

TESTIMONY OF RUSSELL RITTER RELATIVE TO SB 424

Good morning Madame Chair and members of the Committee. My name is Russell Ritter. I am a former Mayor of Helena and executive with the Washington Corporation. I also currently serve as one of six members of the State Banking Board. We are appointed by the governor and the Board's basic responsibility is to make final determinations on new bank charters and also act in an advisory capacity to the department with respect to the powers and duties that relate to the regulation of banks.

The State Banking Board is opposed to Senate Bill 424, which would transfer the regulation of banking and other state-chartered financial institutions from the Department of Administration to the Office of the State Auditor.

The State Auditor currently regulates the insurance and securities industries. The Division of Banking and Financial Institutions, a part of the Department of Administration, regulates banks, credit unions, and other financial institutions. Each of these industries needs examining staff and supervisors well-versed in their respective area of expertise. There is little similarity in the regulation of these industries, thus there is no opportunity for cost savings through cross-training of personnel.

As the law is written today, the Commissioner of Financial Institutions is appointed by the Director of the Department of Administration. The Director may consult with us (the State Banking Board) in hiring or terminating the Commissioner. Senate Bill 424 would move the regulation of financial institutions to the Office of the State Auditor, a position that is elected by the citizens of Montana. No other state in the nation has an elected official directly responsible for the regulation of state-chartered financial institutions. We believe that such a structure would weaken financial institution regulation in Montana. The public's interest is of utmost importance in the regulation of banks. The chartering and, if necessary, closure of banks must be determined by the laws of supply and demand rather than politics. Experience in banking and/or bank regulation is seen as a requisite for the Commissioner's position. Under the proposed legislation, future commissioners would rise through the political ranks rather than the banking or financial services industry.

The Division of Banking and Financial Institutions was accredited by the Conference of State Bank Supervisors (CSBS) in October 2004. CSBS is a national organization of state banking supervisors. The accreditation was a goal established by the current Commissioner when she took over in 2001 and is the culmination of the Division's efforts since that time. The industry trade groups, the Montana Bankers Association, the Montana Independent Bankers and the Montana Credit Union League, have been fully supportive of the changes in the Division and also oppose this bill.

Previous studies have concluded that the relocation of banking and financial institutions regulation to the State Auditor's office serves no benefit to the regulated industries or the citizens of Montana.

In conclusion, the State Banking Board does not support the proposed legislation to transfer the Division of Banking and Financial Institutions to the Office of the State Auditor since it serves no legitimate purpose.

We thank you for this opportunity to testify and look forward to any questions you and the Committee may have.