

Date of Hearing: June 27, 2011

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Mike Eng, Chair

SB 664 (Banking) – As Amended: May 19, 2011

SENATE VOTE: 39-0

SUBJECT: Financial Institutions

SUMMARY: Conforms California's Banking Law to Section 613 of the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), by authorizing national banks and foreign (out-of-state) banks to branch into California, as if those banks were organized in California. Specifically, this bill:

- 1) Provides for conforming changes made necessary by Dodd-Frank, to any bank that establishes a branch office in California in accordance with the changes made by Dodd-Frank to the National Bank Act or Federal Deposit Insurance Act has to notify the Commissioner of Financial Institutions (Commissioner), as specified, within ten days of establishing, relocating, or re-designating that branch office in California.
- 2) Renumbers the sections of the Financial Code administered by the Department of Financial Institutions (DFI), to reflect a multi-year Financial Code reorganization initiated by DFI beginning in 2008. The contents of the Financial Code sections remain unchanged; only the code numbers would be revised, and the code sections reorganized.

EXISTING LAW

- 1) Prohibits an out-of-state bank from opening a branch in California, without first purchasing a California bank that is at least five years old and merging that California bank into the out-of-state bank. (Financial Code)
- 2) Establishes Divisions 1, 2, 5, 7, 15, and 16 of the Financial Code, and gives the Commissioner jurisdiction over banks, industrial banks, trust-companies, transmitters of money abroad, traveler's check issuers, savings associations, credit unions, industrial loan companies, business and development corporations, and sellers of payment instruments. (Financial Code)
- 3) Contains numerous code sections that specify the powers of the Commissioner in relation to his or her regulatory oversight over state licensees. (Financial Code)

FISCAL EFFECT: Unknown

COMMENTS:

In 2008, DFI commenced a multi-year effort to update and reorganize the laws over which it has jurisdiction. This reorganization was intended to update laws that had fallen far out of date; reflect numerous changes made to the state General Corporations Law and to federal banking law since the laws overseen by DFI were originally drafted; and clean up various inconsistencies,

incorrect code references, and obsolete code sections that had crept into the code over time. DFI sponsored three pieces of chaptered legislation to accomplish this update, including: AB 1301 (Gaines), Chapter 125, Statutes of 2008, AB 2749 (Gaines), Chapter 501, Statutes of 2008, and AB 1268 (Gaines), Chapter 532, Statutes of 2010.

This bill finalizes the reorganization process, by renumbering code sections amended by the earlier bills. This reorganization makes no substantive changes; it merely orders the code sections more logically, and is intended to be easier for licensees to follow and for DFI to administer.

This bill updates California's Banking Law to reflect amendments made by Section 613 of Dodd-Frank to the National Bank Act and the Federal Deposit Insurance Act. These changes (technically referred to as de novo interstate branching amendments) allow state and national banks to branch into any state, as if the state or national bank is organized under the laws of the state into which it branches. Prior federal law had allowed states to prohibit national and out-of-state banks from branching into their states. California adopted such a prohibition, forbidding de novo interstate branching, unless the national or out-of-state bank acquired a California bank at least five years old and merged that California bank into its operations. SB 664 strikes California's prohibition against de novo interstate branching. Because Dodd-Frank does not require the branching bank to notify the state financial institutions regulator of the state in which the new branch will be established, this bill adds a requirement that any bank branching into California notify the DFI Commissioner.

State banks branching into California will have to follow the same laws that California-chartered banks must follow (just as California-chartered banks branching into another state would have to follow the laws of that other state with respect to the branches they open in that state). National banks branching into California will have to follow the National Bank Act and any California laws that are not pre-empted.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Mark Farouk / B. & F. / (916) 319-3081