

CHAPTER 80.

[S. H. B. 154.]

BANKS AND TRUST COMPANIES.

AN ACT relating to banking and trust business; the organization, regulation, management and dissolution of banks and trust companies, providing penalties and repealing certain acts and declaring an emergency.

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

SECTION 1. The governor shall, with the consent of the senate, appoint a state bank examiner, whose term of office shall be four years and until his successor is appointed and qualified unless he be sooner removed. No person shall be appointed who is not and for two years prior to appointment has not been a citizen of this state and who has not had at least four years experience in banking, nor shall any person be eligible to, or hold such office while interested in any bank or trust company as director, officer or stockholder.

State bank
examiner.

SEC. 2. The state bank examiner may appoint one or more deputies, removable by him at will, who shall have the same qualifications and, subject to the supervision of said examiner, possess the same powers. He may also employ other necessary assistance.

Deputy
examiner.

SEC. 3. The state bank examiner shall receive a salary of \$3,600.00 a year. Each deputy bank examiner may receive a salary of \$3,000.00 a year.

Salaries.

Before entering upon his office, the state bank examiner and each deputy shall take and subscribe an oath faithfully to discharge the duties of his office and shall each execute to the state a bond to be approved by the governor in the sum of \$25,000.00, with a surety company authorized to do business in this state, as surety, conditioned for the faithful performance of his duties. The premiums on such bonds shall be paid by the state. Such oaths and bonds shall be filed with the secretary of state. Neither the state bank examiner nor any deputy shall be

Oath and
bond.

personally liable for any act done by him in good faith in the performance of his duties.

Offices.

SEC. 4. The state bank examiner shall maintain an office at the state capitol, but may with the consent of the governor also maintain an office at some other convenient banking center in this state. He shall keep books of record of all moneys received or disbursed by him. He shall adopt an official seal.

Seal.

Reports by
banks and
trust
companies.

SEC. 5. Every bank and trust company shall make at least three regular reports each year to the state bank examiner, as of the dates which he shall designate, according to forms prescribed by him, verified by the president, manager or cashier and attested by at least two directors, which shall exhibit under appropriate heads the resources and liabilities of such corporation. Each such report in condensed form, to be prescribed by the examiner, shall be published once in a newspaper of general circulation, published in the place where the corporation is located, or if there be no newspaper published in such place, then in some newspaper published in the same county.

Publication.

Every such corporation shall also make such special reports as said examiner shall call for.

Time of
filing re-
ports and
proofs of
publication.

SEC. 6. Every regular report shall be filed with the state bank examiner within twelve days from the date of issuance of the notice therefor and proof of publication of such report shall be filed with said examiner within twenty days from such date. Every special report shall be filed with said examiner within such time as shall be specified by him in the notice therefor.

Penalty.

Every bank and trust company which fails to file any report, required to be filed as aforesaid, or to file proof of publication of any report required to be published, within the time herein specified, shall be subject to a penalty of \$10.00 per day for each day's delay. A civil action for the recovery of any such penalty may be brought by the attorney general in the name of the state.

Examination
of banks
and trust
companies.

SEC. 7. It shall be the duty of the state bank examiner or his deputy without previous notice to visit each bank

and each trust company at least once in each year and oftener if necessary, for the purpose of making a full investigation into the condition of such corporation, and for that purpose he is hereby empowered to administer oaths and to examine under oath any director, officer, employee or agent of such corporation. Said examiner may make such other full or partial examinations as he deems necessary. Any wilful false swearing in any examination shall be perjury.

Perjury.

SEC. 8. The state bank examiner shall collect from each bank or trust company for each complete examination of its condition twenty-five dollars (\$25.00) and in addition thereto one one hundred and fiftieth (1-150%) per cent on all deposits, at the time of examination. For each examination other than a complete examination, the examiner shall charge the cost thereof but not less than \$10.00: *Provided*, That as to a trust company not doing a banking business the charge for an examination shall be the cost thereof but not less than \$25.00.

Examination fees.

SEC. 9. Neither the state bank examiner nor any person connected with his office shall disclose any information obtained from any bank or trust company to any person not connected with such office, except to federal, state or clearing house bank examiners, or to proper officials legally empowered to investigate criminal charges, or except as is otherwise required by law. Every person who shall violate any provision of this section shall forfeit his office or employment and shall also be guilty of a gross misdemeanor.

Disclosure of information prohibited.

Penalty.

SEC. 10. Whenever the state bank examiner shall find that any officer or employee of any bank or trust company is dishonest, reckless or incompetent, or fails to perform any duty of his office, he shall notify the board of directors of such corporation, in writing, of his objections to such officer or employee, and such board shall within twenty days after receiving such notification, meet and consider such objections, first giving notice to the state bank examiner of the time and place of such meeting. If the board shall

Dishonest or incompetent bank employees.

find the objections to be well founded, such officer or employee shall be immediately removed.

Borrowing money by examiner or employees.

SEC. 11. It shall be unlawful for the state bank examiner or any deputy or employee of his office to borrow money from any bank or trust company, under his jurisdiction. Every person who shall violate any provision of this section shall forfeit his office or employment and also be guilty of a gross misdemeanor.

Schedule of fees.

SEC. 12. The state bank examiner shall collect in advance the following fees:

For filing articles of incorporation, or amendments thereof, or certified copies of articles of incorporation or other certificates required to be filed in his office.....	\$10 00
For issuing a certificate of authority or of increase or decrease	10 00
For issuing each renewal certificate of authority..	10 00
For furnishing copies of papers filed in his office, per folio20

Every bank and trust company shall also pay to the secretary of state for filing any instrument with him the same fees as are required of general corporations for filing corresponding instruments, and also the same license fees as are required of general corporations.

Filing bank reports.

SEC. 13. The state bank examiner shall file in his office all reports required to be made to him, prepare and furnish to banks and trust companies blank forms for such reports as are required of them and on or before the first day of February of each year make a report for the preceding year to the governor showing:

Examiner's annual report.

1. A summary of the conditions of the banks and trust companies at the date of their last report.
2. A list of those organized or closed during the year.
3. The amount of money collected and expended by him.

Publication of reports.

He shall publish annually at the expense of his department, in pamphlet form, at least five hundred copies of

such report and shall furnish a copy of the same free to each bank and trust company, and, in his discretion, to other interested persons. He shall publish such other statements, reports and pamphlets as he shall deem advisable.

SEC. 14. The term "banking" shall include the soliciting, receiving or accepting of money or its equivalent on deposit as a regular business.

Definitions.

The term "bank," where used in this act, unless a different meaning appears from the context, means any corporation organized under the laws of this state engaged in banking, other than a trust company, or a mutual savings bank.

The term "branch bank," where used in this act, means any office of deposit or discount maintained by any bank or trust company, domestic or otherwise, other than its principal place of business, regardless of whether it be in the same city or locality.

The term "trust business" shall include the business of doing any or all of the things specified in subdivisions 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 of section 24 of this act.

The term "trust company," where used in this act, unless a different meaning appears from the context, means any corporation, organized under the laws of this state, engaged in trust business.

The term "savings bank," shall include any bank which as a regular part or the whole of its banking business solicits or receives deposits for which a pass book, or its equivalent, is issued containing rules and regulations regarding the withdrawal of such deposits.

The term "commercial bank" shall include any bank other than a savings bank.

The term "person," where used in this act, unless a different meaning appears from the context, includes a person, firm, association, partnership and corporation, and the plural thereof, whether resident, non-resident, citizen or not.

The term "foreign bank" and "foreign banker" shall include:

1. Every corporation not organized under the laws of the territory or State of Washington, doing a banking business, except a national bank.

2. Every unincorporated company, partnership, or association of two or more individuals organized under the laws of another state or country, doing a banking business.

3. Every other unincorporated company, partnership or association of two or more individuals, doing a banking business, if the members thereof owning a majority interest therein, or entitled to more than one-half of the net assets thereof, are not residents of this state.

4. Every non-resident of this state doing a banking business in his own name and right only.

SEC. 15. No person shall engage in banking except in compliance with and subject to the provisions of this act, except it be a national bank or except in so far as it may be authorized so to do by the laws of this state relating to mutual savings banks, nor shall any corporation engage in a trust business except in compliance with and subject to the provisions of this act, nor shall any bank engage in a trust business, except as herein authorized, nor shall any bank or trust company establish any branch: *Provided, however,* That any bank or trust company may participate in membership in the federal reserve banking system of the United States and may to that end comply with any requirements or laws of the United States or any rules or regulations duly promulgated pursuant thereto, anything elsewhere in this act to the contrary notwithstanding.

SEC. 16. A national bank located within this state and having a paid-up capital of fifty thousand (\$50,000.00) dollars or more, when authorized or permitted so to do, by or under any act of the congress of the United States, may exercise any of the powers conferred upon trust companies by this act.

Act
inapplicable
to national
and mutual
savings
banks.

Federal
reserve
membership.

National
banks doing
trust
business.

SEC. 17. Before any such national bank shall engage in such trust business, it shall file a certificate with the state bank examiner, wherein it agrees to conform to all the regulations and restrictions of this act relating to trust companies and trust business, including the examination of its trust business by said examiner and the payment of the fees therefor, herein prescribed for the examination of banks and trust companies. Upon the filing of such a certificate in a form to be approved by said examiner, such national bank shall be subject to all the regulations and restrictions of this act relative to trust companies and trust business.

Subject to
state
restrictions.

SEC. 18. The name of every bank shall contain the word "bank," and the name of every trust company shall contain the word "trust." No person except:

Use of
names
"bank" and
"trust"
restricted.

1. A national bank;
2. A bank or trust company authorized by the laws of this state;
3. A foreign corporation authorized by this act so to do, shall,

1. Use as a part of his or its name or other business designation or in any manner as if connected with his or its business or place of business any of the following words or the plural thereof, to-wit: "bank," "banking," "banker," "trust."

2. Use any sign at or about his or its place of business or use or circulate any advertisement, letterhead, billhead, note, receipt, certificate, blank, form, or any written or printed or part written and part printed paper, instrument or article whatsoever, directly or indirectly indicating that the business of such person is that of a bank or trust company.

Every person who, and every director and officer of every corporation which, to the knowledge of such director or officer violates any provision of this section shall be guilty of a gross misdemeanor.

Penalty.

SEC. 19. Five or more natural persons, citizens of the United States, may incorporate a bank or trust company

Incorporators.

in the manner herein prescribed. No bank shall incorporate for a less amount, nor commence business unless it have a paid-in capital, as follows :

Paid-in capital for banks.

In cities, villages or communities having a population of less than 1,000.....	\$15,000 00
In cities having a population of 1,000 and less than 5,000.....	25,000 00
In cities having a population of 5,000 and less than 25,000.....	50,000 00
In cities having a population of 25,000 and less than 100,000.....	100,000 00
In cities having a population of 100,000 or more	150,000 00

Banks located beyond central business district.

Provided That on request of any persons desiring to incorporate a bank in a city having a population of 25,000 or over the bank examiner shall make an order defining the boundaries of the central business district of such city, which shall include the contiguous district in which is carried on the principal retail, financial and office business of such city and extending at least one-half mile in all directions from the business center of such city, and banks may be incorporated with a paid-up capital of not less than \$50,000.00 to be located in such city outside of the central business district of such city as defined by the order of the bank examiner, which shall be stated in its articles of incorporation, but any such bank which shall be hereafter incorporated to be located outside such central business district, which shall thereafter change its location into such central business district without increasing its capital stock and surplus to the amount required by then existing laws to incorporate a bank within such central business district, shall forfeit its charter and right to do business. Any such bank incorporated to be located outside the central business district of such a city shall not receive deposits to exceed in the aggregate ten times the amount of its paid-up and unimpaired capital stock and surplus.

No trust company shall incorporate for a less amount, nor commence business unless it has a paid-in capital as follows:

Paid-in capital for trust companies.

- In cities, villages or communities having a population of less than 25,000..... \$50,000 00
- In cities having a population of 25,000 and less than 100,000..... 100,000 00
- In cities having a population of 100,000 or more 200,000 00

In addition to the foregoing, each bank and trust company shall before commencing business have subscribed and paid in to it in the same manner as is required for capital stock, an additional amount equal to at least ten per cent of the capital stock above required. Such additional amount shall be carried in the undivided profit account and may be used to defray organization and operating expenses of the company. Any sum not so used shall be transferred to the surplus fund of the company before any dividend shall be declared to the stockholders.

Additional subscription for operating expenses.

SEC. 20. Persons desiring to incorporate a bank or trust company shall execute articles of incorporation in quadruplicate, one copy of which shall be filed for record with the county auditor of the county in which such bank or trust company is to be located, one filed with the state bank examiner, one with the secretary of state and one retained by the corporation.

Articles executed in quadruplicate.

SEC. 21. Articles of incorporation shall state:

Contents of articles.

1. The name of such bank or trust company.
2. The city, village or locality and county where such corporation is to be located.
3. The nature of its business, whether that of a commercial bank, a savings bank or both or a trust company.
4. The amount of its capital stock, which shall be divided into shares of \$100.00 each.
5. The period for which such corporation is organized, which shall not exceed fifty years.

Such articles shall be acknowledged before an officer authorized to take acknowledgments.

Certificates
of authority.

SEC. 22. When articles of incorporation, complying with the foregoing requirements, have been filed with the state bank examiner and the incorporators shall have notified him that all provisions of law authorizing such bank or trust company to commence business have been complied with, he shall investigate the proposed corporation. If he shall determine that any provision of law in the premises has not been complied with or that any of the incorporators are lacking in responsibility or general fitness, he shall refuse to grant a certificate of authority and shall forthwith so notify the incorporators; otherwise, he shall grant such certificate.

Appeals in
case of
refusal
to grant.

The refusal of the examiner to grant a certificate of authority shall be conclusive, unless the incorporators within ten days of the issuance of such notice of refusal shall appeal to the superior court of the county in which such corporation is proposed to be located, which said appeal shall be triable *de novo* in said court.

No bank or trust company shall transact any business except as is necessarily preliminary to its organization until it has received a certificate of authority.

Corporate
powers of
banks.

SEC. 23. Upon the issuance of a certificate of authority to a bank, the persons named in the articles of incorporation and their successors shall thereupon become a corporation and shall have power:

1. To adopt and use a corporate seal.
2. To have succession for the term of years mentioned in its articles of incorporation.
3. To make contracts.
4. To sue and be sued, the same as a natural person.
5. To elect directors, who subject to the provisions of the corporation's by-laws, shall have power to appoint such officers as may be necessary or convenient, to define their powers and duties and to dismiss them at pleasure, and who shall also have general supervision and control of the affairs of such corporation.

6. To prescribe by its stockholders by-laws not inconsistent with law, regulating the manner in which its stock shall be transferred, its directors and officers elected or appointed, its stockholders convened for general or special meetings, its property transferred, its general business conducted and the privilege granted to it by law exercised and enjoyed.

7. To discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt, to receive deposits of money and commercial paper, to lend money on real or personal security, to buy and sell bullion, coins and bills of exchange.

8. To take and receive as bailee for hire upon terms and conditions to be prescribed by the corporation, for safe keeping and storage, jewelry, plate, money, specie, bullion, stocks, bonds, mortgages, securities and valuable paper of any kind and other valuable personal property and to rent vaults, safes, boxes and other receptacles for safe keeping and storage of personal property.

SEC. 24. Upon the issuance of a certificate of authority to a trust company, the persons named in the articles of incorporation and their successors shall thereupon become a corporation and shall have power :

Corporate
powers of
trust
companies.

1. To execute all the powers and possess all the privileges conferred on banks.

2. To act as fiscal or transfer agent of the United States or of any state, municipality, body politic or corporation and in such capacity to receive and disburse money.

3. To transfer, register and countersign certificates of stock, bonds or other evidences of indebtedness and to act as attorney in fact or agent of any corporation, foreign or domestic, for any purpose, statutory or otherwise.

4. To act as trustee under any mortgage, or bonds, issued by any municipality, body politic, or corporation, foreign or domestic, or by any individual firm, association

or partnership, and to accept and execute any municipal or corporate trust.

5. To receive and manage any sinking fund of any corporation upon such terms as may be agreed upon between such corporation and those dealing with it.

6. To collect coupons on or interest upon all manner of securities, when authorized so to do by the parties depositing the same.

7. To accept trusts from and execute trusts for married women in respect to their separate property and to be their agent in the management of such property and to transact any business in relation thereto.

8. To act as receiver or trustee of the estate of any person, or to be appointed to any trust by any court, to act as assignee under any assignment for the benefit of creditors of any debtor, whether made pursuant to statute or otherwise, and to be the depository of any moneys paid into court.

9. To be appointed and to accept the appointment of executor of, or trustee under, the last will and testament, or administrator with or without the will annexed, of the estate of any deceased person, and to be appointed and to act as guardian of the estates of lunatics, idiots, persons of unsound mind, minors and habitual drunkards: *Provided, however,* The power hereby granted to trust companies to act as guardian or administrator, with or without the will annexed, shall not be construed to deprive parties of the prior right to have issued to them letters of guardianship, or of administration, as such right now exists under the law of this state: *And, be it further provided,* That no trust company or other corporation, organized under this chapter which advertises that it will furnish legal advice, construct and prepare wills or do other legal work for its customers shall be permitted to act in the capacity as executor, trustee, assignee, or otherwise serve in any fiduciary capacity; and such trust company or other corporation whose officers or agents shall solicit legal business, or shall personally solicit the ap-

Appointment
as executor,
adminis-
trator or
guardian.

Restriction
on adver-
tising and
solicitation
of business.

pointment to any such fiduciary capacity for and on behalf of such trust company or corporation shall be disqualified from acting as trustee, assignee or from serving in any fiduciary capacity and shall be ineligible for appointment as such in any of the courts of this state.

Any officer or employee of any trust company, bank or corporation herein mentioned, who shall violate any of the provisions of this section shall be guilty of a gross misdemeanor. Penalty.

10. To execute any trust or power of whatever nature or description that may be conferred upon or entrusted or committed to it by any person or by any court or municipality, foreign or domestic corporation and any other trust or power conferred upon or entrusted or committed to it by grant, assignment, transfer, devise, bequest or by any authority and to receive, take, use, manage, hold and dispose of, according to the terms of such trusts or powers any property or estate, real or personal, which may be the subject of any such trust or power.

11. Generally to execute trusts of every description not inconsistent with law.

12. To purchase, invest in and sell stocks, promissory notes, bills of exchange, bonds, debentures and mortgages and other securities and when moneys are borrowed or received for investment, the bonds or obligations of the company may be given therefor, but no trust company hereafter organized shall issue such bonds: *Provided*, That no trust company which receives money for investment and issues the bonds of the company therefor shall engage in the business of banking or receiving of either savings or commercial deposits: *And, provided*, That it shall not issue any bond covering a period of more than ten years between the date of its issuance and its maturity date: *And provided, further*, That if, for any cause, the holder of any such bond upon which one or more annual rate installments have been paid, shall fail to pay the subsequent annual rate installments provided in said bond such holder shall, on or be- Bond issues.

fore the maturity date of said bond, be paid not less than the full sum which he has paid in on account of said bond.

Reports of
bond
liabilities.

SEC. 25. Any trust company receiving moneys for investment, and for which it shall give its bonds as in subdivision 12 of section 24 provided, shall within ten days after any regular report is called for from banks or trust companies by the state bank examiner, make a statement of its total liability, on all bonds issued and then in force, certified by its board of directors, and shall at the same time deposit with the state treasurer, for the benefit of the holders of such bonds or obligations, sufficient securities or money so that it will have on deposit with said state treasurer a sufficient amount of said securities, which may be exchanged for other securities as necessity may require, or money to, at any time, pay all of said liability. In the event of its failure to make such deposits, it shall cease doing such business: *Provided*, That whenever money shall have been deposited with the treasurer, it may be withdrawn at any time upon a like amount of securities being deposited in its stead: *And provided further*, That the securities deposited shall consist of such securities as are by this act permitted for the investment of trust funds.

Deposit of
cash or
securities to
to pay bond
liabilities.

Increase of
capital
stock.

SEC. 26. Any bank or trust company may increase its capital stock or otherwise amend its articles of incorporation, in any manner not inconsistent with the provisions of this act, by a vote of the stockholders representing two-thirds of its capital, at any regular meeting, or special meeting duly called for that purpose, in the manner prescribed by its by-laws: *Provided*, That notice of a meeting called to increase capital stock shall first be published once a week for four weekly issues in a newspaper published in the county in which such corporation is located. A certificate of the fact and the terms of the amendment shall be executed by a majority of the directors and filed as required herein for articles of incorporation. No increase of capital stock shall be valid, until

the amount thereof shall have been subscribed and actually paid in and a certificate of increase received from the state bank examiner. No reduction of the capital stock shall be made to an amount less than is required for capital, nor be valid, nor warrant the cancellation of stock certificates, nor diminish the personal liabilities of the stockholders until such reduction has been approved by said examiner, nor shall any reduction relieve any stockholder from any liability of the corporation incurred prior thereto. No amendment shall be made whereby a bank becomes a trust company unless such bank shall first receive permission from said examiner, nor unless such bank shall amend its name so that it shall include the word "trust" as a part thereof.

Reduction
of capital
stock.

Bank becom-
ing trust
company.

SEC. 27. At any time not less than one year nor more than two years prior to the expiration of the time of the existence of any bank or trust company, it may by written application to the state bank examiner, signed and verified by a majority of its directors and approved in writing by the owners of not less than two-thirds of its capital stock, apply to the state bank examiner for leave to file amended articles of incorporation, extending its time of existence. The examiner shall forthwith make a complete examination of such applicant. If he determines that the applicant is in sound condition, that it is conducting its business in a safe manner and in compliance with law and that no reason exists why it should not be permitted to continue, he shall issue to the applicant a certificate authorizing it to file amended articles of incorporation extending the time of its existence for a term not longer than fifty years from the end of its original term. Otherwise he shall notify the applicant that he refuses to grant such certificate. The applicant may appeal from such refusal in the same manner as in the case of a refusal to grant an original certificate of authority. Otherwise the determination of the examiner shall be conclusive.

Application
to extend
time of
existence.

Certificate
of authority.

Filing
amended
articles.

Upon receiving a certificate, as hereinabove provided, the applicant may file amended articles of incorporation, extending the time of its existence for the term authorized, to which shall be attached a copy of the certificate of the examiner. Such articles shall be filed in the same manner and upon payment of the same fees as for original articles of incorporation.

Close of
corporate
existence.

Should any bank or trust company fail to continue its existence in the manner herein provided and be not previously dissolved, the state bank examiner shall at the end of its original term of existence immediately take possession thereof and wind up the same in the same manner as in the case of insolvency.

Reorganiza-
tion as na-
tional bank.

SEC. 28. A state bank or trust company may upon first securing a certificate of authorization therefor from the state bank examiner reorganize under the laws of the United States as a national bank. As soon as it shall have obtained a certificate authorizing it to commence business under the United States banking laws, it shall retain and hold all the assets, real and personal, which it acquired during its existence under this act, and shall hold the same subject to all existing liabilities against such bank or trust company at the time of its reorganization.

Organiza-
tion of
dissolved
national
bank under
state law.

SEC. 29. Whenever any bank existing under the laws of the United States and located within this state is authorized to dissolve and shall have taken the necessary steps to effect dissolution, a majority of its directors, upon the authority in writing of the owners of three-fourths of its capital stock, and the approval of the state bank examiner, may execute and file articles of incorporation, as provided in this act, together with a certificate setting forth the authority derived from the stockholders as aforesaid. Upon the receipt of a certificate of authority from said examiner, such corporation shall become a bank or trust company under the laws of this state, and thereupon all assets of such dissolved national bank shall be vested in and become the property of such state bank or trust company, subject to all liabilities of such national

bank not liquidated under the laws of the United States before such reorganization.

SEC. 30. Every bank and trust company shall be managed by not less than five directors, excepting that a bank having a capital of \$50,000.00 or less may have only three directors. Directors shall be elected by the stockholders and hold office for one year and until their successors are elected and have qualified. In the first instance the directors shall be elected at a meeting held before the bank or trust company is authorized to do business by the state bank examiner and afterwards at the annual meeting of the stockholders to be held on the second Tuesday in January in each year. If for any cause no election is held at that time, it may be held at an adjourned meeting or at a subsequent meeting called for that purpose in the manner prescribed by the corporation's by-laws. The directors shall meet at least once each month and whenever required by the state bank examiner. A majority of the board of directors shall constitute a quorum for the transaction of business. At all stockholders' meetings, each share shall be entitled to one vote. Any stockholder may vote in person or by written proxy. Every director must be the beneficial owner of at least ten shares of stock, excepting that a director of a bank having a capital stock of \$50,000.00 or less, need be the owner of only five shares of stock.

Directors,
number,
election, and
meetings.

Stock-
holders'
meetings.

Immediately upon election, each director shall take, subscribe, swear to and file with the examiner an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such corporation and will not knowingly violate or willingly permit to be violated any provision of law applicable to such corporation and that he is the beneficial owner in good faith of the number of shares of stock required by this section, and that the same is fully paid, is not hypothecated or in any way pledged as security for any loan or debt. Vacancies in the board of directors shall be filled by the board.

Oath of
directors.

Vacancies
in board.

Meeting of directors and stockholders.

Stock records.

Corporate books.

SEC. 31. All meetings of the directors or stockholders of any bank or trust company, except organization meetings, must be held in the town or city in which the corporation is located. Every such corporation shall keep a book in which shall be recorded the names and residences of the stockholders thereof, the number of shares held by each, when each person became a stockholder and also the transfers of stock, showing the time when made, the number of shares and by whom transferred. In all actions, suits and proceedings, said book shall be *prima facie* proof of the facts shown therein. All of the corporate books, including the certificate book, stockholders' ledger and minute book shall be kept at the corporation's principal place of business and not elsewhere.

Surety bonds of officers and employees.

SEC. 32. The board of directors of each bank and trust company shall require its active officers and employees and such other officers as they shall designate, each to give a surety company bond, in such sum as the board shall specify and the state bank examiner shall approve, conditioned for the faithful and honest discharge of his duties and for the faithful application of all moneys, funds and valuables which shall come into his possession, or under his control.

Dividends.

Surplus.

SEC. 33. The directors of any bank or trust company may declare a dividend of so much of the net profits, after providing for all expenses, interest and taxes accrued, or due, as they shall judge expedient, but before any such dividend is declared not less than one-tenth of the net profits for the preceding half year or for such period as is covered by the dividend, shall be carried to a surplus, until such surplus shall amount to twenty per cent of its capital stock. Accrued and uncollected interest shall not be distributed as a part of the profits, nor carried on the books as such.

Levy of assessments and collection of installments.

SEC. 34. Whenever the state bank examiner shall notify the board of directors of a bank or trust company to require the payment of an installment or to levy an

assessment upon the stock of such corporation, such board shall within ten days from the issuance of such notice adopt a resolution for the collection of such installment or the levy of such assessment and shall immediately upon the adoption of such resolutions serve notice upon each stockholder personally or by mail at his last known address to pay such installment or assessment and that if the same be not paid within twenty days from the date of the issuance of such notice, his stock shall be subject to sale, and all amounts previously paid thereon will be subject to forfeiture. At any time after the expiration of said twenty-day period, the board may proceed by action at law or otherwise to collect the installment or assessment from any delinquent stockholder, or it may, whether any action has been commenced or not, at any time before the installment or assessment is actually paid, sell the stock of such stockholder and forfeit all amounts previously paid thereon. At any time after the expiration of sixty days from the expiration of said twenty day period, the examiner may require any stock upon which the installment or assessment remains unpaid to be cancelled and deducted from the capital of the corporation. If such cancellation shall reduce the capital of the corporation below the minimum required by this act, or its articles of incorporation, the capital shall, within thirty days thereafter, be increased to the required amount by original subscription, in default of which the examiner may take possession of such corporation in the manner provided by law in case of insolvency.

Repairing
reduction of
capital
stock.

If any stock be sold prior to cancellation, there shall be returned to the original stockholder, his heirs or assigns, any surplus which remains after deducting from the amount realized at such sale, the amount of the installment or assessment due upon such stock, together with all costs incurred in connection with the sale of such stock, and interest upon the installment or assessment from the date of the notice to the stockholder. In the

Action of
examiner on
failure of
board to act.

event of the failure of any board of directors to adopt the resolution herein required within the time specified, or to collect any installment or assessment, or to forfeit the stock of any delinquent stockholder, as herein provided, the examiner may, himself, in his discretion, at any time, issue the notice herein provided for on behalf of such corporation, and bring any appropriate action in his own name, but for the benefit of such corporation, for the collection of any installment or assessment, declare the forfeiture of any stock, or perform any other act herein referred to with the same force and effect as if such act were performed by the board of directors, and in the event that the examiner shall have brought any proceeding for the collection of any installment or assessment, the board of directors shall thereafter have no power to cancel the stock involved or continue such proceeding, except as permitted by said examiner.

Individual
liability of
stock-
holders.

SEC. 35. The stockholders of every bank and trust company shall be individually and personally liable, equably and ratably, and not one for another, for all contracts, debts and engagements of such corporation accruing while they remain as stockholders, to the extent of the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares. Persons holding stock as executors, administrators, guardians or trustees, if such relation of trust shall appear in the stock certificate and on the books of the corporation, or as collateral security or in pledge, shall not be personally liable as stockholders, but the assets and funds in the hands of such trustees constituting the trust shall be liable to the same extent as the testator, intestate, ward, or person interested in such funds would be, if living or competent to act, and the person pledging such stock shall be deemed a stockholder and liable under this section. Such liability may be enforced by the examiner as soon after taking possession of any bank or trust company as in his judgment the same may be necessary. The failure of the stockholders of any bank or trust company imme-

Enforcement
of liability.

diately upon possession being taken by the examiner to make good all impairment of its assets shall be conclusive evidence that the enforcement of double liability is necessary.

SEC. 36. The shares of stock of every bank and trust company shall be deemed personal property. No such corporation shall make any loan or discount on the security of its own capital stock, or be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of, within ninety days from the time of its purchase or acquisition. Nor shall any such corporation subscribe for or purchase the stock of any other banking house or trust company, except a federal reserve bank, of which such corporation shall become a member, and then only to the extent required by such federal reserve bank.

Discount or purchase by bank of its own capital stock.

Purchase of other bank stock.

SEC. 37. A bank or trust company may purchase, hold and convey real estate for the following purposes and no other:

Real estate holdings of banks.

1. Such as shall be necessary for the convenient transaction of its business, including with its banking offices other apartments in the same building to rent as a source of income: *Provided*, That as to any corporation hereafter organized not to exceed thirty per cent of its capital and surplus and undivided profits may be so invested: *And provided further*, Any bank or trust company heretofore organized shall not hereafter invest in the aggregate to exceed thirty per cent of its capital, surplus and undivided profits in a bank building without the approval of the state bank examiner.

2. Such as shall be purchased or conveyed to it in satisfaction, or on account of, debts previously contracted in the course of its business.

3. Such as it shall purchase at sale under judgments, decrees, liens or mortgage foreclosures, against securities held by it.

4. Such as a trust company receives in trust or acquires pursuant to the terms or authority of any trust.

No real estate specified in subdivision four shall be considered an asset of the corporation holding the same in trust nor shall any real estate except that specified in subdivision one be carried as an asset on the corporation's books for a longer period than five years from the date title is acquired thereto, unless an extension of time be granted by the state bank examiner.

Savings
deposits,
how repaid.

SEC. 38. Any bank or trust company which shall do business as a savings bank shall repay all deposits to the depositor or his lawful representative when required, at such time or times and with such interest as the regulations of the corporation shall prescribe. A pass book shall be issued to each savings depositor, containing the rules and regulations prescribed by the corporation governing such deposits, in which shall be entered each deposit by and each payment to such depositor. No payment to such depositor, and no payment or checks against any savings account shall be made, unless accompanied by and entered in the pass book issued therefor, except for good cause and assurance satisfactory to the corporation.

Separate
accounts for
savings and
commercial
business.

SEC. 39. Any bank or trust company combining the business of a commercial bank and a savings bank shall keep with the respective depositors separate books of account for each kind of business.

Foreign
corporations
engaging in
loan and
exchange
business.

SEC. 40. A foreign corporation, whose name contains the words "bank," "banker," "banking," or "trust," or whose articles of incorporation empower it to do a banking or trust business and which desires to engage in the business of loaning money on mortgage securities or in buying and selling exchange, coin, bullion or securities in this state may do so, but only upon filing with the state bank examiner and with the secretary of state a certified copy of a resolution of its governing board to the effect that it will not engage in banking or trust business in this state, which copy shall be duly attested

by its president and secretary. Such corporation shall also comply with the general corporation laws of this state relating to foreign corporations doing business herein.

SEC. 41. A branch of any foreign bank or banker actually and publicly engaged in banking in this state in full compliance with the laws hereof, which were in force immediately prior to the time when this law becomes operative and which branch has a capital not less in amount than that required for the organization of a state bank as provided in this act at the time and place when and where such branch was established, may continue its said business, subject to all of the regulations and supervision provided for banks. The amount upon which it pays taxes shall be *prima facie* evidence of the amount and existence of such capital. No such bank or banker shall set forth on its or his stationery or in any manner advertise in this state a greater capital, surplus and undivided profits than are actually maintained at such branch. Every foreign corporation, bank and banker, and every officer, agent and employee thereof who violates any provision of this section or which violates the terms of the resolution filed as required by the preceding section, shall for each violation forfeit and pay to the State of Washington the sum of one thousand dollars. A civil action for the recovery of any such sum may be brought by the attorney general in the name of the state.

Foreign
bank
branches,
regulations
for.

Forfeiture
for
violations.

SEC. 42. When a deposit has been or shall hereafter be made, in any bank or trust company in the name of two or more persons, payable to any of such persons, such deposit or any part thereof, or any interest, or dividend thereon, may be paid to any of said persons, whether the other be living or not, and the receipt or acquittance of the person so paid shall be valid and sufficient release and discharge of such corporation for any payment so made.

Payments
on joint
deposits.

SEC. 43. When any deposit has been or shall hereafter be made in any bank or trust company in his or her own name, by any minor, married woman or person under

Payment of
deposits of
persons
under
disability.

disability, such corporation may disregard such disability and pay such money on a check or order of such person, the same as in other cases.

Certification
of checks.

SEC. 44. No director, officer, agent or employee of any bank or trust company shall certify a check unless the amount thereof actually stands to the credit of the drawer on the books of such corporation and when certified must be charged to the account of the drawer. Every violation of this provision shall be a gross misdemeanor. Any such check so certified by a duly authorized person shall be a good and valid obligation of the bank or trust company in the hands of an innocent holder.

Liability for
payment of
forged
checks.

SEC. 45. No bank or trust company shall be liable to a depositor for the payment by said corporation of a forged or raised check, unless within sixty days after the return to the depositor of the voucher of such payment, such depositor shall notify said corporation that the check so paid was raised or forged.

Available
funds of
banks and
trust
companies.

SEC. 46. Every bank and trust company shall have on hand at all times in available funds, not less than fifteen per cent (15%) of its total deposits and 100% of its uninvested trust funds; such sums may consist of balances due it from such banks or trust companies as the state bank examiner may approve, and actual cash or checks on solvent banks located in the same city. This section shall not apply to a corporation which is a member of the federal reserve banking system and duly complies with all of the reserve and other requirements of that system.

Bad debts to
be charged
off books.

SEC. 47. Any debt due a bank or trust company on which interest is one year or more past due and unpaid, unless such debt be well secured and in process of collection, shall be considered a bad debt, and shall be charged off of the books of such corporation.

Classes of
securities
for trust
fund
investment.

SEC. 48. Funds held in trust by a corporation doing a trust business may be invested in the following classes of securities only:

(a) Bonds or notes constituting the direct and general obligation of the United States, or of any state thereof, or bonds, payment of which, both principal and interest, is guaranteed by the United States or any state thereof. Federal and state bonds.

(b) Direct and general obligation bonds or notes issued by any municipality or political subdivision of the State of Washington having the power to levy taxes for the payment of principal and interest thereof. City and county bonds.

(c) Direct and general obligation bonds or notes issued by any municipality or political subdivision of any other state of the United States having the power to levy taxes for the payment of principal and interest thereof: *Provided*, That such bonds are acceptable by the United States government as security for deposits of postal savings funds.

(d) In the first mortgage bonds listed on the New York stock exchange of any railroad corporation: *Provided*, That at no time within five years last preceding the date of any such investment such railroad corporation shall have failed regularly and punctually to pay the maturing principal and interest on all its indebtedness, and in addition thereto regularly and punctually to have paid in dividends to its stockholders, during each of said five years, an amount at least equal to 4% upon all its outstanding capital stock: *And provided further*, That at the date of every such dividend the outstanding capital stock of such railroad corporation shall have been equal to at least 1-3 of the total mortgage indebtedness of such railroad corporation, including all bonds issued, or to be issued under any mortgage securing any bonds in which investment shall be made. Railroad first mortgage bonds.

(e) In the legally issued bonds and mortgages on improved unincumbered real property in this state: *Provided*, That such incumbrance does not exceed 50% of the reasonable cash value of such real property at the time of said loan; and where buildings or other improvements constitute a material part of the value of the mortgaged Realty bonds and mortgages.

premises, they shall be kept insured against loss or damage by fire in a reasonable amount for the benefit of the mortgagee. Such loan shall be accompanied by an application therefor signed by the borrower and an abstract of title and a legal opinion showing good title, or by a certificate of title; also by a signed report of the officer or officers approving the loan certifying to the value of the premises mortgaged according to his or their judgment, all of which shall be filed and preserved among the records of the corporation.

Approved securities.

(f) Such other securities of a character possessing a substantial market value and general circulation among state and national banks within this state having an approving legal opinion as to their issuance, and having the approval of the state bank examiner: *Provided, however,* That none of the bonds, notes or other securities hereinbefore mentioned shall be eligible for purchase for trust funds during any default in payment of either principal or interest thereof: *And provided further,* That nothing herein shall prevent investment of trust funds in any manner specifically authorized by the instrument creating the trust, or create a greater liability upon the part of the corporation than assumed under such instrument.

Trust business separated from general business.

SEC. 49. Every corporation doing a trust business shall maintain in its office a trust department in which it shall keep books and accounts of its trust business, separate and apart from its other business. Such books and accounts shall specify the cash, securities and other properties, real and personal, held in each trust, and such securities and properties shall be at all times segregated from all other securities and properties. Such corporation shall also cause each bond, warrant, note, mortgage, deed or other security of any nature to be labeled to indicate the trust to which it belongs.

Oath by officer for company as executor or guardian.

SEC. 50. When any trust company shall be appointed executor, administrator, or trustee of any estate or guardian of the estate of any infant or other incompe-

tent, it shall be lawful for any duly authorized officer of such corporation to take and subscribe for such corporation any and all oaths or affirmations required of such an appointee.

SEC. 51. The total liability to any bank or trust company of any person for money borrowed, including in the liabilities of a firm or association the liabilities of the several members thereof shall not at any time exceed twenty per cent of the capital stock and surplus of such bank or trust company, actually paid in and unimpaired; but the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper upon solvent parties and actually owned by the person negotiating the same, shall not be considered as money borrowed: *Provided*, That loans secured by collateral security having an ascertained market value of at least fifteen per cent more than the amount of the loans secured, shall not be limited by this section.

Loans to one person not to exceed 20% of capital.

Discounts not classed as loans.

Loans on collateral securities.

SEC. 52. No bank or trust company shall, nor shall any officer or employee thereof on behalf of such corporation, directly or indirectly, loan any sum of money to any director, officer or employee of such corporation, unless a resolution authorizing the same and approved by a majority of the directors, at a meeting at which no director, officer or employee to whom the loan is to be made shall be present, shall be entered in the corporate minutes.

Loans to officers or employees.

Every director and officer of any bank or trust company who shall borrow or shall knowingly permit any of its directors, officers or employees to borrow, any of its funds in an excessive amount or in violation of the provisions of this section, shall be personally liable for any loss or damage which the corporation, its shareholders or any person may sustain in consequence thereof, and shall also be guilty of a felony.

Liability and penalty for violation.

SEC. 53. No corporation doing a trust business shall make any loan to any officer, or employee from its trust

Trust funds not to be loaned to officers or employees.

funds, nor shall it permit any officer, or employee to become indebted to it in any way out of its trust funds. Every officer, director, or employee of any such corporation, who knowingly violates any provision of this section, or who aids or abets any other person in any such violation, shall be guilty of a felony.

Penalty.

SEC. 54. No bank or trust company shall pledge or hypothecate any of its securities to any depositor or creditor except that it may qualify as depository for United States deposits, postal savings funds or other public funds deposited by any public officer by virtue of his office and may give such security for such deposits as are required by law or by the officer making the same: *Provided*, That any bank or trust company may borrow, for temporary purposes, not to exceed in the aggregate amount the paid-in capital and surplus thereof, and may pledge, as security therefor, assets of such corporation, not exceeding one and one-half times the amount borrowed. When it shall appear to the state bank examiner that any bank or trust company is habitually borrowing for the purpose of re-lending, he may require such corporation to pay off such borrowed money. Nothing herein shall prevent any bank or trust company from rediscounting in good faith and endorsing any of its negotiable notes, but all such moneys borrowed and all such rediscounts shall at all times show on its books and in its reports. No certificates of deposit shall be issued for the purpose of borrowing money. No officer of any bank or trust company shall issue the note of such corporation for money borrowed or re-discount any of its notes except when authorized by resolution of its board of directors or by an authorized committee thereof. Violation of any provision of this section shall constitute a felony.

Pledge of bank's securities.

Rediscount of bank's negotiable notes.

Penalty.

SEC. 55. Every transfer of its property or assets by any bank or trust company in this state, made in contemplation of insolvency, or after it shall have become insolvent within the meaning of this act, with a view to the preference of one creditor over another, or to prevent the

Preference by insolvent bank void.

equal distribution of its property and assets among its creditors, shall be void. Every director, officer or employee making any such transfer shall be guilty of a felony. Penalty.

SEC. 56. Every person who shall knowingly subscribe to or make or cause to be made any false statement or false entry in the books of any bank or trust company or shall knowingly subscribe to or exhibit any false or fictitious paper or security, instrument or paper, with the intent to deceive any person authorized to examine into the affairs of any bank or trust company or shall make, state or publish any false statement of the amount of the assets or liabilities of any bank or trust company shall be guilty of a felony. False statements or entries as to assets.

Penalty.

SEC. 57. Every officer, director or employee or agent of any bank or trust company who, for the purpose of concealing any fact or suppressing any evidence against himself, or against any other person, abstracts, removes, mutilates, destroys or secretes any paper, book or record of any bank or trust company, or of the state bank examiner, or of anyone connected with his office, shall be guilty of a felony. Mutilation or secretion of books and papers.

Penalty.

SEC. 58. The state bank examiner shall have the power to adopt and promulgate uniform rules and regulations to govern the examination and reports of banks and trust companies and the form in which such corporations shall report their assets and liabilities and reserves, charge off bad debts and otherwise keep their records and accounts and otherwise to govern the administration of this act. Every such rule and regulation shall be served upon each bank and trust company by mailing a copy thereof to each such corporation at its principal place of business. The person making such service shall file an affidavit thereof in the office of the examiner. Any such corporation deeming any such rule or regulation unreasonable or contrary to law may within thirty days after the service thereof, as aforesaid, apply to the superior court of Thurston county for a writ of review for the purpose Rules for bank examinations and reports.

Court review to determine reasonableness.

of having its reasonableness or lawfulness inquired into and determined. In every such hearing the burden shall be upon the corporation to establish the rule or regulation to be unreasonable or unlawful. Appeal shall lie from such court to the supreme court, as in other actions. The pendency of such a writ of review shall not of itself stay the operation of the rule or regulation, but the superior court may in its discretion restrain or suspend the same in whole or in part. Any rule or regulation promulgated by the examiner shall be effective and conclusive at the expiration of thirty days from the mailing thereof, as aforesaid, except as it may be restrained or suspended, as herein provided.

Compliance
with rules.

Every bank or trust company and every director, officer, agent and employee thereof shall comply with every rule and regulation promulgated, as aforesaid, so long as the same shall remain in force.

Penalty.

Every violation of this section shall, in addition to any other penalty provided in this act, subject the offender to a penalty of \$100.00 for each offense, to be recovered by the attorney general in a civil action in the name of the state. In case of a continuing violation, every day's continuance thereof shall be a separate and distinct offense.

Possession
taken by
examiner
for delin-
quencies.

SEC. 59. Whenever it shall in any manner appear to the state bank examiner that any bank or trust company has violated any provision of law or is conducting its business in an unsafe manner or that it refuses to submit its books, papers, or concerns to lawful inspection or that any director or officer thereof refuses to submit to examination on oath touching its concerns, or that it has failed to carry out any authorized order or direction of an examiner, the state bank examiner may give notice to the bank or trust company so offending or delinquent or whose director or officer is thus offending or delinquent to correct such offense or delinquency and if such bank or trust company fails to comply with the terms of such notice within thirty days from the date of its issuance or within such

further time as said examiner may allow, then the examiner may take possession of such bank or trust company as in case of insolvency.

SEC. 60. Whenever it shall in any manner appear to the state bank examiner that any offense or delinquency referred to in the preceding section renders a bank or trust company in an unsound or unsafe condition to continue its business or that its capital or surplus is reduced or impaired below the amount required by its articles of incorporation or by this act, or that it has suspended payment of its obligations or is insolvent, said examiner may notify such bank or trust company to levy an assessment on its stock or otherwise to make good such impairment or offense or other delinquency within such time and in such manner as he may specify or if he deem necessary he may take possession thereof without notice.

Levy of assessment may be ordered by examiner.

SEC. 61. Upon taking possession of any bank or trust company, the examiner shall forthwith give written notice thereof to all persons having possession of any assets of such corporation. No person knowing of the taking of such possession by the examiner shall have a lien or charge for any payment thereafter advanced or clearance thereafter made or liability thereafter incurred against any of the assets of such corporation.

Notice of examiner's possession.

SEC. 62. Upon taking possession of any bank or trust company, the examiner shall proceed to collect the assets thereof and to preserve, administer and liquidate the business and assets of such corporation. With the approval of the superior court of the county in which such corporation is located, he may sell, compound or compromise bad or doubtful debts and upon such terms as the court shall direct sell all real estate and personal property of such corporation. He shall deliver to each purchaser an appropriate deed or other instrument of title. If real estate is situated outside of said county, a certified copy of the orders authorizing and confirming the sale thereof shall be filed for record in the office of the auditor of the county in which such property is situated. He may ap-

Powers and duties of examiner in possession.

point special deputy examiners and other necessary agents to assist in the administration and liquidation of such corporation, a certificate of such appointment to be filed with the clerk of the county in which such corporation is located. He shall require each special deputy to give a surety company bond, conditioned as he shall provide, the premium of which shall be paid out of the assets of such corporation. He may also employ an attorney for legal assistance in such administration and liquidation.

SEC. 63. The examiner shall publish once a week for four consecutive weeks in a newspaper which he shall select, a notice requiring all persons having claims against such corporation to make proof thereof at the place therein specified not later than ninety days from the date of the first publication of said notice, which date shall be therein stated. He shall mail similar notices to all persons whose names appear as creditors upon the books of the corporation. He may approve or reject any claim, but shall serve notice of rejection upon the claimant by mail or personally. An affidavit of service of such notice shall be *prima facie* evidence thereof. No action shall be brought on any claim after three months from the date of service of notice of rejection.

Claims may be presented after the expiration of the time fixed in the notice, and if approved, shall be entitled to their proportion of prior dividends, if there be funds sufficient therefor, and shall share in the distribution of the remaining assets.

SEC. 64. All expenses incurred by the examiner in taking possession, administering and winding up any such corporation, including the expenses of deputies and other assistance and reasonable fees for any attorney who may be employed by him in connection therewith, and the reasonable compensation of any special deputy placed in charge of such corporation shall be a first charge upon the assets thereof. Such charges shall be fixed by the examiner, subject to the approval of the court.

Notice to
creditors.

Rejection of
claims.

Delayed
claims.

Examiner's
expenses a
charge on
assets.

SEC. 65. Upon taking possession of such corporation, the examiner shall make an inventory of the assets thereof in duplicate and file one in his office and one in the office of the county clerk. Upon the expiration of the time fixed for the presentation of claims, he shall make a duplicate list of claims presented, segregating those approved and those rejected, to be filed as aforesaid. He shall also make and file a supplemental list of claims at least fifteen days before the declaration of any dividend, and in any event at least every six months.

Inventory
of assets
and list of
claims.

SEC. 66. At any time after the expiration of the date fixed for the presentation of claims, the examiner, subject to the approval of the court, may declare one or more dividends out of the funds remaining in his hands after the payment of expenses.

Dividends.

SEC. 67. Objection may be made by any interested person to any claim approved by the examiner, which objection shall be determined by the court upon such notice to the claimant and objector as the court shall prescribe.

Objections
to approved
claims.

SEC. 68. Within ten days after the examiner takes possession thereof, a bank or trust company may serve a notice upon said examiner to appear before the superior court of the county wherein such corporation is located at a time to be fixed by said court, which shall not be less than five nor more than fifteen days from the date of the service of such notice, to show cause why such corporation should not be restored to the possession of its assets. Upon the return day of such notice, or such further day as the matter may be continued to, the court shall summarily hear said cause and shall dismiss the same, if it be found that possession was taken by the examiner in good faith and for cause, but if it find that no cause existed for the taking possession of such corporation, it shall require the examiner to restore such bank or trust company to possession of its assets and enjoin him from further interference therewith without cause.

Court
review of
examiner's
right to
possession.

Receiver-
ships and
assignments
for benefit
of creditors
prohibited.

SEC. 69. No receiver shall be appointed by any court for any bank or trust company nor shall any assignment of any bank or trust company for the benefit of creditors be valid, excepting only that a court otherwise having jurisdiction may in case of imminent necessity appoint a temporary receiver to take possession of and preserve the assets of such corporation. Immediately upon any such appointment, the clerk of such court shall notify the state bank examiner by telegraph and mail of such appointment and the examiner shall forthwith take possession of such bank or trust company, as in case of insolvency, and such temporary receiver shall upon demand of the examiner surrender up to him such possession and all assets which shall have come into the hands of such receiver. The examiner shall in due course pay such receiver out of the assets of such corporation such amount as the court shall allow.

Winding
up after
liquidation
of claims.

SEC. 70. When all proper claims of depositors and creditors (not including stockholders) have been paid, as well as all expenses of administration and liquidation and proper provision has been made for unclaimed or unpaid deposits and dividends, and assets still remain in his hands, the examiner shall call a meeting of the stockholders of such corporation, giving thirty days' notice thereof, by one publication in a newspaper published in the county where such corporation is located. At such meeting, each share shall entitle the holder thereof to a vote in person or by proxy. A vote by ballot shall be taken to determine whether the examiner shall wind up the affairs of such corporation or the stockholders appoint an agent to do so. The examiner, if so required, shall wind up such corporation and distribute its assets to those entitled thereto. If the appointment of an agent is determined upon, the stockholders shall forthwith select such agent by ballot. Such agent shall file a bond to the State of Washington in such amount and so conditioned as the examiner shall require. Thereupon the examiner shall transfer to such agent the assets of such corpora-

tion then remaining in his hands, and be relieved from further responsibility in reference to such corporation. Such agent shall convert the assets of such corporation into cash and distribute the same to the parties thereunto entitled, subject to the supervision of the court. In case of his death, removal or refusal to act, the stockholders may select a successor with like powers.

SEC. 71. Dividends and unclaimed deposits remaining in the hands of the examiner for six months after order of final distribution, shall be deposited in a bank or trust company to his credit in trust for the benefit of the person thereunto entitled, and, subject to the supervision of the court shall be paid by him to them upon receipt of satisfactory evidence of their right thereto.

Disposition of unclaimed dividends and deposits.

SEC. 72. Any bank or trust company may place itself under the control of the examiner to be liquidated as herein provided by posting a notice on its door as follows: "This bank (trust company) is in the hands of the state bank examiner."

Posting notice of examiner's possession.

Immediately upon the posting of such notice, the officers of such corporation shall notify the examiner thereof by telegraph and mail. The posting of such notice or the taking possession of any bank or trust company by the examiner shall be sufficient to place all of its assets and property of every nature in his possession and bar all attachment proceedings.

Effect.

SEC. 73. Whenever the examiner shall have taken possession of a bank or trust company for any cause, he may wind up such corporation and cancel its certificate of authority, unless enjoined from so doing, as herein provided. Or if at any time within ninety days after taking possession, he shall determine that all impairment and delinquencies have been made good, and that it is safe and expedient for such corporation to re-open, he may permit such corporation to re-open upon such terms and conditions as he shall prescribe. Before being permitted to re-open, every such corporation shall pay all of the expenses of the examiner, as herein elsewhere defined.

Permit by examiner to re-open bank.

Voluntary liquidation.

SEC. 74. Any bank or trust company may, upon receipt of written permission from the examiner, go into voluntary liquidation by a vote of its stockholders owning two-thirds of its capital stock. When such liquidation is authorized, the directors of such corporation shall publish in a newspapers published in the place where such corporation is located, once a week for four consecutive weeks, a notice requiring creditors of such corporation to present their claims against it for payment.

Transfer of assets and liabilities to another bank.

SEC. 75. A bank or trust company may for the purpose of consolidation or voluntary liquidation transfer its assets and liabilities to another bank or trust company, by a vote of the stockholders owning two-thirds of its capital stock, but only with the written consent of the examiner and upon such terms and conditions as he may prescribe. Upon any such transfer being made, or upon the liquidation of any such corporation, the examiner shall terminate its certificate of authority.

Bank examiner to complete term.

SEC. 76. Whoever may hold the office of state bank examiner at the time this act becomes operative may, unless sooner removed, hold such office under this act for the term for which appointed and the increase in salary herein provided for shall not be effective as to him during such term.

Existing transactions not affected.

SEC. 77. Nothing in this act shall be construed to affect the legality of investments, heretofore made, or of transactions heretofore had, pursuant to any provisions of law in force when such investments were made or transactions had.

Continuance under former laws.

SEC. 78. Every corporation, which at the time this law becomes operative, is actually and publicly engaged in banking or trust business in this state in full compliance with the laws hereof, which were in force immediately prior to the time when this law becomes operative, may, if it otherwise complies with the provisions of this act, continue its said business, subject to the terms and regulations hereof and without amending its articles of incorporation, although its name and the amount of its capital

stock, the number or length of terms of its directors or the form of its articles of incorporation do not comply with the requirements of this act: *Provided*:

1. That any such bank, which was by the state bank examiner lawfully permitted to operate, although its capital stock was not fully paid in, shall pay in the balance of its capital stock at such times and in such amounts as said examiner may require.

Capital stock must be fully paid.

2. That any bank or trust company which shall amend its articles of incorporation must in such event comply with all the requirements of this act.

Companies amending articles.

3. That the directors of trust companies at the time this act becomes operative may continue to hold such office for the terms for which elected, but the terms of all directors hereafter elected shall be governed by this act.

Directors of trust companies.

SEC. 79. Any corporation existing at the time this act becomes operative, the name of which contains any word, the use of which by such corporation is prohibited by this act, may nevertheless continue the use of such name for a period of time not exceeding ninety days from the time this act becomes operative. Any such corporation may file supplemental articles of incorporation within such period changing its corporate name to comply with the requirements of this act without the payment of any filing fee for so doing but such supplemental articles shall contain no other amendment.

Change of corporate name to comply with act.

SEC. 80. Every person who shall violate, or knowingly aid or abet the violation of any provision of this act for which no penalty has been prescribed, and every person who fails to perform any act which it is made his duty to perform herein and for which failure no penalty has been prescribed, shall be guilty of a misdemeanor.

Penalty where not otherwise prescribed.

SEC. 81. The owners or officers of any bank who shall fraudulently receive any deposit, knowing that such bank is insolvent, shall be deemed guilty of a felony, and punished upon conviction thereof, by a fine not exceeding one thousand dollars (\$1,000.00), or imprisoned in the state

Penalty for insolvent banks receiving deposits.

penitentiary not exceeding ten years, or both such fine and imprisonment, at the discretion of the court.

Repealing
clause.

SEC. 82. Sections 3290 to 3343, both inclusive and 3346 to 3368, both inclusive of Rem. & Bal. Code are hereby repealed, excepting that insofar as any provision of this act is in form or substance the re-enactment of existing legislation, it shall be deemed a continuation thereof.

Emergency.

SEC. 83. This act is necessary for the immediate preservation of the public peace, health and safety, and support of the state government and its existing institutions and shall take effect immediately.

Passed the House March 1, 1917.

Passed the Senate March 6, 1917.

Approved by the Governor March 10, 1917.

CHAPTER 81.

[H. B. 239.]

GUARANTY OF BANK DEPOSITS.

AN ACT relating to banks, providing for the security of deposits thereof, including certain deposits of public funds, creating a depositors' guaranty fund, providing for the administration thereof, prescribing the powers and duties of certain officers with reference thereto, providing penalties for violations thereof, and making an appropriation.

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

Definitions.

SECTION 1. The term "bank," wherever used in this act, shall be held and construed to mean and include any corporation organized under the laws of this state authorizing the organization of banks or trust companies, except mutual savings banks, and engaged in the banking business in this state; the terms "guaranty fund" and "fund," wherever used in this act, shall be held and construed to mean the "Washington bank depositors' guaranty fund" created under the provisions of this act; the term "board," wherever used in this act, shall be held and