

INTERPRETIVE LETTER 95-5 (JULY 28, 1995)

The laws of the state of Washington are reciprocal with those of Illinois with respect to interstate bank acquisitions.

This letter responds to your letter addressed to the Commissioner of Banks and Trust Companies ("Commissioner") dated *, in which you request that the Commissioner determine that the banking laws of the State of Washington, with respect to interstate bank acquisitions, are reciprocal with those of Illinois. As explained in this letter, the Commissioner is of the opinion that the Illinois banking laws governing interstate acquisitions are reciprocal to those of the State of Washington.

Section 3.071 of the Illinois Bank Holding Company Act ("Act"), 205 ILCS 10/3.071 (1994), allows the acquisition and ownership of Illinois banks and bank holding companies by out-of-state bank holding companies. Section 3.071 of the Act requires for interstate acquisitions that "the laws of the state that is the principal place of business of the out of state bank holding company expressly authorize the acquisition by an Illinois bank holding company of a bank or bank holding company in that state under qualifications and conditions that are not unduly restrictive when compared to those imposed by the laws of Illinois." In addition, Section 3.071(e) of the Act permits the Commissioner to make an acquisition of an Illinois bank holding company "subject to any conditions, restrictions, requirements, or other limitations that would apply to an Illinois bank holding company making an acquisition in a particular state." 205 ILCS 10/3.071(e) (1994). The Commissioner may, but is not required to, make any acquisition of an Illinois bank or bank holding company by a holding company with its principal place of business in Washington subject to the same restrictions that exist under Washington law.

We reviewed the provisions granting authority to an out-of-state bank holding company to acquire stock or substantially all of the assets of a bank in Washington. An out-of-state bank holding company seeking to acquire a bank in Washington must demonstrate that the laws in the acquiring company's state would allow a Washington bank holding company to acquire a bank in that state "on terms and conditions no less favorable than other banks, trust companies, or national banking associations doing a banking business within that state." Rev. Code Wash. ' 30.04.232(1)(b) (1994). Also, a target bank in the state of Washington "shall have been conducting business for a period of not less than three years." Rev. Code Wash. ' 30.04.232(1)(a) (1994). The statute also requires that the Director of the Washington Department of Financial Institutions ("Director") adopt a rule determining whether the laws of a particular state allow out-of-state bank holding companies to acquire and operate banks in that state under terms and conditions no less favorable than those in Washington. Rev. Code Wash. ' 30.04.232(1)(c). The Director made this determination regarding Illinois law, thereby granting reciprocity to Illinois bank holding companies. Wash. Admin. Code ' 50-48-100, Interstate Acquisition Reciprocity - States Possessing. The Commissioner specifically finds that an Illinois bank

holding company could acquire and operate a Washington bank holding company and its subsidiary banks under qualifications and conditions similar to those imposed by Illinois law on an acquiring Washington institution. Therefore, the Commissioner finds that, as of the date of this letter, the bank holding company interstate acquisition laws of Washington are reciprocal with those of Illinois.

Even though the Illinois and Washington banking statutes are presently reciprocal, the Commissioner must make a separate reciprocity determination for each Washington bank holding company application to acquire an Illinois bank or bank holding company. However, pursuant to P.A. 89-208, as of September 29, 1995, the reciprocity requirements will be eliminated from the Illinois Act, liberalizing interstate acquisitions in Illinois. Absent any further material changes to the interstate banking provisions of Washington or Illinois, a Washington bank holding company will be permitted to acquire an Illinois bank holding company subject to the provisions of the Act.