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

**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 Code are hereby repealed, excepting that insofar as any provision of this act is in form or substance the re-enactment of existing legislation, it shall be deemed a continuation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.

**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.

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**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:*

**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
construed to mean the "guaranty fund board," created under the provisions of this act; the term "examiner," wherever used in this act, shall be held and construed to mean the state bank examiner; the terms "member," "member bank" and "guaranteed bank" wherever used in this act, shall be held and construed to mean any bank that shall be admitted to, and assume the duties and participate in the benefits of, the guaranty fund; the terms "deposits eligible to guaranty," "eligible deposits" and "guaranteed deposits," wherever used in this act, shall be held and construed to mean money deposited, in a bank, subject to check or other form of withdrawal, and not specifically secured.

SEC. 2. There is hereby created for the protection and security of depositors in banks, a fund which shall be known as the "Washington bank depositors' guaranty fund" and shall consist, (a) of securities of the face value of an amount equal to one thousand dollars ($1,000.00) for every one hundred thousand dollars ($100,000) or major fraction thereof, of the respective annual average deposits, eligible to guaranty under the provisions of this act, of each member of such fund, to be deposited as collateral for the payment of assessments made against the members of the fund: Provided, That no member shall furnish such collateral security in a sum less than five hundred dollars ($500); and (b) of cash equal to one-half of one per cent of the total amount of the annual average daily deposits, eligible to guaranty, of all such member banks, to be deposited with the fund by such member banks in proportion to their respective annual average daily deposits eligible to guaranty.

SEC. 3. The fund provided for in the preceding section shall be administered by a board consisting of the governor and the state bank examiner, ex-officio, and three members to be appointed by the governor, two of whom, except the members first appointed under this act, shall be officers or directors of member banks, and none of whom shall be an officer or director of a national bank,
which board shall be known as "the guaranty fund board." Within fifteen (15) days after the taking effect of this act the governor shall appoint the members of said board, and the members so appointed shall serve until and for the term of one, two and three years, respectively, from and after the first day of January, 1919, and until their successors are appointed and qualified, and thereafter one member of said board shall be appointed annually on the first day of January, for the term of three years. The appointive members of said board shall serve without compensation, but shall be entitled to receive their actual and necessary expenses incurred in the performance of their duties. The governor shall be, ex-officio, the chairman, and the state bank examiner shall be, ex-officio, the secretary and executive officer, of the board. The attorney general shall be the legal adviser of the board. Each appointive member of the board shall, before entering upon his duties under the provisions of this act, take and subscribe an oath to faithfully perform such duties.

Sec. 4. Within thirty (30) days after the taking effect of this act, the board shall meet at the state capitol and organize, and shall have power from time to time to adopt, publish and enforce reasonable rules and regulations governing the admission of banks as members of the fund, and prescribing the duties of member banks, not inconsistent with the provisions of this act or the laws relating to banks, and shall have power to provide the necessary books, records and other supplies, and the necessary assistance, and pay the necessary expenses for carrying out the provisions of this act, and the cost of all such supplies, assistance and expenses shall be paid out of the guaranty fund by resolution of the board authorizing the same and entered upon its minutes, and upon vouchers approved by the chairman of the board. The state treasurer shall be the custodian of the securities deposited with the board, as collateral security for the compliance with the provisions of this act, by the members of the fund, and it shall be the duty of such custodian, under the authority
and by the direction of the board, to securely keep such securities, under the joint control of the governor, the state bank examiner and the state treasurer, in a fire-proof vault and in receptacles so arranged as to be capable of being opened only by the use of three keys, one of which shall be kept by the governor, one by the examiner, and the third by the state treasurer, and to cut from any bonds deposited as securities, the interest coupons thereof, and send or deliver the same to the respective banks which deposited such bonds: Provided, always, That the bank shall have paid its assessments in full to date. And the board shall have power to designate guaranteed banks as depositories for all moneys in the fund, under such rules and regulations as the board may from time to time, adopt.

Sec. 5. Immediately upon the organization of the board and the adoption of the rules and regulations as provided in the preceding section, it shall be the duty of the examiner to cause to be printed in pamphlet form, this act and the rules and regulations adopted by the board, and to transmit a copy of such pamphlet, together with blank forms of application for membership in the fund, to each bank in the state.

Sec. 6. All applications for membership in the fund shall be made by resolution of the board of directors of the bank applying, duly certified by its president and secretary, in the form prescribed by the guaranty fund board, and shall contain an agreement on the part of the applicant, that, in case the application is approved and the bank admitted to membership in the fund, it will comply with all the provisions of this act and the rules and regulations adopted by the board, and shall be filed with the state bank examiner as secretary of the board. Upon the filing of any such application, the examiner, if it shall appear therefrom that the applicant is apparently eligible to membership in the fund under the provisions of this act, shall make a complete and rigid examination of the affairs of such bank in the manner provided by law, and at the expense of such bank, and submit such application, to-
gether with a report of the result of his examination, to
the board at its next regular meeting, or at a called meet-
ing, in case no regular meeting is to be held within thirty
(30) days from the date of such application: *Provided,*
*however,* That in case the examiner has within ninety
(90) days prior to the receipt of any such application,
made a complete examination of the affairs of the appli-
cant bank in the manner provided by law, he may submit
such application, together with the report of the result of
such previous examination, without further examination,
unless directed by the board to make a further examina-
tion.

**Sec. 7.** The state bank examiner, as secretary of
the board, shall keep proper books of record of all acts,
matters and things done by him under the provisions of
this act, as records of his office as secretary of the board.
It shall be unlawful for any member of the board, or any
deputy or clerk of the examiner, or any assistant exami-
iner appointed by the board under the provisions of this
act, to disclose any fact or information with reference to
the affairs of any bank, obtained in the performance of
his duties under the provisions of this act, to any other
person than a member of the board, the state bank exam-
iner, or his deputies, or a United States or clearing house
bank examiner, except so far as the law makes it his duty
to make public records and publish the same, and any viol-
ation of the provisions of this section shall subject the
state bank examiner, or any appointive member of the
board, or any deputy or clerk of the examiner, or any as-
sistant examiner appointed by the board under the pro-
visions of this act, to prosecution for misdemeanor in any
court of competent jurisdiction, and to punishment by a
fine of not exceeding one thousand dollars, with imprison-
ment in the county jail until the same is paid; and such
conviction shall subject the offender to the forfeiture of his
office or employment.

**Sec. 8.** If the board shall find from the application
and the report of the examiner, that the applicant bank
is in sound financial condition and properly managed, and is conducting its business in strict accordance with the law under which it is organized, and the provisions of this act, and has an unimpaired surplus equal to ten per cent (10%) of its capital, and has been actively engaged in business for at least one year prior to the date of its application, it shall cause the secretary of the board to notify the applicant bank that its application has been approved, and that it will be admitted to membership in the fund upon depositing with the secretary, (a) bonds or notes constituting the direct and general obligation of the United States, or of any state thereof, or bonds, the payment of which, both principal and interest, is guaranteed by the United States or any state thereof, or (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, or (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, (or certificates of deposit in guaranteed banks, in whole or in part, in lieu of such bonds) of the face value of one thousand dollars ($1,000) for every one hundred thousand dollars ($100,000), or major fraction thereof, of its annual average daily eligible deposits for the year preceding the date of its application, as collateral security for its compliance with the provisions of this act; and upon depositing with the secretary of the board for the benefit of the fund, cash in an amount equal to one-half of one per cent of its annual average daily eligible deposits for the year preceding the date of its application: Provided, That in no case shall the amount of collateral security deposited be less than five hundred dollars ($500), and in no case shall certificates of deposit in guaranteed banks be de-
posited in lieu of bonds, for a longer period than ninety days: *And provided, further, That* such bonds, or certificates in lieu thereof, and cash, so deposited, shall not be charged out of the assets of the bank, except as hereinafter provided, but shall be carried in its assets under the heading "deposited with depositors' guaranty fund," until such time as said bank is in default in any payment of assessments as hereinafter provided, and any such bank shall be permitted to exchange its bonds so deposited, or bonds subsequently deposited as additional collateral security, for other bonds acceptable under this act, or to deposit certificates of deposit in guaranteed banks in lieu thereof, which must in turn be withdrawn and bonds acceptable under this act substituted therefor within ninety days: *And provided, further, That* the limitation of having been engaged in business for one year previous to the date of the application, shall not prevent any bank from being admitted to membership in such fund, if such bank is otherwise eligible, and is engaged in business in a city or town, in which all banks have neglected or failed to become guaranteed banks under the provisions of this act, for a period of six (6) months after the taking effect of this act.

**SEC. 9.** If the board shall find from any such application for membership, and from the report of the examiner, that the applicant has not the required unimpaired surplus, or is not in sound financial condition, or is not conducting its business in accordance with the provisions of this act, or that its method of conducting its business is, in the opinion of the board, reckless or unsafe, the board shall cause the secretary to notify the applicant of the conditions upon which it may be admitted to membership. If the applicant shall fail or neglect for a period of sixty (60) days, to comply with the conditions imposed by the board and furnish proof of such compliance to the satisfaction of the board, its application shall be rejected, but in case the applicant shall comply with the conditions and furnish proof of such compliance within said period of
sixty (60) days, it shall be admitted to membership. Any applicant for membership in the guaranty fund, feeling itself aggrieved by any decision of the board rejecting its application, or believing that the conditions imposed for its admission to membership are unreasonable or unjust, may, within thirty (30) days from such decision of the board, appeal therefrom to the superior court of Thurston county, by filing with the clerk of said superior court a notice of appeal, and serving a copy thereof upon the secretary of the board, and all such appeals shall be heard de novo and be speedily determined. If in case of an appeal, the decision of the board shall be reversed or modified by the court, and the applicant shall comply with the conditions imposed by the court, and shall deposit the required amount of bonds as collateral security, and deposit with the secretary of the board for the benefit of the fund, the required amount of money, the applicant shall be admitted to membership in the fund.

Sec. 10. Upon the admission of any bank to membership in the fund, the secretary of the board shall issue to such bank a certificate stating in substance that said bank has complied with the provisions of this act, and that its deposits not otherwise secured are guaranteed by the Washington bank depositors' guaranty fund, and from and after the issuance of such certificate such bank shall be governed by the rules and regulations adopted by the board, prescribing the duties of guaranteed banks, and shall be entitled to participate in the benefits of the guaranty fund, and to advertise that it is a member of said fund, and that its deposits are guaranteed thereby, but no such bank shall advertise that its deposits are guaranteed by the State of Washington. The guaranty provided for in this act shall not apply to a bank's obligation as an endorser upon bills re-discounted, nor to bills payable, nor to money borrowed from its correspondents or others, nor deposits of public funds in excess of its capital and surplus. Every such guaranteed bank shall be entitled to act as a depository of any public funds of, or under the control
SEC. 11. On or before the 10th day of January of each year, each guaranteed bank shall certify under oath to the secretary of the board, the amount of deposits eligible to guaranty under the provisions of this act, and the amount of deposits not eligible to guaranty, in such bank at the close of each business day during the preceding year, and the average daily deposits eligible to guaranty, and the average daily deposits not eligible to guaranty, for the preceding calendar year. On or before the 30th day of January of each year, the guaranty fund board shall determine the total amount of collateral security, equal to one per cent of the total average daily eligible deposits of all the guaranteed banks, for the preceding calendar year, required to be deposited and maintained for the current year, and the total amount of cash, equal to one-half of one per cent of the total average daily eligible deposits of all the guaranteed banks, for the preceding calendar year; and shall determine the respective amounts of collateral securities required to be deposited and maintained by each guaranteed bank, equal to one per cent of the average daily eligible deposits of such bank, for the preceding calendar year; and shall determine the respective amount of cash, equal to one-half of one per cent of the average daily eligible deposits of each guaranteed bank for the preceding calendar year, to be charged against said bank; and shall determine the total amount of cash
on hand to the credit of the guaranty fund, and the respective amount of cash on hand to the credit of each guaranteed bank; and thereupon the secretary of the board shall notify each guaranteed bank of the amount of bonds required to be deposited in addition to the bonds already on deposit to the credit of such bank, and shall assess against, and collect from, each guaranteed bank the amount of cash required to make up the difference between the amount of cash on hand to the credit of such bank and the amount charged thereto for the current year, and shall refund to each guaranteed bank any excess of the amount of bonds deposited, and of cash on hand, to the credit of such bank, over the amount charged thereto for the current year. It being the intention, on or before the first day of February of each calendar year, to so adjust the amount of bonds deposited with, and cash in, the guaranty fund for the current year, so that it shall equal one per cent and one-half of one per cent, respectively, of the total average daily eligible deposits of all the guaranteed banks for the preceding calendar year, and so that each guaranteed bank shall be charged with, and deposit and pay into such fund, or have credited to it, an amount of bonds and cash equal to, but not in excess of, one per cent and one-half of one per cent, respectively, of its average daily eligible deposits for the preceding calendar year. In case the cash on hand in the guaranty fund shall at any time be reduced by more than twenty-five per cent of the amount provided for the current year, the board shall determine whether it is necessary or expedient to make an assessment on the member banks, to replenish such fund, before the next ensuing annual adjustment; and in case the board shall determine that such assessment is necessary or expedient, it shall cause the same to be made in proportion to the respective average daily eligible deposits of such banks, for the preceding calendar year, and shall direct the secretary of the board to notify the member banks of the respective amounts of their assessments, and to collect the same: Provided, That not more than one-half of one
per cent of the total amount of average daily eligible deposits of all the guaranteed banks, for the preceding calendar year, shall be so assessed in any one calendar year.

Sec. 12. Whenever any bank shall apply for and be admitted to membership in the guaranty fund after the annual adjustment in any calendar year, such bank shall be required to deposit collateral securities and cash with the secretary of the board for the benefit of the fund, in amount respectively, approximately equal to its proportionate share of the collateral securities on deposit, and to the money on hand in the fund, after all deductions, for expenses and losses incurred during the current year to date, shall have been made, the amount of such deposits to be determined by the secretary of the board. The above mentioned deposits shall not, however, be required of any new banks formed by the reorganization or consolidation of guaranteed banks which have previously complied with the terms of this act for the current year.

Sec. 13. If after the passage of this act, any guaranteed bank, or the board of directors, or any officer thereof, shall pay interest on any form of deposits on different terms than those, or at a rate in excess of that, approved by the guaranty fund board from time to time, and that shall be uniform within each county; or shall pay any interest on any savings deposit withdrawn before July 1 or January 1 next following the date of the deposit, or on any time certificate cashed before maturity; such bank shall be deemed to be reckless, and its certificate as a member of the guaranty fund, may, in the discretion of the board, be cancelled: Provided, however, That any existing contract for higher rates of interest, entered into before the passage of this act, may be carried out unimpaired, and such existing contract shall not disqualify such bank from becoming a member of the fund, if it is, in the opinion of the board, otherwise eligible. If any managing officer of any guaranteed bank, or any person acting in its behalf or for its benefit, shall pay, or promise to pay, any depositor in such bank, either directly or indirectly, any in-
terest, on different terms than those, or a rate in excess of, or in addition to the maximum rate, approved by the board for the county in which such bank is engaged in business, or shall, with intent to evade any of the provisions of this act, pledge the time certificate, or other obligation of such bank, as security for the personal obligation of himself or any other person, or shall display or publish any card or other advertisement, tending to convey the impression that the deposits of such bank are guaranteed by the State of Washington, either directly or indirectly, the certificate of such bank as a member of the guaranty fund shall be cancelled, and its bonds, or certificates of deposit in lieu thereof, and its cash deposited for the benefit of the guaranty fund, shall be forfeited. Any managing officer of any bank, or any person acting in its behalf or for its benefit, who shall display any card, or publish any advertisement, or make any statement, to the effect that its deposits are guaranteed by the Washington bank depositors' guaranty fund, when such bank is not a member of such fund, or is not authorized so to do under the provisions of this act, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine of not less than five hundred, nor more than one thousand dollars.

Sec. 14. If at any regular or special examination of a guaranteed bank, made by or under the direction of the state bank examiner, it shall be found that such bank is violating any of the provisions of this act, the examiner shall notify such bank of such violation, and require the same to comply with the provisions of this act within thirty days from the date of such notice; and if at the expiration of thirty days, such provisions have not been complied with, the certificate of membership of such bank in the guaranty fund, shall be cancelled and its bonds, or certificates of deposit in lieu thereof, and its cash, deposited for the benefit of the guaranty fund, shall be forfeited.

Sec. 15. If any guaranteed bank shall fail or neglect for a period of thirty days after any assessment has been
made against such bank, as provided in this act, to remit the amount of such assessment to the secretary of the guaranty fund board, there shall be added to such assessment a penalty of fifty per cent of the amount thereof, and a sufficient amount of the bonds of such bank, deposited as collateral security for the benefit of the guaranty fund, shall be immediately sold by the secretary of the board, at public sale, and the proceeds of such sale applied to the payment of said assessment and penalty. Any balance remaining from the proceeds of such sale, after the payment of such assessment and penalty, shall remain to the credit of the bank as collateral security for the benefit of the guaranty fund, and if the bank does not, within sixty days from default of payment of such assessment, remit the full amount of such assessment and penalty to the secretary of the board, and restore the amount of its bonds, or certificates of deposit in lieu thereof, required to be deposited as collateral security for the benefit of the guaranty fund, the remainder of the bonds of such bank, or certificates of deposit in lieu thereof, deposited and held as collateral security for the benefit of the guaranty fund, shall be forfeited. Upon the failure of any guaranteed bank to remit any assessment made against it in accordance with the provisions of this act, the state bank examiner shall immediately cause such bank to be examined, and if it is found to be insolvent, he shall take charge of and liquidate such bank according to law. Whenever the certificate of any guaranteed bank, as a member of the guaranty fund, shall be cancelled as hereinabove provided, the secretary of the board shall cause to be displayed in a conspicuous place in the banking rooms of such bank, continuously for six months, a card not smaller than twenty by thirty inches, containing in large plain type the following words: "This bank has withdrawn from the bank depositors' guaranty fund, and the guaranty of its deposits will cease on and after the......day of............, 19.." The date on such card shall be a date six months after the first posting of such card.
SEC. 16. Whenever the deposits in a guaranteed bank shall have, for a period of ninety days continuously, exceeded twenty times its capital and surplus, the secretary of the board shall notify such bank that it must, within ninety days from the date of such notice, increase its capital to such an amount that its combined capital and surplus shall equal or exceed one-twentieth of its average daily deposits for the preceding ninety days, and in case such bank shall fail and neglect for a period of ninety days from and after such notice to so increase its capital, its certificate as a member of the guaranty fund shall be cancelled.

SEC. 17. Whenever any solvent guaranteed bank shall elect to withdraw from the guaranty fund, and shall have given notice in writing to the secretary of the guaranty fund board of such withdrawal, and shall have displayed a card in a conspicuous place in its banking rooms as provided in the preceding section, for a period of six months from the date of such withdrawal, or whenever any solvent guaranteed bank shall surrender its certificate of authority from the state and cease to do business, and shall have discharged all of its deposit liabilities to the satisfaction of the state bank examiner, and whenever such withdrawn or liquidated bank shall have paid all assessments made against it, for the benefit of the guaranty fund, prior to the date of its withdrawal, or the surrender of its certificate of authority, as the case may be, and shall have paid all assessments made against it, for the benefit of the guaranty fund within a period of twelve months after its withdrawal, or liquidation, as the case may be, it shall be entitled to receive its bonds, or certificates of deposit in lieu thereof, and its cash deposited for the benefit of the guaranty fund: Provided, That in case, and by reason of the failure of guaranteed banks, there shall have been issued against the guaranty fund, prior to the date of withdrawal or liquidation, as the case may be, or during the twelve months thereafter, warrants which are still outstanding.
and unpaid, such withdrawn or liquidated bank shall not be entitled to receive its bonds or cash until such time as it shall have paid assessments equal to the amount of its bonds on deposit with the guaranty fund, or sufficient to pay its proportionate share of said warrants outstanding.

Sec. 18. Whenever the state bank examiner shall take charge of and proceed to wind up the affairs of any guaranteed bank, as provided by law, he shall as soon as possible issue to each guaranteed depositor, upon proof of claim, a warrant, drawn upon and payable out of the guaranty fund, for the amount of the depositor's claim, which warrant, if there be not sufficient money in the guaranty fund to pay the same, shall bear interest at the rate of five per cent per annum from date until called.

Sec. 19. Whenever the state bank examiner shall have issued warrants upon the guaranty fund, in payment of claims for guaranteed deposits of any failed bank, such claims and all rights of action and remedies of the depositors therefor, shall inure to the state bank examiner for the benefit of the guaranty fund, and all sums realized therefrom shall be paid into the guaranty fund.

Sec. 20. Any number of guaranteed banks, may form an association, under such distinctive name as they shall choose, by making and adopting articles of association and by-laws, and filing copies thereof with the secretary of the guaranty fund board, and such association shall have power to examine the associated banks at such times, and by such methods, as may be determined by the by-laws of the association, and approved by the secretary of the board, and may make such examination either independently of or in conjunction with the state bank examiner.

Sec. 21. Whenever by act of congress, or by ruling of the treasury department, national banking associations located and doing business within this state, are permitted to avail their depositors of the protection of the guaranty fund provided for in this act, any such association, after examination at its expense by the state bank examiner,
and upon the approval of the guaranty fund board, may become a member of the guaranty fund upon the terms and conditions provided in this act.

SEC. 22. For the purpose of carrying out the provisions of this act, there is hereby appropriated out of any moneys in the state treasury not otherwise appropriated, the sum of two thousand five hundred ($2,500) dollars, or so much thereof as may be necessary, which sum shall be expended upon vouchers approved by the guaranty fund board and signed by the governor as chairman, and the sums so expended shall be repaid to the state and deposited in the state treasury whenever in the judgment of the board there shall be moneys in the guaranty fund available to repay the same.

Passed the House March 3, 1917.
Passed the Senate March 6, 1917.
Approved by the Governor March 10, 1917.

CHAPTER 82.
[H. B. 99.]
AUTHORIZING INSURANCE COMMISSIONER TO APPOINT DEPUTIES.

AN ACT relating to insurance, and amending section 6059-6 of Remington & Ballinger's Code.

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

SECTION 1. That section 6059-6 of Remington & Ballinger's Code be amended to read as follows:

Section 6059-6. Deputy Commissioner—Actuary—Examiner—Salaries.

The state insurance commissioner may appoint a deputy insurance commissioner, who shall take and subscribe the same oath of office as the state insurance commissioner, which oath shall be endorsed upon the certificate of his appointment and filed in the office of the secretary of state. Said appointment may be revoked at the will of the com-