

- (a) Implementing the civil penalty system authorized under this chapter;
 - (b) Identifying and measuring the outcomes of services delivered by the nursing home;
 - (c) Assessing the fiscal impact on health care delivered under the licensing standards; and
 - (d) Determining rates to meet client needs.
- (3) No later than January 1, 1978, all payments made to nursing homes by the department shall meet the reasonable cost of:
- (a) Complying with the revised licensing standards;
 - (b) Complying with federal standards; and
 - (c) Meeting client needs;
- as the reasonable costs are determined under federal regulations.
- (4) No later than July 1, 1978, the department shall adopt all those regulations which meet all conditions necessary to fully implement the civil penalty system authorized by this chapter.

Passed the House June 7, 1977.

Passed the Senate June 6, 1977.

Approved by the Governor June 15, 1977.

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CHAPTER 245

[Substitute House Bill No. 384]

FINANCIAL INSTITUTIONS—SUPERVISOR'S EXAMINATION REPORTS AND INFORMATION—CONFIDENTIALITY

AN ACT Relating to financial institutions; adding a new section to Title 30 RCW; adding a new section to chapter 31.12 RCW; adding a new section to Title 32 RCW; adding a new section to Title 33 RCW; repealing section 43.19.060, chapter 8, Laws of 1965 and RCW 43.19.060; repealing section 43.19.070, chapter 8, Laws of 1965 and RCW 43.19.070; repealing section 43.19.120, chapter 8, Laws of 1965 and RCW 43.19.120; prescribing penalties; and declaring an emergency.

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

NEW SECTION. Section 1. There is added to Title 30 RCW a new section 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 examination reports prepared by the supervisor's office to 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 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 report of the order to furnish the part of the examination report unless the officials requesting the report first obtain a waiver of the notice requirement from a court of competent jurisdiction for good cause.

(3) All examination reports furnished under subsection (2) of this section shall remain the property of the division of banking, 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.

(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 forfeit the person's office or employment and be guilty of a gross misdemeanor.

NEW SECTION. Sec. 2. There is added to Title 32 RCW a new section to read as follows:

(1) All examination reports and all information obtained by the supervisor and the supervisor's staff in conducting examinations of mutual savings 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.

(2) Subsection (1) of this section notwithstanding, the supervisor may furnish examination reports prepared by the supervisor's office to federal agencies empowered to examine mutual savings banks, to the examined mutual savings bank as

provided in subsection (4) of this section, and to 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 mutual savings bank and any customer of the mutual savings bank who is named in that part of the report of the order to furnish the part of the examination report unless the officials requesting the report first obtain a waiver of the notice requirement from a court of competent jurisdiction for good cause.

(3) All examination reports furnished under subsection (2) of this section shall remain the property of the division of banking, 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 mutual savings bank, and the supervisor may furnish a copy of the report to the mutual savings bank examined. The report shall remain the property of the supervisor and will be furnished to the mutual savings bank solely for its confidential use. Under no circumstances shall the mutual savings bank or any of its trustees, officers, or employees disclose or make public in any manner the report or any portion thereof.

(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 mutual savings bank or an application for a branch of a mutual savings 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 forfeit the person's office or employment and be guilty of a gross misdemeanor.

NEW SECTION. Sec. 3. There is added to Title 33 RCW a new section to read as follows:

(1) All examination reports and all information obtained by the supervisor and the supervisor's staff in conducting examinations of savings and loan associations 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.

(2) Subsection (1) of this section notwithstanding, the supervisor may furnish examination reports prepared by the supervisor's office to federal agencies empowered to examine state savings and loan associations, to the examined savings and loan association as provided in subsection (4) of this section, and to 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 savings and loan association and any customer of the savings and loan association who is named in that part of the report of the order to furnish the part of the examination report unless the officials requesting the report first obtain a waiver of the notice requirement from a court of competent jurisdiction for good cause.

(3) All examination reports furnished under subsection (2) of this section shall remain the property of the division of savings and loan associations 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 savings and loan associations is designed for use in the supervision of the savings and loan association, and the supervisor may furnish a copy of the report to the savings and loan association examined. The report shall remain the property of the supervisor and will be furnished to the savings and loan association solely for its confidential use. Under no circumstances shall the savings and loan association or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

(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 savings and loan association or an application for a branch of a savings and loan association: **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 forfeit the person's office or employment and be guilty of a gross misdemeanor.

NEW SECTION. Sec. 4. There is added to chapter 31.12 RCW a new section to read as follows:

(1) All examination reports and all information obtained by the supervisor and the supervisor's staff in conducting examinations of credit unions 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.

(2) Subsection (1) of this section notwithstanding, the supervisor may furnish examination reports prepared by the supervisor's office to federal agencies empowered to examine state credit unions, to the examined credit union as provided in subsection (4) of this section, and to 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 credit union and any customer of the credit union who is named in that part of the report of the order to furnish the part of the examination report unless the officials requesting the report first obtain a waiver of the notice requirement from a court of competent jurisdiction for good cause.

(3) All examination reports furnished under subsection (2) of this section shall remain the property of the division of savings and loan associations 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 savings and loan associations is designed for use in the supervision of the credit union, and the supervisor may furnish a copy of the report to the credit union examined. The report shall remain the property of the supervisor and will be furnished to the credit union solely for its confidential use. Under no circumstances shall the credit union or any of its directors, officers, or employees disclose or make public in any manner the report or any portion thereof.

(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 credit union or an application for a branch of a credit union: 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 forfeit the person's office or employment and be guilty of a gross misdemeanor.

NEW SECTION. Sec. 5. The following acts or parts of acts are each repealed:

- (1) Section 43.19.060, chapter 8, Laws of 1965 and RCW 43.19.060;
- (2) Section 43.19.070, chapter 8, Laws of 1965 and RCW 43.19.070; and
- (3) Section 43.19.120, chapter 8, Laws of 1965 and RCW 43.19.120.

NEW SECTION. Sec. 6. If any provision of this act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 7. This act is 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.

Passed the House June 6, 1977.

Passed the Senate June 3, 1977.

Approved by the Governor June 15, 1977.

Filed in Office of Secretary of State June 15, 1977.

CHAPTER 246

[Substitute House Bill No. 393]

BANKS AND TRUST COMPANIES—CONTROL, ACQUISITION

AN ACT Relating to banks and trust companies; adding new sections to Title 30 RCW; and prescribing penalties.

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

NEW SECTION. Section 1. There is added to Title 30 RCW a new section to read as follows:

As used in this 1977 act, the following words shall have the following meanings:

(1) "Control" means directly or indirectly alone or in concert with others to own, control, or hold the power to vote twenty-five percent or more of the outstanding stock or voting power of the "controlled" entity;

(2) "Acquiring party" means the person acquiring control of a bank through the purchase of stock; and

(3) "Person" means any individual, corporation, partnership, association, business trust, or other organization.

NEW SECTION. Sec. 2. There is added to Title 30 RCW a new section 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 completed application. The 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