

SEC. 23. Nothing in this act contained shall be construed to amend, alter or modify any provisions of existing law or laws, excepting to the extent that such existing law or laws are by this act expressly repealed or are in such conflict with the provisions of this act as to be repealed by implication.

Existing laws.

SEC. 24. This act is necessary for the immediate preservation of the public peace, health and safety and the support of the state government and its existing public institutions and shall take effect immediately.

Effective immediately.

Passed the House February 18, 1933.

Passed the Senate February 18, 1933.

Approved by the Governor February 25, 1933.

CHAPTER 42.

[S. S. B. 132.]

BANKS AND TRUST COMPANIES.

AN ACT relating to banks, banking, trust companies and trust business, prohibiting corporate security affiliates, providing for segregated savings in commercial banks, restricting loans to directors, officers and employes of banks, amending sections 3217, 3221, 3222, 3240, 3243, 3245, 3246, 3255n, 3258, 3259, 3261, 3269, 3288 and 3289 of chapter 1 of Title 18 of Remington's Compiled Statutes (being chapter 80 of the Laws of 1917 as amended and supplemented), and adding new sections to such chapter to be numbered 3229-2, 3231-1, 3237-1, 3240-1, 3243-1, 3244-1, 3244-2, 3244-3, 3245-1, 3246-1, 3253-1, 3253-2 and 3260-1, prescribing penalties, and declaring an emergency.

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

SECTION 1. Section 3217 of Remington's Compiled Statutes is amended to read as follows:

Amends § 3217, Rem. Comp. Stat.

Section 3217. Whenever the supervisor of banking shall find that any director, officer or employe of any bank or trust company is dishonest, reckless or incompetent, or fails to perform any duty of his

Director, employee, etc., dishonesty of.

Notice of
objection.

office, or has consented to or connived at the making of any loan or discount in violation of law or has consented to or connived at any other violation of law by the corporation, he shall notify the board of directors of such corporation in writing of his objections to such director, officer or employe, and such board shall, within twenty days after receiving such notification and upon reasonable notice to the supervisor and to such director, officer or employe of the time and place of the hearing, meet and consider such objections. If the board shall find the objections to be well founded, such director, officer or employe shall be immediately removed.

Hearing.

If upon the hearing the director, officer or employe against whom the objections have been filed is not immediately removed, or if the board fail to meet, consider or act upon the objections within twenty days after receiving the same, the supervisor may forthwith or within thirty days thereafter, by an order in writing filed in his office, remove such director, officer or employe from his directorship, office or employment, or may, for a limited time to be stated in the order, suspend such director, officer or employe therefrom. A copy of the order shall be forthwith mailed to the person removed or suspended and to the bank or trust company.

Removal,
suspension.

Re-instate-
ment.

No director, officer or employe removed upon objections or by the order of the supervisor shall thereafter be elected or appointed to any directorship, office, trust or employment by the same or another bank or trust company without the written consent of the supervisor.

Consent of
supervisor.

Appeal.

The order of the supervisor suspending or removing a director, officer or employe shall be final and conclusive unless the person suspended or removed shall appeal to the superior court of Thurston county within the time and in the manner

provided by law for appeals from the refusal of the supervisor to approve articles of incorporation. Upon the appeal the controversy shall be tried do [de] novo. The order of the supervisor shall remain in full force and effect pending the appeal unless suspended by order of the court.

Pending
appeal.

SEC. 2. Section 3221 of Remington's Compiled Statutes is amended to read as follows:

Amends
§ 3221 Rem.
Comp. Stat.

Section 3221. The term "banking" shall include the soliciting, receiving or accepting of money or its equivalent on deposit as a regular business.

"Banking"

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.

"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.

"Branch
bank."

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 3231.

"Trust
business."

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.

"Trust
company."

A "savings account" is an account of a bank in respect of which, by its regulations accepted by the depositor at the time the account is opened, (a) a passbook, certificate or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made and (b) the depositor at any time may be required by the bank to give

"Savings
account."

notice of an intended withdrawal before the withdrawal is made.

"Savings bank."

The term "savings bank" shall include (a) any bank whose deposits shall be limited exclusively to savings accounts, and (b) the department of any bank or trust company that accepts, or offers to accept, deposits for savings accounts in accordance with the provisions of this act relative to segregated savings.

"Commercial bank."

The term "commercial bank" shall include any bank other than one exclusively engaged in accepting deposits for savings accounts.

"Person."

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

"Foreign bank."

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.

Amends
§ 3222 Rem.
Comp. Stat.

SEC. 3. Section 3222 of Remington's Compiled Statutes is amended to read as follows:

Section 3222. 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 except in accordance with the provisions of this act. The practice of collecting or receiving deposits or cashing checks at any place or places other than the place where the usual business of a bank or trust company and its operations of discount and deposit are carried on shall be held and construed to be establishing a 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.

All persons engaged in banking to comply with act; exceptions.

Federal reserve membership.

Notwithstanding anything in this section or this chapter, a corporation not organized or conducted for profit, the objects and purposes of which include the care, management or liquidation of the business, property and assets of insolvent or financially embarrassed persons, corporations, partnerships and other business concerns, may take trust deeds or bills of sale or assignments for the benefit of creditors from such persons, corporations, partnerships or concerns, and may care for, manage or liquidate the businesses, properties and assets accordingly.

Liquidation, etc., of insolvents.

SEC. 4. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3229-2:

Adds § 3229-2 to Rem. Comp. Stat.

Section 3229-2. 1. No bank or trust company hereafter organized shall be authorized to transact

Liability of
stockholder,
securing of.

Nature of
security.

Income of
stockholders.

Securities:
withdrawal,
substitution.

Capital
stock,
increase of.

business until each of the several stockholders shall have secured his superadded liability, as provided by the Constitution of the State of Washington, by depositing in pledge with the state treasurer, through the supervisor of banking, either (a) a sum of money equal to the amount of stock subscribed by him, or (b) bonds of the United States or of this state having an aggregate par value of that amount, or (c) securities of other kinds in which a trust company might then lawfully invest trust funds, aggregating in market value not less than that amount and being such as the supervisor will approve for the purpose, or (d) money, bonds of the United States or of this state and other securities of the kinds mentioned, aggregating the amount of his subscription to the capital stock. Money deposited and money received in payment of principal of securities shall be invested and kept invested by the treasurer, with the advice of the supervisor, in bonds of the United States or of this state. The income from pledged securities shall be received by the treasurer and be paid by him monthly to the bank or trust company as agent for its stockholders, unless there be a deficiency in the amount of securities on deposit, in which case the income shall be retained and be invested as money pledged.

2. Any stockholder, with the concurrence of the bank or trust company, at any time, may withdraw pledged securities after five days notice to the supervisor upon depositing in their stead other securities of the kinds and value mentioned. At the time of a substitution, the supervisor may require the stockholder of the bank or trust company to make good any deficiency in value.

3. Upon an increase of the capital stock of a bank or trust company, a certificate of increase shall not be issued by the supervisor until a corresponding increase has been made by the stockholders in

the amount of money or securities pledged to secure superadded liability. If the capital stock be decreased with the approval of the supervisor, a corresponding amount of pledged securities may be withdrawn by the stockholders. But upon the occasion of either an increase or a decrease, the amount of the pledged securities shall be adjusted so that, after the increase or decrease has been effected, the aggregate of the pledged money and securities shall be not less than that required by subdivision (1). decrease of.

4. Thus the pledge shall be maintained as long as the bank or trust company continues a going concern. Upon a winding up or liquidation, the pledged securities, to the extent necessary, shall be sold by or under the direction of the supervisor, and the proceeds shall be applied to the payment of debts of the corporation as if the money had been realized from the respective stockholders upon their superadded liability, which thereby shall be discharged to the extent of the amount of the money realized from the sale of the securities of the stockholders respectively. After the expenses of winding up or liquidating shall have been paid and all debts and other obligations of the bank or trust company discharged, the pledged securities or their proceeds shall belong and be delivered or paid to the several stockholders. Liquidation,
disposition
of pledged
securities.

5. For the purpose of securing the superadded liability of stockholders of existing banks and trust companies to a like extent, each such bank and trust company shall be obliged, as the agent of its stockholders, to pay in or deliver to the state treasurer, through the supervisor of banking, from time to time, money or securities of the character described in sub-section (1) hereof, to the amount of one-third of each and every dividend hereafter declared or made payable to its stockholders (the remaining two-thirds of each dividend so declared thereupon Superadded
liability,
securing of.

$\frac{1}{3}$ of dividend paid to state treasurer.

to be paid to the stockholders) until the full amount of the superadded liability of each stockholder has been so deposited with the state treasurer: *Provided*, That whenever it shall appear, at any dividend paying period, that the amounts so deposited, together with the amount of the unimpaired capital and surplus of the bank or trust company, shall equal or exceed an amount equal to twenty per cent of the liability of such bank or trust company to its depositors, the provisions of this sub-section shall not apply. All moneys or securities so deposited shall be administered as hereinbefore provided.

Not appli-
cable, when.

20% of lia-
bility.

Adds § 3231-1
to Rem.
Comp. Stat.

SEC. 5. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3231-1:

Branches:
when
allowed.

Section 3231-1. A bank or trust company having a paid-in capital of not less than five hundred thousand dollars may, with the approval of the supervisor of banking, establish and operate branches in any city or town within the state. A bank or trust company having a paid-in capital of not less than two hundred thousand dollars may, with the approval of the supervisor of banking, establish and operate branches within the limits of the county in which its principal place of business is located.

Paid in
capital stock,
amount
required.

The aggregate paid-in capital stock of every bank or trust company operating branches shall at no time be less than the aggregate of the minimum capital required by law for the establishment of an equal number of banks or trust companies in the cities or towns wherein the principal office or place of business of such bank or trust company and its branches are located.

Opening of in
towns where
other banks
operate.

No bank or trust company shall establish or operate any branch in any city or town outside the city or town in which its principal place of business

is located in which any bank, trust company or national banking association regularly transacts a banking or trust business, except by taking over or acquiring an existing bank, trust company or national banking association or the branch of any bank, trust company or national banking association operating in such city or town.

SEC. 6. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3237-1:

Adds § 3237-1 to Rem. Comp. Stat.

Section 3237-1. 1. After July 1, 1938, a certificate of stock of a bank or trust company shall not represent stock of any corporation engaged in the business of selling securities to the public. The ownership, sale or transfer of stock of a bank or trust company shall not be conditioned in any manner whatsoever upon the ownership, sale or transfer of stock of any other such corporation.

Stock certificate, restriction of.

2. After July 1, 1938, no officer or employe of a bank or trust company shall be

Officers, employes, restriction of.

a. an officer of an unincorporated association or a corporation engaged in the business of selling securities to the public, or

b. an employe or member of any such unincorporated association, an employe or majority stockholder of any such corporation, as employe or member of any partnership engaged in such business, or an employe of any person engaged in such business, or

c. a trustee, director, officer or employe of a corporation engaged in the business of making loans secured by collateral to any corporation other than its own subsidiaries, or to any person, partnership or association.

3. After July 1, 1938, a corporation organized under the laws of this state, or licensed to transact business in the state, which is engaged to any extent

Investment affiliates, alliance prohibited.

in the business of selling securities to the public, shall not have an office or transact business in the same room with a bank or trust company or a national banking association, or in a room connected therewith.

Amends § 3240, Rem. Comp. Stat.

SEC. 7. Section 3240 of Remington's Compiled Statutes is amended to read as follows:

Dividends, amount of.

Section 3240. No bank or trust company shall declare or pay any dividend to an amount greater than its net profits then on hand, which net profits shall be determined only after deducting:

Net profits, how determined.

- 1. All losses;
- 2. All assets or depreciation that the supervisor of banking or a duly appointed examiner may have required to be charged off; and no bank or trust company shall enter or at any time carry on its books any of its assets at a valuation exceeding the actual cost;
- 3. All expenses, interest and taxes due or accrued from said bank or trust company;
- 4. Bad debts as defined by section 3254 Remington's Compiled Statutes of the State of Washington, owing to such bank or trust company.

Surplus fund.

After providing for the above deductions the board of directors of any bank or trust company may at any regular meeting thereof declare a dividend out of so much of the undivided profits of such bank or trust company as they shall judge expedient: *Provided, however,* That before any such dividend is declared or the net profits in any way disposed of, not less than one-fourth of such net profits shall be carried to a surplus fund until the amount in such surplus fund shall be equal to twenty-five per cent of the paid-in capital of such bank or trust company: *Provided, further,* That the supervisor of banking shall in his discretion have the power to require any bank or trust com-

pany to suspend the payment of any and all dividends until all requirements that may have been made by the supervisor of banking or any duly appointed examiner shall have been complied with; and upon notice to suspend dividends no bank or trust company shall thereafter declare or pay any dividends until such notice has been rescinded in writing. As to banks or trust companies having segregated savings, sums carried to surplus shall be apportioned between or among departments as the capital is apportioned.

Suspension
of dividends.

SEC. 8. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3240-1:

Adds § 3240-1
to Rem.
Comp. Stat.

Section 3240-1. A bank or trust company at any time may transfer undivided net profits from one department to another after provision has been made for the required contribution to surplus of the department from which the transfer is made and for the payment of accrued interest on savings deposits if the transfer is made from a savings department. If at any time the earnings of a savings department are insufficient to pay all interest due upon savings deposits, the interest shall be paid by the bank or trust company out of net profits of its other department or departments.

Net profits,
transfer of.

Savings
department,
interest.

SEC. 9. Section 3243 of Remington's Compiled Statutes is amended to read as follows:

Amends
§ 3243, Rem.
Comp. Stat.

Section 3243. The shares of stock of every bank and trust company shall be deemed personal property. No such corporation shall hereafter make any loan or discount on the security of its own capital stock, or on the shares of any other bank, trust company or national banking association, nor upon the security of shares of any corporation that owns more than twenty-five per cent of the shares of stock of any bank or trust company, nor be

Stock,
personal
property.

Bank stock,
not security.

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; in which case the 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 of its own shares or within two years from the time of its purchase or acquisition of any of the other shares of stock hereinabove specified. Nor shall any such corporation subscribe for or purchase the stock of any other bank or trust company or a national banking association or of any domestic or foreign corporation of any character, 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.

Purchases of stock in other banks.

Adds § 3243-1 to Rem. Comp. Stat.

SEC. 10. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3243-1:

Corporations not to acquire or control more than 25% of stock of bank.

Section 3243-1. A corporation or association organized under the laws of this state, or licensed to transact business in the state, shall not hereafter acquire any shares of stock of any bank, trust company or national banking association which, in the aggregate, enable it to own, hold or control more than twenty-five per centum of the capital stock of such bank, trust company or national banking association: *Provided, however,* That the foregoing restriction shall not apply as to any legal commitments existing when this act takes effect.

Not applicable to existing commitments.

Violation.

A person who does, or conspires with another or others in doing, an act in violation of this section shall be guilty of a gross misdemeanor. A corporation that violates this section, or a corporation whose stock is acquired in violation hereof, shall forfeit its charter if it be a domestic corporation,

Penalty.

or its license to transact business if it be a foreign corporation; and the forfeiture shall be enforced in an action by the state brought by the attorney general.

Attorney
General.

SEC. 11. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3244-1:

Adds § 3244-1
to Rem.
Comp. Stat.

Section 3244-1. Any bank or trust company doing business in any city of the first class of this state and now transacting a savings bank business in addition to commercial banking or a trust business or both, shall elect before October 1, 1935, whether it will continue its savings business, and shall notify the supervisor of banking of its election not later than that date. If it elects to discontinue, it shall not thereafter accept or offer to accept savings deposits and shall cease using the word "savings" except to describe its then existing savings accounts, and it shall close out its savings accounts and pay all its savings depositors within such time as the supervisor of banking shall require, but not later than January 1, 1939. If it shall elect to continue its savings business, it shall organize a savings department and thenceforth transact its savings bank business in that department entirely separate from its other business, and shall apportion and assign to the savings department a part of its capital and the same proportionate part of its surplus, so that the sum of the two shall bear the same ratio to the aggregate of savings deposit liabilities as the rest of the capital and surplus bears to the aggregate of all other liabilities and shall segregate its assets in the same proportions, so that the savings department shall be established with as nearly as practicable its proportionate part of each class of assets.

Bank, sav-
ings and
commercial
combined.

To separate.

Discontinu-
ance of
savings.

Continuance
of savings.

Segrega-
tion of.

A bank or trust company intending hereafter to commence the transaction of a savings bank busi-

Commence-
ment of
savings de-
partment.

Entirely
separate.

Savings de-
partment,
organiza-
tion; super-
vision of.

ness, in addition to commercial banking or a trust business or both, shall organize a savings department in which to transact its savings business entirely separate from its other business, and it shall apportion and assign to the savings department a part of its capital and the same proportionate part of its surplus and shall segregate to the savings department such amount of money and such kinds of assets as will meet the requirements elsewhere prescribed in this act for savings banks.

The organization of a savings department, including the apportionment and assignment of capital and surplus and the segregation of assets, shall be done under the supervision of the supervisor and be subject to his approval. The apportionment, assignment and segregation when completed, shall be evidenced by an instrument executed and filed as required for an amendment of a bank's articles of incorporation. The instrument shall be in such form and state such facts as the supervisor shall prescribe. Capital, surplus and assets apportioned, assigned and segregated to a savings department shall be thereafter the capital, surplus and assets of that department as fully and with the same effect as if the department were a separate bank. Under the supervision and with the approval of the supervisor, an apportionment of capital and surplus may be changed and a new apportionment and segregation thereof made at any time, subject to the requirements elsewhere prescribed in this act.

Adds § 3244-2
to Rem.
Comp. Stat.

SEC. 12. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following new section numbered 3244-2:

Certificate
of authority.

Section 3244-2. Before commencing to transact business in a savings department organized pursuant to this act, a bank or trust company shall obtain a certificate of authority therefor from the

supervisor of banking, who, before issuing a certificate, shall satisfy himself that the proper apportionment and assignment of capital and surplus have been made; that the assets have been fairly segregated and that such other facts exist as would justify the issuance of a certificate of authority to a bank in the first instance. The fee for such a certificate shall be the same as for any other certificate of authority.

SEC. 13. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following new section numbered 3244-3:

Adds § 3244-3
to Rem.
Comp. Stat.

Section 3244-3. A savings bank shall not permit its deposits to increase if the aggregate of its capital and surplus be less than five per cent (5%) of its liability to depositors: *Provided*, That deposits of public funds secured as required by law shall be excluded in applying this section.

Capital and
surplus,
per cent
required.

Public funds.

SEC. 14. Section 3245 of Remington's Compiled Statutes is amended to read as follows:

Amends
§ 3245 Rem.
Comp. Stat.

Section 3245. A savings bank may classify its depositors according to the character, amount or duration of their dealings with the bank, and shall regulate the interest to be paid on savings deposits so that each depositor shall receive interest at the same rate as all others of his class. Money deposited with the bank, together with interest earned thereon, shall be repaid to the depositors or their legal representatives, after demand, in such manner and at such times as the bank by its rules shall prescribe, subject to the provisions of this act. Such rules shall be posted in a conspicuous place in the room where the business of the bank is transacted and shall be printed in the pass books furnished by it to depositors and shall be evidence as between the bank and the depositors of the terms upon which deposits are made. Such a bank at any time, by

Depositors,
classifica-
tion of.

Withdrawals,
rules
regulating.

Notice.

resolution of its board of directors, may require notice of not less than thirty days nor more than six months before paying deposits, in which case no deposit shall be due or payable until the required notice of intention to withdraw the same shall have been given by the depositor and the time therein specified shall have elapsed; but the bank, at any time, by rescinding the resolution, may waive the requirement of notice. A pass book shall be issued to each savings depositor, except as to deposits evidenced by certificates of deposit, in which shall be entered each deposit by and payment to him, and no payment against a savings account shall be made unless at the same time the pass book be presented and the proper entry be made therein; but the corporation by its rules may provide for making payments in cases of loss of pass books and in other exceptional cases where the pass books cannot be produced without loss or serious inconvenience to depositors, though the right to make such payments shall cease upon direction of the supervisor of banking given because he is satisfied that the right is being improperly exercised.

Waiver of.

Pass book.

Adds § 3245-1
to Rem.
Comp. Stat.

SEC. 15. Chapter 1 of Title 18, Remington's Compiled Statutes, is amended by adding thereto the following section numbered 3245-1:

Investments.

Section 3245-1. A savings bank may invest the moneys deposited therein, the sums constituting its capital and surplus and the income derived therefrom in the properties and securities, and no others, described in the following subsections:

Same as
mutual sav-
ings banks.

a. The properties and securities in which, at the time of the investment, it might invest its funds if it were a mutual savings bank or invest trust funds if it were a trust company;

b. Promissory notes made payable to the order of the bank upon demand secured by the pledge or

assignment of any interest-bearing securities lawfully purchasable by a savings bank, or secured by pledge or assignment of one or more real estate mortgages of the kind a savings bank might take as security for a loan; but no loan authorized by this section shall exceed ninety per cent of the cash market value of the pledged securities. Should any of the securities depreciate in value after the making of a loan, the bank shall require immediate payment of the loan or a part thereof or additional security therefor, so that the amount loaned shall at no time exceed ninety per cent of the market value of the securities;

Demand notes, security of.

c. Promissory notes made payable to the order of the bank within ninety days from the date thereof, secured by the pledge or assignment of the pass book of any savings bank, mutual savings bank, or savings and loan association in the state. No such loan shall exceed the amount owed the holder of the pass book as shown therein;

90-day notes, security of.

d. Capital stock of a federal reserve bank in such amount as may be required to enable the bank to become a member of the reserve bank;

Federal Reserve bank stock.

e. Properties and securities of such other classes as the supervisor of banking shall prescribe by general rules published in the manner required by section 3265. The supervisor shall have power to make, modify and revoke such rules, and in so doing he shall take care not to permit a savings bank to loan money except on adequate security of real or personal property.

Securities authorized by supervisor of banking.

SEC. 16. Section 3246 of Remington's Compiled Statutes is amended to read as follows:

Amends § 3246, Rem. Comp. Stat.

Section 3246. 1. Any bank or trust company not having segregated savings under this act, but having both commercial and savings accounts shall

Savings department not segregated.

keep with the respective depositors separate books of account for each kind of business.

Segregated savings department, assets of.

2. Money, securities and other assets of the savings department of a bank or trust company having segregated savings shall be kept separate and identifiable and shall be held solely for the repayment of depositors and other creditors of that department until all shall have been paid; and separate books of account shall be kept of all the business of the department in a manner approved by the supervisor of banking.

Adds § 3246-1 to Rem. Comp. Stat.

SEC. 17. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3246-1:

Banks in cities other than first class.

Section 3246-1. Any bank or trust company located in other than a city of the first class, and not a branch bank, may elect at any time hereafter whether it will establish and maintain a department for segregated savings under this act, and shall thereupon notify the supervisor of banking of its election so to do. Upon compliance with the provisions of this act, and upon receiving a certificate from the supervisor of banking that it has so complied, it shall thereupon be authorized to become in all respects a savings bank as defined in this act.

Segregate savings; election to.

Non-compliance.

From and after October 1, 1935, unless there shall have been such full compliance with the provisions of this act with reference to segregated savings, all deposits in each such bank or trust company shall be payable on demand.

Adds § 3253-1 to Rem. Comp. Stat.

SEC. 18. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3253-1:

Available funds, amount required.

Section 3253-1. Every savings bank shall have on hand at all times available funds equal to at least five per cent of the aggregate amount of its deposits exclusive of deposits of public funds se-

cured as required by law. Such funds shall consist of money authorized by the United States, interest-bearing obligations of the United States or call deposits with a federal reserve bank or with one or more of the bank's depositaries.

SEC. 19. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3253-2:

Adds §3253-2 to Rem. Comp. Stat.

Section 3253-2. A bank or trust company shall not deposit any of its funds in another bank or trust company, except a federal reserve bank, unless such other bank or trust company shall have been appointed a depository for its funds by vote of a majority of the directors of the depositing bank.

Deposits in other banks.

SEC. 20. Section 3255n of Remington's Compiled Statutes is amended to read as follows:

Amends §3255n, Rem. Comp. Stat.

Section 3255n. A corporation doing a trust business may invest funds held in trust in savings accounts in banks, trust companies, mutual savings banks or national banking associations and in any securities, other than those hereinabove in this act specified, except corporate stocks, with the approval in writing of the supervisor of banking.

Trust companies, investments.

SEC. 21. Section 3258 of Remington's Compiled Statutes is amended to read as follows:

Amends § 3258, Rem. Comp. Stat.

Section 3258. The total liability to any bank or trust company of any person for money borrowed (if not from its savings department) including in the liabilities of a firm or association the liabilities of the several members thereof, shall not at any time exceed ten per cent of the capital and surplus of such bank or trust company; but the discount of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper of solvent parties, actually owned by the person negotiating the same, shall not be considered as money borrowed by him: *Pro-*

Loans, limitation of.

Security ex-
ceeding loan
by 15%.

vided, 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. If the lending bank or trust company has more than one department, its combined capital and surplus may be taken in computing the limitation.

Reduction
of excess.

Any bank or trust company which, at the time this act becomes effective, has any loan or loans in excess of the limitations fixed by this section shall, on or before one year from the date of the taking effect of this act, reduce such excess by at least twenty per cent thereof; and shall, within two years from said date, reduce such original excess by at least an additional thirty per cent thereof; and within three years from said date shall reduce said original excess in its entirety.

Amends
§ 3259, Rem.
Comp. Stat.

SEC. 22. Section 3259 of Remington's Compiled Statutes is amended to read as follows:

Loans, dis-
counts: to
officers or
employees,

Section 3259. 1. No bank or trust company shall, nor shall any officer or employe thereof on behalf of such corporation, directly or indirectly, loan any sum of money to any officer or employe of such corporation or purchase, discount or acquire, as security or otherwise, the obligation or debt of any such officer or employe to any other person. No loan shall be made by any bank or trust company to any director of such corporation, nor shall the note or obligation of such director be discounted by any such corporation, or by any officer or employe thereof in its behalf, unless a resolution authorizing the same shall be adopted by a vote of a majority of the board of directors of such corporation at a meeting of the board of directors of such corporation held within thirty days next prior to the making of such loan or discount, at which the director to whom the loan is to be made

To directors.

or whose note or obligation is to be discounted shall not be present, and such vote and resolution shall be entered in the corporate minutes. Every such loan shall be reported in writing immediately by the bank or trust company to the supervisor.

No loan shall be made by or on behalf of any bank or trust company to any director, nor shall the note or obligation of any such director be discounted if such loan or discount, together with existing loans to such director and the notes or obligations of such director discounted by such bank or trust company, shall, in the aggregate, exceed five per centum of the aggregate sum of the capital and surplus of such bank or trust company, unless the supervisor of banking shall theretofore in writing have approved the making of such loan. The amount of any endorsement or agreement of suretyship or guaranty of any such director to the corporation shall be construed to be a loan within the provisions of this section.

Loans, discounts, to directors, limitation of.

Any bank or trust company which, at the time this act becomes effective, has any loan or loans in excess of the limitations fixed by this section shall, on or before one year from the date of the taking effect of this act, reduce such excess by at least twenty per cent thereof; and shall, within two years from said date, reduce such original excess by at least an additional thirty per cent thereof; and within three years from said date shall reduce said original excess in its entirety.

Reduction of excess.

The supervisor of banking may at any time, if in his judgment excessive, unsafe or improvident loans are being made or are likely to be made by a bank or trust company to any of its directors, or to any corporation, copartnership or association of which such director is a stockholder, member, co-owner, or in which such director is financially

Excessive or unsafe loans.

Proposed
loans, ap-
proval of.

interested, or like discounts of the notes or obligations of any such director, corporation, co-partnership or association are being made or are likely to be made, require such bank or trust company to submit to him for approval all proposed loans to, or discounts of the note or obligation of, any such director, corporation, copartnership or association, and thereafter such proposed loans and discounts shall be reported upon such forms and with such information concerning the desirability and safety of such loans or discounts and of the responsibility and financial condition of the person, corporation, copartnership or association to whom such loan is to be made or whose note or obligation is to be discounted and of the amount and value of any collateral that may be offered as security therefor, as the supervisor of banking may require, and no such loan or discount shall be made without his written approval thereon.

Director,
officer,
employee :

2. A director, officer or employee of a bank or trust company shall not

Interest
in profits ;

a. Have any interest, direct or indirect, in the profits of the corporation except to receive reasonable compensation for services actually rendered, which shall have been determined by the board of directors without his participation or vote, and, in the case of one regularly employed by the corporation, before the rendition of the services; and except to receive dividends upon any stock of the corporation that he may own, the same as any other stockholder and under the same regulations and conditions; and except to receive interest upon deposits he may have with the corporation, the same as other like depositors and under the same regulations and conditions.

Interlocking
directors ;

b. Become a member of the board of directors of any other bank or trust company or a national banking association, of which board enough other

directors, officers or employes of the corporation are members to constitute with him a majority of its board of directors.

c. Receive directly or indirectly and retain for his own use any commission or benefit from any loan made or other transaction had by the corporation, or any pay or emolument for services rendered to any borrower from the corporation or from any person transacting business with it, in connection with the loan or transaction, except that an attorney for the corporation, though he be a director thereof, may receive reasonable compensation for professional services rendered the borrower or other person.

Commissions,
benefits, etc.

SEC. 23. Chapter 1 of Title 18 of Remington's Compiled Statutes is amended by adding thereto the following section numbered 3260-1:

Adds § 3260-1
to Rem.
Comp. Stat.

Section 3260-1. A director, officer, employee or other agent of any bank shall not purchase or be interested in the purchase directly or indirectly of any of its assets without the previous written consent of the supervisor of banking and of a majority of the directors of the bank. Whoever knowingly does or participates or aids in the doing of any act in violation of this section shall be guilty of a gross misdemeanor and be punished accordingly, and also shall forfeit to the state double the amount of any loss suffered by the bank or trust company on account of the unlawful purchase, the recovery to be one-half for the use of the bank or trust company and the rest for the use of the state.

Purchase
of assets.

Penalty.

SEC. 24. Section 3261 of Remington's Compiled Statutes as amended is amended to read as follows:

Amends
§ 3261, Rem.
Comp. Stat.

Section 3261. 1. No bank or trust company shall pledge or hypothecate any of its securities or assets to any depositor, or creditor, except that

Pledging
of assets or
securities.

it may qualify as depository for United States deposits, postal savings funds or other public funds, or funds held in trust and deposited by any public officer by virtue of his office, or funds held by the United States or the State of Washington, or any officer thereof in trust, or for funds of corporations owned or controlled by the United States, 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.

Borrowing.

Indebtedness:

2. No bank or trust company shall become or at any time be indebted or in any way liable to an amount exceeding the amount of its capital stock and surplus, except on account of demands of the nature following:

Money deposited;

a. Moneys deposited with or collected by the bank or trust company;

Bills of exchange;

b. Bills of exchange or drafts drawn against money actually on deposit to the credit of the bank or trust company, or for money owed it;

Dividends or reserved profits.

c. Liabilities to its stockholders for dividends or reserved profits;

Federal Reserve Act.

d. Liabilities incurred under the provisions of the federal reserve act;

Reconstruction Finance Corporation Act.

e. Liabilities incurred under the provisions of the reconstruction finance corporation act, the federal intermediate credit bank act or to any similar lending or credit corporation now existing or hereafter created under the authority of an act of the Congress of the United States, or of any state;

f. Liabilities created by the endorsement of accepted bills of exchange payable abroad, actually owned by the endorsing bank or trust company and discounted at home or abroad;

Endorsements.

g. The supervisor of banking, at any time, for good cause shown, by order in writing, for a limited period and to an amount not in excess of the amount approved by the supervisor and stated in the order, may permit a bank or trust company to borrow for temporary purposes in excess of the amount of its paid-in capital stock and surplus and pledge assets to secure the loan; but in such a case the borrower shall make no new loan or investment until the money borrowed shall have been repaid, except such loans as may be made, with the approval of the supervisor, to protect assets already owned: *Provided*, That any such bank or trust company shall have power to borrow in excess of the aggregate amount of the paid-in capital and surplus at such bank and/or trust company of the Reconstruction Finance Corporation, of the Federal Reserve Bank, or the Federal Intermediate Credit Bank, or of any other similar lending or credit corporation now or hereafter created by act of Congress; and to pledge as security therefor such assets as may meet the requirements of the lending corporation.

Excess borrowing.

R. F. C.,
Federal Reserve Bank,
Federal Intermediate Credit Bank.

3. When it shall appear to the supervisor that any bank or trust company is habitually borrowing for the purpose of reloaning, 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

Borrowing and reloaning.

Re-discounting.

or trust company shall issue the note of such corporation for money borrowed or rediscount 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.

Violation.

Amends
§ 3269, Rem.
Comp. Stat.

SEC. 25. Section 3269 of Remington's Compiled Statutes is amended to read as follows:

Liquidation.

Section 3269. Upon taking possession of any bank or trust company, the supervisor of banking 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 borrow, mortgage, pledge or sell all or any part of the real estate and personal property of such corporation. He shall deliver to each purchaser or lender an appropriate deed, mortgage, agreement of pledge or other instrument of title or security. If real estate is situated outside of said county, a certified copy of the orders authorizing and confirming the sale or mortgage thereof shall be filed for record in the office of the auditor of the county in which such property is situated. He may appoint special deputy supervisors 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.

Superior
court to
approve.

Appointment
of deputy
supervisors.

Attorney.

SEC. 26. Section 3288 of Remington's Compiled Statutes is amended to read as follows: Amends
§ 3288, Rem.
Comp. Stat.

Section 3288. An officer, director or employee of any bank or trust company who shall fraudulently receive for it any deposit, knowing that such bank or trust company is insolvent, shall be guilty of a felony. Deposits
fraudulently
received.

SEC. 27. Section 3289 of Remington's Compiled Statutes is amended to read as follows: Amends
§ 3289, Rem.
Comp. Stat.

Section 3289. No loan shall be made by a bank or trust company unless it has on hand more than the minimum of available funds required by law, and no loan shall be made if thereby its available funds be reduced to less than such minimum. During a period in which a savings bank is requiring notice of intention to withdraw deposits, it shall not make any loan or investment to which it is not irrevocably committed. Loans shall
not be
made, when.

SEC. 28. This act is necessary for the immediate preservation of the public peace and safety, and for the support of the state government and its existing public institutions, and shall take effect immediately. Effective
immediately.

Passed the Senate February 16, 1933.

Passed the House February 18, 1933.

Approved by the Governor February 27, 1933.