

## CHAPTER 49.

[S. B. 389.]

## BANK STABILIZATION ACT.

AN ACT relating to banks and banking, the stabilization and reorganization of banks, defining banks, extending the powers of the supervisor of banking, repealing chapter 44 of the Laws of 1933, and declaring an emergency.

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

Bank Stabilization Act.

SECTION 1. This act shall be known as the bank stabilization act.

Supervisor empowered to authorize banks to postpone payment of deposits.

SEC. 2. The supervisor of banking is hereby empowered, upon the written application of the directors of a bank, if in his judgment the circumstances warrant it, to authorize a bank to postpone, for a period of ninety days and for such further period or periods as he may deem expedient, the payment of such proportions or amounts of the demands of its depositors from time to time as he may deem necessary. The period or periods of postponement and the proportions or amounts of the demands to be deferred shall be determined by him according to the ability of the bank to pay withdrawals. By the regulations prescribed for deferred payments, the supervisor may classify accounts and limit payments to depositors of the several classes differently. The supervisor's orders, regulations and directions shall be in writing and be filed in his office, and copies thereof shall be delivered to the bank and be forthwith posted in a conspicuous place in the banking room.

Bank to remain open during postponement. Limitations.

SEC. 3. During postponement of payments the bank shall remain open for business and be in charge of its officers, but shall not make any loans, investments or expenditures except such as the supervisor will approve as necessary to conserve its assets and

pay the costs of operation. The bank's failure during a period of postponement to repay deposits existing at the commencement of the period, shall not authorize or require the supervisor to take charge of or liquidate the bank, nor constitute ground for the appointment of a receiver.

Supervisor not to take charge.

SEC. 4. Deposits received during a period of postponement and for sixty days thereafter shall be kept separate from other assets of the bank, shall not draw interest, shall not be loaned or invested except by depositing with reserve banks or investing in liquid securities approved by the supervisor, and shall be withdrawable upon demand. If during a postponement of payments, or at the expiration thereof, the supervisor shall take charge of the bank for liquidation, deposits made during the period of postponement shall be deemed trust funds and be repaid to the depositors forthwith.

Deposits during postponement period.

SEC. 5. At the request of the directors of a bank, the supervisor may propose a plan for its reorganization, if in his judgment it would be for the best interests of the bank's creditors and of the community which the bank serves. The plan may contemplate such temporary ratable reductions of the demands of depositors and other creditors as would leave its reserve adequate and its capital and surplus unimpaired after the charging off of bad and doubtful debts; and also may contemplate a postponement of payments as in a case falling within section 2. The plan shall be fully described in a writing, the original of which shall be filed in the office of the supervisor and several copies of which shall be furnished the bank, where one or more copies shall be kept available for inspection by stockholders, depositors and other creditors.

Plan for reorganization.

Filed.

Open for inspection.

SEC. 6. If, within ninety days after the filing of the plan, creditors having unsecured demands

Operation of plan.

Unsecured  
creditors to  
approve.

against the bank aggregating not less than three-fourths of the amount of the unsecured demands of all its creditors, approved the plan, the supervisor shall have power to declare the plan to be in effect. Thereupon the unsecured demands of creditors shall be ratably reduced according to the plan and appropriate debits shall be made in the books. The right of a secured creditor to enforce his security shall not be affected by the operation of the plan, but the amount of any deficiency to which he may be entitled shall be reduced as unsecured demands were reduced. If the plan contemplates a temporary postponement of payments, section 2, 3 and 4 shall be applicable, and the bank shall comply therewith and conduct its affairs accordingly.

Secured  
creditors.

Dividends.

SEC. 7. A bank for which such a plan has been put into effect shall not declare or pay a dividend or distribute any of its assets among stockholders until there shall have been set aside for and credited ratably to the creditors whose demands were reduced an amount equal to the aggregate of the reductions.

Failure to  
pay in full,  
effect of.

SEC. 8. The failure of a bank operating under such a plan to pay to a creditor at any time a sum greater than the plan then requires, shall not constitute a default nor authorize or require the supervisor to take charge of or liquidate the bank nor entitle the creditor to maintain an action against the bank.

Incorporation  
of new  
bank.

SEC. 9. If the net assets of a bank operating under such a plan are sufficient to provide the capital and surplus of a newly organized bank in the same place, the supervisor, under such reasonable conditions as he shall prescribe, may approve the incorporation of a new bank and permit it to take over the assets and business and assume the liabilities of the existing bank.

To assume  
assets and  
liabilities.

SEC. 10. In this act the word "bank" includes savings banks, mutual savings banks and trust companies, and "directors" shall include trustees.

"Bank."  
"Directors."

SEC. 11. Chapter 44 of the Laws of 1933 is hereby repealed. Such repeal, however, shall not be construed to invalidate any action or actions heretofore taken pursuant thereto.

Repeals ch.  
44, Laws of  
1933.

SEC. 12. If any clause, part or section of this act shall be adjudged invalid, such judgment shall not affect nor invalidate the remainder of the act, but shall be confined in its operation to the clause, part or section directly involved in the controversy in which such judgment was rendered. If the operation of any clause, part or section of this act shall be held to impair the obligation of contract, or to deny to any person any right or protection secured to him by the constitution of the United States of America, or by the constitution of the State of Washington, it is hereby declared that, had the invalidity of such clause, part or section been considered at the time of the enactment of this act, the remainder of the act would nevertheless have been adopted without such and any and all such invalid clauses, parts or sections.

Partial  
invalidity.

SEC. 13. 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 institutions, and shall take effect immediately.

Effective  
immediately.

Passed the Senate March 1, 1933.

Passed the House March 1, 1933.

Approved by the Governor March 1, 1933.