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To the Members of the Nevada State Assembly:

We request your strong support for AB 389.

A legal loophole allows commercial and retail firms to purchase or to establish thrift companies in Nevada. One of the world's largest companies, the \$100 billion Toyota Motor Corporation, seeks to establish a de novo thrift company in Nevada. If successful, they will provide full-service retail banking at the local and national level. We believe that Toyota's proposal will be detrimental to local banks and the banking industry in general because:

- If Toyota establishes a thrift company in Nevada, it will demolish the firewall that separates banking and commerce and start a trend of unstable banking practices that led to the financial crisis of 1929.
- Attempts by commercial companies to enter banking were rejected by Congress, federal regulators, and the California legislature with the explicit understanding that banking and commerce should be separate.
- If Toyota wants to provide banking services without breaching the wall between the banking and commerce, it may partner with local banks. Thus, there is no public policy reason or increased social benefit from allowing Toyota to own a bank.
- Acknowledging recent corporate scandals, the Commissioner cannot certify the strength of Toyota's US subsidiaries or the financial soundness of the Japanese corporate parent. Commercial firms as bank owners threaten the stability of the federal deposit insurance program that instills confidence in the banking system. The public will pay for management mistakes through FDIC insurance.
- If the loophole is not closed, Nevada will invite inadequately examined commercial firms to establish banks. This will concentrate financial risk in Nevada and tempt a financial crisis like the savings and loan problems of the 1980's.

Stop Commercial-owned banking. Support AB 389. This legislation closes the loophole through which Toyota and other non-financial institutions can establish or buy a thrift company. This legislation prevents any non-financial institution from buying a thrift company (bank) and ensures the essential separation of banking and commerce.

Thank you for your support of AB 389.

Gratefully,

Mr. John C. Gianoli President First National Bank of Ely Ely, NV	Mr. Thomas Van Overbeke President Southwest USA Bank Las Vegas, NV	Mr. Larry L. Woodrum President BankWest of Nevada Las Vegas, NV	Mr. Stan Wilmoth President Heritage Bank of Nevada Reno, NV	Ms. Jacqueline K. Delaney, President Sun West Bank Las Vegas, NV
Mr. Barry Smith President & CEO Nevada Bank & Trust Company Caliente, NV	Mr. Hal Giomi CEO Nevada Security Bank Reno, NV	Mr. Robert Hemsath President Northern Nevada Bank Reno, NV	Mr. Barry L. Hulin President Valley Bank Henderson, NV	Mr. Terrance R. Sullivan President & CEO Great Basin Bank of Nevada Elko, NV
				Mr. Edward M. Jamison President Community Bank of NV Las Vegas, NV

ASSEMBLY COMMERCE & LABOR 102
 DATE: 4/09/03 ROOM: 4100 EXHIBIT M
 SUBMITTED BY: Craig Hudson

NEVADA BANKERS

- **This proposal is not directed at Toyota.** We are requesting that the legislature close the loophole to prevent the dangerous mix of banking and commerce and bring Nevada law into conformity with federal law and policy.
- If this loophole is not closed, **it will destroy the firewall separating banking and commerce** and start a trend of commercial firms buying banks. This will return us to the unstable banking practices of pre-1929.
- **The Gramm-Leach-Bliley Act closed a similar loophole in federal law.**
- **Credit decisions -- Would a Toyota Bank lend to competitors?**
The mix of banking and commerce would jeopardize the competitive allocation of business capital and impartial allocation of credit in communities throughout Nevada and the nation.
- If Toyota or any other commercial or retail firm wants to provide retail banking services to its customers without breaching the banking and commerce restrictions, it may partner with an established bank. Thus, **there is no clear policy reason or social benefit** from severing local businesses and consumers from local banks by allowing Toyota or any commercial firm to own and control banking establishments.
- **Risk -- Is it wise to allow a high-risk commercial firm to own a bank?**
In light of recent financial and accounting scandals involving the mismanagement of some of the largest companies, **there is no guarantee that a commercial firm can protect the safety and soundness of a bank.**
- **Commercial firms as bank owners would weaken -- and possibly threaten -- the stability of the deposit insurance program** that is necessary to instill consumer confidence in the American banking system. The public will be forced to pay for management mistakes through FDIC insurance.
- If the loophole is not closed, Nevada will invite other inadequately examined commercial firms to enter the banking business. **This will create a high concentration of financial risk in Nevada and tempt another financial crisis like the savings and loan problems of the 1980s.**