring to procure, for any person, firm or corporation, any loan by or out of the funds of such bank or trust company or the purchase or sale of any securities or property for or on account of such bank or trust company or for granting or procuring permission for any person, firm or corporation to overdraw any account with such bank or trust company. Any person violating this section shall be guilty of a gross misdemeanor.

NEW SECTION. Sec. 36. A new section is added to chapter 30.12 RCW to read as follows:

(1) If a transaction is fair to a corporation at the time it is authorized, approved, or ratified, the fact that a director or an officer had a direct or indirect interest in the transaction is not grounds for either invalidating the transaction or imposing liability on the director or officer.

(2) In any proceeding seeking to invalidate a transaction with the corporation in which a director or an officer had a direct or indirect interest in a transaction with the corporation, the person asserting the validity of the transaction has the burden of proving fairness unless:

(a) The material facts of the transaction and the director's or officer's interest was disclosed or known to the board of directors, or a committee of the board, and the board or committee authorized, approved, or ratified the transaction; or

(b) The material facts of the transaction and the director's or officer's interest was disclosed or known to the shareholders entitled to vote, and they authorized, approved, or ratified the transaction.

(3) For purposes of this section, a director or an officer of a corporation has an indirect interest in a transaction with the corporation if:
(a) Another entity in which the director or officer has a material financial interest, or in which such person is a general partner, is a party to the transaction; or

(b) Another entity of which the director or officer is a director, officer, or trustee is a party to the transaction, and the transaction is or should be considered by the board of directors of the corporation.

(4) For purposes of subsection (3)(a) of this section, a transaction is authorized, approved, or ratified only if it receives the affirmative vote of a majority of the directors on the board of directors or on the committee who have no direct or indirect interest in the transaction. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subsection (3)(a) of this section if the transaction is otherwise authorized, approved, or ratified as provided in that subsection.

(5) For purposes of subsection (3)(b) of this section, a transaction is authorized, approved, or ratified only if it receives the vote of a majority of shares entitled to be counted under this subsection. All outstanding shares entitled to vote under this title or the articles of incorporation are entitled to be counted under this subsection except shares owned by or voted under the control of a director or an officer who has a direct or indirect interest in the transaction. Shares owned by or voted under the control of an entity described in subsection (3)(a) of this section shall not be counted to determine whether shareholders have authorized, approved, or ratified a transaction for purposes of subsection (3)(b) of this section. The vote of the shares owned by or voted under the control of a director or an officer who has a direct or indirect interest in the transaction and shares owned by or voted under the control of an entity described in subsection (3)(a) of this section, however, shall be counted in determining whether the transaction is approved under other sections of this title and for purposes of determining a quorum.

NEW SECTION. Sec. 37. A new section is added to chapter 30.12 RCW to read as follows:

Subject to any restrictions in its articles of incorporation and in accordance with and subject to the provisions of RCW 30.08.088, the board of directors of a bank or trust company may grant options entitling the holders thereof to purchase from the corporation shares of any class of its stock. The instrument evidencing the option shall state the terms upon which, the time within which, and the price at which such shares may be purchased from the corporation upon the exercise of such option. If any such options are granted by contract, or are to be granted pursuant to a plan, to officers or employees of the bank or trust company, then the contract or the plan...
shall require the approval, within twelve months of its approval by the board of directors, of the holders of a majority of its voting capital stock. Subsequent amendments to any such contract or plan which do not change the price or duration of any option, the maximum number of shares which may be subject to options, or the class of employees eligible for options may be made by the board of directors without further shareholder approval.

Subject to any restrictions in its articles of incorporation, the board of directors of a bank or trust company shall have the authority to enter into any plans or contracts providing for compensation for its officers and employees, including, but not being limited to, incentive bonus contracts, stock purchase or bonus plans and profit sharing plans.

Sec. 38. Section 30.20.060, chapter 33, Laws of 1955 as last amended by section 3, chapter 280, Laws of 1961 and RCW 30.20.060 are each amended to read as follows:

A bank or trust company (which shall conduct a savings account department) shall repay all deposits to the depositor or his lawful representative when required at such time or times and with such interest as the regulations of the corporation shall prescribe. Such regulations shall be prescribed by the directors of the bank or trust company and may contain provisions with respect to the terms and conditions upon which any account or deposit will be maintained by said bank or trust company. Such regulations and any amendments thereto shall be posted in a conspicuous place in a room where the deposit business of the bank or trust company shall be transacted and shall remain available to depositors upon request. All such rules and regulations and all amendments thereto from time to time in effect shall be binding upon all depositors. At the option of the bank, a passbook shall be issued to each savings account depositor, or a record maintained in lieu of a passbook (covering such deposits in which shall be entered each deposit and each payment to such depositor, and no payment or checks against any savings account shall be made unless accompanied by and entered in any passbook issued therefor, except for good cause and assurance satisfactory to the corporation: PROVIDED, HOWEVER, That in any event, a passbook shall be issued upon request). A deposit contract may be adopted by the bank or trust company in lieu of or in addition to account rules and regulations and shall be enforceable and amendable in the same manner as provided herein for account rules and regulations or as provided in the deposit contract. A copy of such contract shall be provided to the depositor.

Sec. 39. Section 30.40.020, chapter 33, Laws of 1955 as last amended by section 2, chapter 73, Laws of 1981 and RCW 30.40.020 are each amended to read as follows:

A bank or trust company (having a paid-in capital of not less than five hundred thousand dollars) may, with the approval of the supervisor,
establish and operate branches ((in any city or town)) anywhere within the state. (A bank or trust company having a paid-in capital of not less than two hundred thousand dollars may, with the approval of the supervisor, establish and operate branches within the limits of the county in which its principal place of business is located:)) A bank having a paid-in capital of not less than one million dollars may, with the approval of the supervisor, establish and operate branches in any foreign country. The supervisor's approval of a branch within this state shall be conditioned on a finding that the resources in the neighborhood of the proposed location and in the surrounding country offer a reasonable promise of adequate support for the proposed branch and that the proposed branch is not being formed for other than the legitimate objects covered by this title. The supervisor's approval of a branch in a foreign country shall be conditioned on a finding that the proposed location offers a reasonable promise of adequate support for the proposed branch, that the proposed branch is not being formed for other than the legitimate objects covered by this title((, and that the principal purpose for establishing such branch is to aid in financing or facilitating exports and/or imports and the exchange of commodities with any foreign country or the agencies or nationals thereof:

The aggregate paid-in capital stock of every bank or trust company operating branches shall at no time be less than the aggregate of the minimum capital required by law for the establishment of an equal number of banks or trust companies in the cities or towns wherein the principal office or place of business of such bank or trust company and its branches are located:

No bank or trust company shall establish or operate any branch, except a branch in a foreign country, in any city or town outside the city or town in which its principal place of business is located in which any bank, trust company or national banking association regularly transacts a banking or trust business, except by taking over or acquiring an existing bank, trust company or national banking association or the branch of any bank, trust company or national banking association operating in such city or town. However, on and after July 1, 1981, a bank or trust company having a paid-in capital of not less than five hundred thousand dollars may, with the approval of the supervisor, establish and operate branches within the limits of the county in which its principal place of business is located, including within any city or town located in such county and whether or not an existing bank, trust company, or national banking association or branch thereof is operating in the city or town. On and after July 1, 1985, a bank or trust company having a paid-in capital of not less than five hundred thousand dollars may, with the approval of the supervisor, establish and operate a branch anywhere within the state, including within cities and towns where an existing bank, trust company, or national banking association or a branch thereof is operating).
Sec. 40. Section 1, chapter 196, Laws of 1982 and RCW 30.04.550 are each amended to read as follows:

A state banking corporation may, with the approval of the supervisor of banking and the affirmative vote of the shareholders of such corporation owning at least two-thirds of ((its capital stock outstanding, reorganize)) each class of shares entitled to vote under the terms of such shares, be reorganized to become a subsidiary of a bank holding company or a company that will, upon consummation of such reorganization, become a bank holding company, as defined in the federal bank holding company act of 1956, as amended.

Sec. 41. Section 2, chapter 196, Laws of 1982 and RCW 30.04.555 are each amended to read as follows:

A reorganization authorized under RCW 30.04.550 shall be carried out in the following manner:

(1) A plan of reorganization specifying the manner in which the reorganization shall be carried out must be approved by a majority of the entire board of directors of the banking corporation. The plan shall specify the name of the acquiring corporation, the amount of cash, securities of the bank holding company, other consideration, or any combination thereof to be paid to the shareholders of the reorganizing corporation in exchange for their shares of the stock of the corporation. The plan shall also specify the exchange date or the manner in which such exchange date shall be determined, the manner in which the exchange shall be carried out, and such other matters, not inconsistent with this chapter, as shall be determined by the board of directors of the corporation.

(2) The plan of reorganization shall be submitted to the shareholders of the reorganizing corporation at a meeting to be held on the call of the directors. Notice of the meeting of ((stockholders)) shareholders at which the plan shall be considered shall be given ((by publication in a newspaper of general circulation in the place where the principal office of each banking corporation is located at least once each week for four successive weeks; and)) by certified mail at least twenty days before the date of the meeting, to each stockholder of record of the banking corporation. The notice shall state that dissenting ((stockholders)) shareholders will be entitled to payment of the value of only those shares which are voted against approval of the plan.

Sec. 42. Section 3, chapter 196, Laws of 1982 and RCW 30.04.560 are each amended to read as follows:

If the shareholders approve the reorganization by a two-thirds vote of ((the capital stock outstanding)) each class of shares entitled to vote under the terms of such shares, and if it is thereafter approved by the supervisor and consummated, any shareholder of the banking corporation who has voted shares against such reorganization at such meeting or has given notice in writing at or prior to such meeting to the banking corporation that he or
she dissents from the plan of reorganization and has not voted in favor of the reorganization, shall be entitled to receive the value of the shares determined as provided in RCW 30.04.565. Such dissenter's rights must be exercised by making written demand which shall be delivered to the corporation at any time within thirty days after the date of shareholder approval, accompanied by the surrender of the appropriate stock certificates.

Sec. 43. Section 30.49.010, chapter 33, Laws of 1955 and RCW 30.49.010 are each amended to read as follows:

As used in this chapter:
"Merging bank" means a party to a merger;
"Converting bank" means a bank converting from a state to a national bank, or the reverse;
"Merger" includes consolidation;
"Resulting bank" means the bank resulting from a merger or conversion.

Wherever reference is made to a vote of stockholders or a vote of classes of stockholders it shall mean only a vote of those entitled to vote under the terms of such shares.

NEW SECTION. Sec. 44. Prior to the approval of the reorganization, the supervisor, upon request of the board of directors of the bank, or not less than ten percent of its shareholders, shall hold a public hearing at which bank shareholders and other interested parties may appear. Notice of the public hearing shall be sent to each shareholder and otherwise publicized in accordance with the administrative procedure act, chapter 34.04 RCW.

The approval of the reorganization by the supervisor of banking shall be conditioned on a finding that the terms of the reorganization are fair to the shareholders and other interested parties.

Sec. 45. Section 1, chapter 166, Laws of 1974 ex. sess. as amended by section 1, chapter 137, Laws of 1979 and RCW 30.43.010 are each amended to read as follows:

As used in this chapter the term "financial institution" means any bank or trust company established in this state pursuant to Title 12, United States Code, chapter 2, or Title 30 RCW, any mutual savings bank established in this state pursuant to Title 32 RCW, any savings and loan association established in this state pursuant to Title 12, United States Code, chapter 12, or Title 33 RCW, and any credit union established in this state pursuant to Title 12, United States Code, chapter 14 or chapters 31.12 and 31.13 RCW.

As used in this chapter, the term "supervisor" means, if applicable to banks, trust companies, or mutual savings banks, the supervisor of banking
and, if applicable to savings and loan associations and credit unions, the supervisor of savings and loan associations, or the National Credit Union Administration in the case of federally chartered credit unions.

As used in this chapter, the term "satellite facility" means an unmanned facility at which transactions, including, but not being limited to account transfers, payments, and instructions for deposits and withdrawals may be conducted and which is not a part of a branch or main office of the financial institution: PROVIDED, That such a facility shall not be construed to be the establishment of a branch: PROVIDED FURTHER, That (in considering any application for authority to open a new branch or to establish a new financial institution, the supervisor shall disregard the existence of facilities established pursuant to this chapter in determining whether there is reasonable promise of adequate support for the new branch or proposed new financial institution:) an unmanned facility which is connected to a dispenser of goods or services and that originates or communicates funds transfer instructions for the payment of such goods or services shall not be a "satellite facility."

NEW SECTION. Sec. 46. Any action required by this title to be taken at a meeting of the shareholders of a corporation, or any action that may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

The consent shall have the same force and effect as a unanimous vote of shareholders and may be stated as such in any articles or documents filed under this title.

NEW SECTION. Sec. 47. Unless otherwise provided by the articles of incorporation or bylaws, any action required by this title to be taken at a meeting of the directors of a bank or trust company, or any action which may be taken at any meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

NEW SECTION. Sec. 48. Except as may be otherwise restricted by the articles of incorporation or bylaws, members of the board of directors or any committee designated by the board of directors may participate in a meeting of the board or committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time. Participation by such means shall constitute presence, in person, at a meeting.
Sec. 49. Section 30.49.040, chapter 33, Laws of 1955 as amended by section 9, chapter 196, Laws of 1982 and RCW 30.49.040 are each amended to read as follows:

This section is applicable where there is to be a resulting state bank, except in the case of reorganization and exchange as authorized by this title.

(1) The board of directors of each merging state bank shall, by a majority of the entire board, approve a merger agreement which shall contain:

(a) The name of each merging state or national bank and location of each office;

(b) With respect to the resulting state bank, (i) the name and location of the principal and other offices; (ii) the name and mailing address of each director to serve until the next annual meeting of the stockholders; (iii) the name and mailing address of each officer; (iv) the amount of capital, the number of shares and the par value, if any, of each share; and (v) the amendments to its charters and bylaws;

(c) Provisions governing the exchange of shares of the merging state or national banks for such consideration as has been agreed to in the merger agreement;

(d) A statement that the agreement is subject to approval by the supervisor of banking and the stockholders of each merging state or national bank;

(e) Provisions governing the manner of disposing of the shares of the resulting state bank if such shares are to be issued in the transaction and are not taken by dissenting shareholders of merging state or national banks;

(f) Such other provisions as the supervisor of banking requires to discharge his or her duties with respect to the merger;

(2) After approval by the board of directors of each merging state bank, the merger agreement shall be submitted to the supervisor of banking for approval, together with certified copies of the authorizing resolutions of each board of directors showing approval by a majority of the entire board and evidence of proper action by the board of directors of any merging national bank;

(3) Within sixty days after receipt by the supervisor of banking of the papers specified in subsection (2) of this section, the supervisor of banking shall approve or disapprove of the merger agreement, and if no action is taken, the agreement shall be deemed approved. The supervisor of banking shall approve the agreement if it appears that:

(a) The resulting state bank meets the requirements of state law as to the formation of a new state bank;

(b) The agreement provides an adequate capital structure including surplus in relation to the deposit liabilities of the resulting state bank and its other activities which are to continue or are to be undertaken;

(c) The agreement is fair;
(d) The merger is not contrary to the public interest.

If the supervisor of banking disapproves an agreement, he or she shall state his or her objections and give an opportunity to the merging state or national banks to amend the merger agreement to obviate such objections.

NEW SECTION. Sec. 50. A new section is added to chapter 30.12 RCW to read as follows:

The shareholders of a banking corporation organized under the laws of this state and the deposits of which are insured by the federal deposit insurance corporation shall not be liable for any debts or obligations of the bank.

NEW SECTION. Sec. 51. The following acts or parts of acts are each repealed:

2. Section 30.04.100, chapter 33, Laws of 1955 and RCW 30.04.100;
4. Section 1, chapter 302, Laws of 1955 and RCW 30.04.122;
5. Section 2, chapter 302, Laws of 1955 and RCW 30.04.124;
6. Section 1, chapter 185, Laws of 1959, section 1, chapter 124, Laws of 1979 and RCW 30.04.126;
10. Section 30.04.190, chapter 33, Laws of 1955 and RCW 30.04-190;
13. Section 4, chapter 356, Laws of 1955 and RCW 30.04.360;
NEW SECTION. Sec. 52. Sections 3, 5, 16, 44, and 46 through 48 of this act are each added to chapter 30.04 RCW.

NEW SECTION. Sec. 53. Financial institutions have been subjected to significant changes in the recent past. Regulated financial institutions have come under pressure from nonregulated financial institutions for markets that were formerly the sole province of the regulated institutions. The legislature has been repeatedly asked to expand the powers of regulated institutions so they may compete on an equal basis. It is the intent of the legislature, in enacting section 54 of this act, to develop the information with which it can respond to requests from financial institutions for new powers.

NEW SECTION. Sec. 54. A new section is added to chapter 30.04 RCW to read as follows:

(1) The supervisor of banking shall study the financial institution structure in the state and report to the governor and the appropriate standing committees of the house of representatives and the senate on changes which should be made to enable commercial banks to remain safe and sound and yet be competitive with other financial institutions. In conducting the study the supervisor shall consider:

(a) The powers which commercial banks under state regulatory authority should be entitled to exercise;

(b) The level of supervision that is necessary to assure safe and sound commercial banks without unnecessarily restricting the operation of the institutions;

(c) Whether the distinction between commercial banks, savings banks, and savings and loan associations should be retained, and if so, whether there should continue to be differences in their powers;

(d) The general corporate powers that should be authorized for banking corporations; and

(e) Any other matters deemed by the supervisor to be relevant.

(2) The supervisor, in conducting the study required by subsection (1) of this section shall consult with the supervisor of savings and loans and with representatives from all types of financial institutions, including large and small, urban and rural, commercial banks, savings banks, and savings
and loan associations. The supervisor shall also advise the appropriate standing committees of the house of representatives and the senate of all meetings held to consider the study conducted under this section.

(3) The supervisor of banking shall submit the report required by subsection (1) of this section not later than November 1, 1987. A progress report shall be submitted to the governor and the respective standing committees of the house of representatives and the senate not later than December 1, 1986.

*NEW SECTION. Sec. 55. It is the intent of the legislature to provide to the public current information on the condition of financial institutions conducting business in the state of Washington.

*Sec. 55 was vetoed, see message at end of chapter.

*NEW SECTION. Sec. 56. A new section is added to chapter 43.19 RCW to read as follows:

The director of general administration shall annually, or by request, make available to the legislature the list of financial institutions designated by the federal reserve system or by the comptroller of the currency, known as the "watch list."

*Sec. 56 was vetoed, see message at end of chapter.

*NEW SECTION. Sec. 57. Sections 55 and 56 of this act are necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

*Sec. 57 was vetoed, see message at end of chapter.

Passed the Senate March 12, 1986.
Passed the House March 12, 1986.
Approved by the Governor April 3, 1986, with the exception of certain items which are vetoed.
Filed in Office of Secretary of State April 3, 1986.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to sections 55, 56 and 57, Engrossed Substitute Senate Bill No. 4917, entitled:

"AN ACT Relating to banks and trust companies."

Engrossed Substitute Senate Bill No. 4917 makes certain necessary modernization and housekeeping amendments to Title 30, RCW, dealing with commercial banks. It enables the state's banking code to keep pace with a rapidly changing banking environment.

While I support the intent and main substance of Engrossed Substitute Senate Bill 4917, I must take exception to sections 55, 56 and 57. These sections would require the Department of General Administration's Division of Banking to provide the Legislature with a listing of financial institutions that are designated on a "watch list" by either the Federal Reserve System or the U.S. Comptroller of the Currency.

These provisions are imprudent and their enactment would have a substantially adverse effect on the Division of Banking's ability to supervise the banks that are subject to its jurisdiction and could cause significant harm to individual institutions.
First of all, according to the state Division of Banking, neither the Federal Reserve System nor the Comptroller of the Currency maintains anything called a "watch list" as referenced in section 56. The various regulatory agencies differentiate the degree of supervisory concern among the banks they supervise based on a number of factors. Thus, the federal information referenced as a "watch list" is ambiguous.

Moreover, proposed sections 55, 56 and 57 would undercut the essential cooperation needed between federal and state bank regulatory agencies with the onset of interstate banking and a rapidly-changing banking industry. The state's Division of Banking relies on the information it receives from the federal regulatory agencies on the basis of strict confidentiality. Without this confidentiality, which would be the effect of proposed sections 55, 56 and 57, the federal agencies would undoubtedly stop sharing bank regulatory information with the state.

Finally, one of the goals of our bank regulatory system is to closely supervise those institutions that are experiencing difficulty in order to restore their soundness and avert their closure. To make public any listing of financial institutions which may be experiencing difficulties would greatly, and perhaps needlessly, undermine public confidence in those institutions. Such an erosion of public confidence would undoubtedly cause some depositors to withdraw their funds, thereby exacerbating the bank's difficulties. This would be an unintended effect of sections 55, 56 and 57.

Therefore, with the exception of sections 55, 56 and 57, Engrossed Substitute Senate Bill No. 4917 is approved.

CHAPTER 280
[Senate Bill No. 4675]
CENTENNIAL LICENSE PLATES

AN ACT Relating to motor vehicle license plates; amending RCW 46.16.270; adding a new section to chapter 27.60 RCW; adding a new section to chapter 46.16 RCW; and repealing RCW 46.16.275.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. A new section is added to chapter 46.16 RCW to read as follows:

In order to help publicize and commemorate the state's 1989 anniversary celebration of its admission to the Union, a new centennial design shall be developed by the department for vehicle license plates that uses reflectorized materials necessary to provide adequate visibility and legibility at night.

The centennial plates shall be developed in cooperation with the design selection committee appointed by the director. The committee shall include representation from the Washington centennial commission.

Registration numbers and letters for the centennial plate shall be assigned by the department in accordance with established procedures. Distribution of the centennial license plates shall commence January 1, 1987, to all new vehicle registrations and license plate replacements. In addition, the centennial plate shall be available for purchase by all other vehicle owners at the owner's option.

Revenues generated from the centennial plate shall go in part to support local and state centennial activities as provided in section 2 of this act.